

## BULLETIN

TO: Credit Insurance Companies

RE: Revisions to COMAR 31.13.01 -  
Standards for Credit Life and Credit Health Insurance

DATE: December 12, 2000

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### SUMMARY OF MAIN REVISIONS TO COMAR 31.13.01, STANDARDS FOR CREDIT LIFE AND HEALTH INSURANCE, EFFECTIVE MARCH 1, 2001

The Maryland Insurance Administration has made substantive revisions to the credit life and credit health insurance regulations contained in COMAR 31.13.01. The revisions will be effective on March 1, 2001.

The proposed revisions were published in the Maryland Register on January 28, 2000, and re-published in the August 11, 2000 issue. The regulations were published for Final Action in the November 3, 2000 issue of the Maryland Register.

In order to assure that your filing will be handled in time to be compliant with the March 1, 2001 effective date, we recommend the filing be received by us no later than January 15, 2001. The submission of policy and certificate endorsements rather than the submission of complete policies and certificates may hasten the approval process.

The below listed changes to the regulations are deemed the most relevant to most insurers. Each insurer, however, is responsible to ascertain the scope of all the revisions and the effect thereof on the insurers business practices in Maryland, as policy forms and rates currently in use may be non-compliant on March 1, 2001, the effective date of the regulations. Please note that currently approved case premium rates are not affected by the regulatory revisions.

1. Regulation .10 has been amended to:
  - a. Reduce the gross decreasing and the monthly outstanding balance credit life prima facie premium rates by 24% to levels anticipated to satisfy the 55% loss ratio regulatory requirement.
  - b. Eliminate the single premium split rate structure that requires the use of a lower rate for terms exceeding 48 months.
  - c. Increase the joint life factor to 1.80 times the single life rate.
  
2. Regulation .11 has been amended to change the single premium net payoff computation method from the use of a single premium rate per \$100 of initial coverage

per year to the use of the actuarial method using the prima facie monthly outstanding balance rate.

3. Regulation .15 has been amended to:

- a. Reduce the single premium and the monthly outstanding balance credit health prima facie premium rates by 22% to levels anticipated to satisfy the 55% loss ratio regulatory requirement.
- b. Clarify that premiums are to be based on the amount of insurance rather than the amount of indebtedness.
- c. Clarify that premiums are to be based on the term of insurance rather than the term of the loan.
- d. Provide a joint factor of 1.80 times the single rate to insure two debtors jointly.
- e. Require that premium rates for critical period and for lump sum payoff credit disability insurance be reduced consistently with the reduction in the general prima facie premium rates.

4. Regulation .04B(6) has been amended to clarify that the \$50,000 threshold in the definition of a case is based on gross premiums before refunds and at prima facie rates.

5. Regulation .06C has been amended to require the submission of joint health coverage experience separately from single health coverage experience.

6. Regulation .08C has been amended to require insurers to include a listing of the creditors that have been combined to form a case.

7. Regulation .08G has been added to require that if a credit health insurance coverage plan of a creditor qualifies as a case, the case experience submitted by the insurer shall include the experience of all credit health insurance coverage plans written by the creditor. If the case experience requires a downward rate adjustment, the adjustment shall be applied to all credit health insurance coverage plans written by the creditor.

8. Regulations .13B and .17B have been added to clarify that if an insurer requires evidence of insurability on initial amounts of credit life or credit health insurance that do not exceed \$15,000 or on revolving credit accounts when the maximum insurable credit account limit does not exceed \$15,000, premium rates shall be reduced by 10% for all credit life and/or credit health insurance sold through the same creditor. The 10% reduction does not apply if evidence of insurability is required only from debtors whose initial amount of insurance or maximum insurable credit account limit exceeds \$15,000, or from debtors who apply for the insurance coverage more than 30 days after they are first eligible to apply.

9. Regulation .18 has been amended to:

- a. Simplify the formula used to calculate premium rate increases.
- b. Change the prima facie loss ratio acceptable ranges as a result of the prima facie rate reductions.

10. Regulation .20A has been amended to permit the maximum permissible commission to be based on the prima facie premium rate rather than on the lower of the prima facie rate or the actual premium rate.

11. Regulation .22 has been amended to:

- a. Eliminate the registration requirement for enrollers.
- b. Repeal the prohibition on writing credit health insurance on a joint life basis.
- c. Clarify that E of this regulation, which limits level term credit life insurance to a maximum term of 18 months, does not apply to the level term portion of credit life insurance on balloon loans.
- d. Clarify that F of this regulation, which prohibits level term credit life insurance on loans repayable in installments, does not prohibit level term credit life insurance on the level term portion of a balloon loan.
- e. Prohibit the inclusion of dismemberment coverage on a loan that has credit health coverage, regardless of the policy that contains the dismemberment coverage.
- f. Expand J of this regulation to include advance loan payments (definition added to .04B(3)).
- g. Prohibit accidental death insurance on a loan covered by credit life insurance.

12. Regulation .23 has been amended to:

- a. Eliminate the prohibition against including both level and decreasing coverages in the same individual policy or group certificate.
  - b. Eliminate the prohibition against including both single life and joint life coverages in the same individual policy or group certificate.

13. Regulation .28 has been added to require that the credit life and/or credit health insurance policy and certificate contain provisions that limit the time period during which the insurer may cancel coverage issued in excess of policy maximums or issued in error to a debtor who has correctly answered the underwriting questions. Single premium coverage must be cancelled within 60 days of the effective date and prior to a loss. Outstanding balance coverage must remain in force for the period for which a premium was charged, and may be cancelled with no less than 31 days notice and prior to a loss.

In addition to the above, the Maryland Insurance Administration wishes to remind insurers issuing credit life and/or credit health insurance in Maryland that the below listed revisions to COMAR 31.13.01 became effective May 15, 2000. These revisions were published originally in the January 28, 2000 issue of the Maryland Register, and were published for Final Action in the May 5, 2000 issue.

1. Regulation .04B was amended to include a definition of new case.
2. Regulation .06 was amended to:
  - a. Require an insurer to file notice with the Commissioner by June 30 of each account that has qualified as a new case for the previous calendar year.
  - b. Require the filing by June 30 of the most recent calendar years experience data for a new case.

3. Regulation .08 was amended to eliminate the requirement that insurers submit an annual listing of Maryland cases.

4. Regulation .29 was added to:

- a. Require an insurer to provide notification to the Commissioner within 90 days after the insurer ceases to offer credit insurance through a case.
- b. Require an insurer to submit case experience data for an account for the calendar year in which the insurer has begun to offer credit insurance through the account if the prior insurer submitted a new case notification for the previous calendar year for the account pursuant to Regulation .06.
- c. Require an insurer that begins to offer credit insurance through a case after the end of the established experience period of the prior insurer but prior to the effective date of new rates based on that experience period, to use premium rates no greater than those new rates.

Insurers should review their Maryland account activity to identify any cases through which the insurer ceased to offer credit insurance on or after May 15, 2000. Any such cases must be immediately reported to the Maryland Insurance Administration in accordance with Regulation .29. Failure to do so is a violation of COMAR 31.13.01 and will subject the insurer to administrative penalties.

Questions about this Bulletin may be directed to W. Bruce Grammer, Credit Insurance Administrator, at 410-468-2223.

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