

COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

February 17, 2009

Administrative Letter 2009 – 01

TO: All Carriers Licensed to Market Credit Life Insurance or Credit Accident and Sickness Insurance in Virginia

**RE: Credit Insurance Experience Exhibits
§ 38.2-3730 of the Code of Virginia**

In accordance with § 38.2-3730 B of the Code of Virginia, adjustments to the prima facie rates applicable to credit life and credit accident and sickness insurance for the triennium commencing January 1, 2010 will be established and published later this year. This letter serves as a reminder to all carriers licensed to write either or both of these coverages that the Credit Insurance Experience Exhibit (CIEE) for the 2008 reporting year, from which information will be obtained to properly calculate these rates, must be submitted to the Commission no later than **April 1, 2009**. All companies were instructed, by letter dated December 11, 2008, to submit a copy of this exhibit to the Life and Health Forms and Rates Section of the Bureau of Insurance, (the Bureau). Because of the time constraints under which the rate calculation must be completed, **it is imperative that complete and accurate CIEEs are provided to the Bureau on or before April 1, 2009.**

Attached to this administrative letter are examples of some of the problems identified with CIEE filings in previous years. In some instances, although information was correct, an explanation was necessary to properly evaluate the information. Companies are hereby directed to review the attachment to ensure that similar problems do not recur this year. Please note that the CIEE must be filed on a direct basis, i.e. before taking into account reinsurance ceded, and that "NONE" should be clearly stated on the first page of a CIEE that does not contain Virginia experience.

In order to expedite the review of each CIEE that contains Virginia experience, we encourage companies to complete the attached questionnaire and ask that it be submitted with the completed CIEE. To help facilitate the completion of the questionnaire, companies may download it from the Bureau's website at:

http://www.scc.virginia.gov/division/boi/webpages/inspagedocs/ci_ques.pdf

Administrative Letter 2009-01
February 17, 2009
Page 2 of 2

We also encourage companies to submit the CIEEs and the questionnaires to the Life and Health Forms and Rates Section via e-mail at the address noted below.

Please contact the Bureau with any questions or requests for clarification of any of the above as early as possible. The CIEE filings, as well as questions, should be directed to:

Amanda G. McCauley
Senior Insurance Market Examiner
Life and Health Division
P.O. Box 1157
Richmond, Virginia 23218
804-371-0034
804-371-9944 (Fax)
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Cordially,



Alfred W. Gross
Commissioner of Insurance

AWG/rfg

Attachment

The following are examples of problems identified in filings of the Credit Insurance Experience Exhibits (CIEEs) in previous reporting years. Companies are directed to review the information below to ensure that similar problems do not recur in their 2008 CIEEs. Any of the following situations legitimately applicable to a 2008 CIEE should include an appropriate explanation in the attached questionnaire.

- **Wrong state submitted, state not indicated, or Virginia experience not separated.** The Bureau received a number of exhibits in which a section was missing, the wrong state or year was submitted, or Virginia experience was not provided separately, i.e. Grand Totals.
- **Prima facie premium not listed.** The prima facie premium is needed to evaluate the rates. Each company should explicitly state the prima facie premium on the appropriate exhibit line, even if it is the same as earned premium.
- **Prima facie premiums greater than earned premiums.** While this may not be a problem, our experience is that most companies charge the maximum rate allowed. This may be indicative of a miscalculation, especially on MOB business.
- **Earned premiums greater than prima facie premium.** For MOB business, this may be indicative of a miscalculation. Such premiums violate statutes unless the premium rates have been approved. If the premium rates have been approved, we ask that reporting carriers provide the Bureau with the approval date(s) to facilitate our analysis.
- **Changes in the reserves reported from the end of one reporting year to the beginning of the subsequent reporting year.** This can cause previously charged premium and claims to disappear. It can also cause claims without corresponding premium and vice versa. Restatement of opening reserves merely results in delay and unnecessary expense for the Bureau and, in light of the purpose of these CIEEs, companies should ensure that opening reserves (at the beginning of the year) are equal to closing reserves (at the end of the previous year).
- **Claim reserve errors.** These cause inaccurate incurred claims and may also indicate inadequate reserves for the product line.
- **Premium reserve errors.** These cause inaccurate premium reserve calculations.

- **Assumption reinsurance transactions.** If any business is transferred by assumption reinsurance, include a cover letter identifying the companies involved and the reserve amounts impacted by the transaction.
- **Company Name Changes or Mergers.** If the reporting company has changed its name and/or has been involved in a merger, full details should be provided to enable the Bureau of Insurance to appropriately combine experience for the past three years.
- **Calculation of Earned Premium at Prima Facie Rates.** Prima facie premium must be calculated using the prima facie rates approved and published by the Bureau effective January 1, 2007. Approval by the Bureau to charge alternate rates or use alternative rate structures does not constitute a change to the published prima facie rates, and these alternative rates or rates structures should not be used in calculating earned premium at prima facie rates.

Company Name: _____

NAIC #: _____

Questionnaire

1. Are both the *earned premiums* and *earned premiums at prima facie rates* stated?

____ Yes ____ No

What adjustments, if any, were made to the earned premiums at prima facie rates? Please explain in detail how the adjustments were made. If none were made, please explain why not.

2. Are incurred claims stated without stating earned premiums and earned premiums at prima facie rates? ____ Yes ____ No If "yes," please explain.

3. Are the beginning of year (BOY) reserves equal to the prior years' stated end of year (EOY) reserves? ____ Yes ____ No If "no," please provide a detailed explanation. (This applies to the premium, IBNR and claim reserves.)

4. Are the BOY reserves positive but no data was reported last year? ____ Yes ____ No
If "yes," please explain.

5. Has the reserve methodology changed since the prior year's CIEE was filed in Virginia?
____ Yes ____ No If "yes," please explain.

Administrative Letter 2009-01
Attachment - Page 4 of 4

6. Was any business transferred by assumption reinsurance? ____Yes ____No If "yes," identify the companies involved and explain how any values in the CIEE have been impacted by the transaction.
7. Has the Company changed its name or has the Company been involved in a merger since the prior year's CIEE was filed in Virginia? ____Yes ____No If "yes," please provide complete details in order that the Bureau of Insurance can appropriately combine experience for the past three years.
8. Have all totals been verified as correct? ____Yes ____No If "no," please explain.
9. Does the CIEE contain any negative numbers? ____Yes ____No If "yes," please provide a detailed explanation.

Completed by: _____

Title: _____

Date: _____

Phone #: _____

Email Address: _____

Please send response to:

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(Revised 1/28/09)