

# COMMONWEALTH OF VIRGINIA

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## ADMINISTRATIVE LETTER 2004-2

**To: All Insurers Licensed in Virginia to Write Credit Life Insurance or Credit Accident and Sickness Insurance**

**Re: General Compliance Issues  
Notice of Examination**

It has recently been brought to my attention that a number of insurers writing credit life insurance and credit accident and sickness insurance in Virginia are failing to comply with certain statutory or regulatory requirements. Violations have been identified in policy forms and disclosures as well as in procedures relating to issuance and administration. The purpose of this letter is to summarize some of the more common violations my staff has identified and to notify all companies that the Bureau of Insurance, (the Bureau) will soon conduct target market conduct examinations of all licensed carriers to ensure that these problems, and any others that may be identified during the course of the examination, have been or will be corrected. Each company will be notified in advance of its scheduled examination time. It is my expectation that each affected company will immediately review this letter, and will take any and all necessary steps to ensure compliance with all applicable requirements well in advance of its scheduled examination date.

The following are some of the more commonly identified problems. This list is not all-inclusive, however. Companies are encouraged to review all statutory requirements in Chapter 37.1 of Title 38.2 of the Code of Virginia, as well as relevant chapters of the Virginia Administrative Code.

- Credit Life Insurance and Credit Accident and Sickness Insurance may not be issued in connection with a loan of more than ten years duration. Refer to § 38.2-3717 (1) of the Code of Virginia.
- The Bureau has identified a number of instances in which companies failed to include the appropriate disclosure in policies or certificates providing truncated or critical period coverage. The Bureau has also identified instances in which important information relevant to the policy or certificate was omitted. Refer to § 38.2-3724 of the Code of Virginia.
- The Bureau has received a number of complaints involving misrepresentations in applications made for credit life or credit accident and sickness insurance.

Insurers are cautioned that they, (or those to whom they have delegated this responsibility), should be diligent and thorough in asking health questions and in properly recording the responses to those questions. If an applicant's response results in his or her ineligibility for coverage or in the issuance of coverage other than as applied for, all appropriate Adverse Underwriting Decision notification procedures must be followed. Refer to § 38.2-610 of the Code of Virginia. Insurers are also reminded that it is their responsibility to ensure that all duties delegated to a creditor are discharged in accordance with applicable laws and regulations. The Bureau will hold the insurer responsible and accountable for any failures, oversights, omissions or violations committed by the creditor conducting business on behalf of the insurer.

As part of the market conduct examination process, Bureau staff will also review all credit life and credit accident and sickness insurers' training programs, processes and procedures to ensure that they have satisfactorily implemented a program of instruction as required in the definition of "Limited Lines Credit Insurance Agent" found in § 38.2-1800 of the Code of Virginia.

Questions relating to this matter should be directed **IN WRITING** to:

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Yours truly,



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