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BULLETIN

To: Credit Insurance Companies

**Re: Notification of Promulgation of COMAR 31.13.03, Standards
for Credit Involuntary Unemployment Benefit Insurance**

Date: July 30, 2002

Bulletin: Life and Health 02-15

The Maryland Insurance Administration has adopted credit involuntary unemployment benefit insurance regulations contained in COMAR 31.13.03. These regulations will be effective **January 1, 2003**.

The proposed regulations were published in the Maryland Register on January 25, 2002. They were published for final action in the June 14, 2002 issue.

The regulations establish prima facie premium rates and contain specific policy form requirements and restrictions: therefore, insurers writing credit involuntary unemployment benefit insurance in Maryland must file new premium rates and forms. In order to assure that your filings will be reviewed in time to be compliant with the January 1, 2003 effective date, we recommend that the filings be sent to us no later than October 1, 2002.

THE FOLLOWING IS A SUMMARY OF THE REGULATIONS THAT ARE PARTICULARLY RELEVANT. THE MARYLAND INSURANCE ADMINISTRATION EXPECTS EACH INSURER TO REVIEW THE COMPLETE TEXT OF THE REGULATIONS IN ORDER TO DETERMINE THE INSURER'S RESPONSIBILITIES UNDER THESE REGULATIONS. IT IS LIKELY THAT FORMS AND RATES THAT ARE CURRENTLY IN USE WILL NOT BE COMPLIANT AS OF JANUARY 1, 2003.

- Regulation .04B(15) contains the definition of “Family leave,” coverage for which is permissible under Chapter .03.
- Regulation .04B(18) contains the definition of “Involuntary unemployment.”
- Regulation .04B(23) defines “Plan of benefits” as either a 30-day elimination period or a 30-day retroactive waiting period with 6, 9, 12, 18, or 24 maximum monthly benefits.
- Regulation .06 contains statistical reporting requirements similar to those contained in COMAR 31.13.01, Standards for Credit Life and Credit Health Insurance.
- Regulation .08 establishes case rating procedures similar to those contained in COMAR 31.13.01, Standards for Credit Life and Credit Health Insurance.
- Regulation .09B prohibits premium rates for use with forms that have less restrictive requirements than those described in Chapter .03 from exceeding the prima facie rates specified in Regulation .10.
- Regulation .10 establishes prima facie premium rates per \$10 of monthly benefit for 6, 9, 12, 18, and 24 maximum number of monthly benefits.
- Regulation .11 contains underwriting requirement limitations, including:
 - A maximum employment requirement of 30 days as of the insurance effective date.
 - No age restriction, except that there may be if the same age restriction applies to credit life or credit health insurance on the same debt.
 - Regulation .11B contains the permitted benefit exclusions.
- Regulation .14 contains refund requirements, including the requirement that the unearned involuntary unemployment benefit insurance premium be refunded upon the death of the insured debtor.
- Regulation .15 establishes maximum commissions that may be paid to insurance producers and creditors.
- Regulation .17 contains a description of prohibited transactions, including benefit eligibility requirements and restrictions:
 - The insured debtor may not be required to have been employed a certain number of hours per week or for a certain period of time as of the date of loss.
 - Re-eligibility requirements include that the conditions for benefits for a subsequent period of involuntary unemployment may not be more stringent than the initial eligibility requirements.

- Regulation .19 requires certain notices to debtors, including:
 - Debtors insured by monthly outstanding balance coverage shall receive at least 31 days notice prior to coverage cancellation due to termination of the group policy.
 - There must be a prominent notice close to the schedule of a monthly outstanding balance certificate stating that the insurance will terminate if the group policy is cancelled.
 - There must be a prominent notice in individual policies and in certificates of insurance that the monthly benefit may not cover the entire monthly loan payment and that the total benefit may not cover payment of all the remaining debt as of the date of loss.
 - There must be a notice in or close to the schedule of benefits of individual policies and certificates of insurance stating any limit on the maximum number of monthly benefits that will be provided per occurrence of involuntary unemployment and stating any limit on the maximum number of monthly benefits that will be provided in total over the term of insurance.

- Regulation .20 contains benefit requirements, including:
 - The amount of the monthly benefit under revolving (open end) coverage shall be the greater of the minimum payment required by the creditor or 3% of the insured debt as of the date of involuntary unemployment, subject to any policy maximum.
 - After the applicable waiting period has been satisfied, a daily benefit equal to 1/30th of a full monthly benefit must be paid for each day of an involuntary unemployment period of less than a full month.
 - The benefit payable under joint coverage when only one of the insured debtors is receiving benefits may not be less than the benefit that would be payable if both joint insureds were eligible for benefits. Joint proportional coverage is not permitted.
 - If a policy requires registration with the Maryland Office of Unemployment Insurance or a recognized employment agency within a stated time period, such period shall not be less than 15 days. If registration occurs after 15 days, benefits may not be denied for periods of unemployment after the date of registration.

- Regulation .21 requires an insurer to conduct a tri-annual review of each of its creditor accounts transacting credit involuntary unemployment benefit insurance in Maryland.

- Regulation .23 requires that the credit life and/or credit health insurance policy and certificates 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 may 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.

- Regulation .24 contains change of insurer reporting and rate requirements:
- An insurer must provide notification to the Commissioner within 90 days when the insurer ceases to offer credit insurance through a case.
 - An insurer must 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.
 - 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 must use premium rates no greater than those new rates.

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

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Deputy Commissioner