

COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

September 8, 2009

Administrative Letter 2009 – 08

To: All Insurers Licensed to Market Credit Life Insurance or Credit Accident and Sickness Insurance in Virginia and Interested Parties

Re: Credit Life Insurance and Credit Accident and Sickness Insurance Premium Rates Effective January 1, 2010 and 2009 House Bill 1972

This Administrative Letter serves to remind all insurers marketing Credit Life Insurance or Credit Accident and Sickness Insurance in Virginia of changes involving premium rates and contract forms that recently became or will soon become effective. The Bureau of Insurance will monitor policy form and rate submissions and market conduct activity to ensure compliance with both of the following requirements and will follow-up as necessary and appropriate, with any carrier found to be using forms or rates that do not comply with the following:

Premium Rates for Credit Life and Credit Accident Insurance

On July 16, 2009, the Virginia State Corporation Commission issued an *Order Adopting Adjusted Prima Facie Rates for the Triennium Commencing January 1, 2010*, Case No. INS-2009-00026. All insurers licensed to market credit life insurance or credit accident and sickness insurance in Virginia were mailed a copy of the Order and the adopted rates on July 23, 2009. The adjusted prima facie rates for the triennium commencing January 1, 2010 will remain in effect until January 1, 2013.

Each company marketing credit life insurance or credit accident and sickness insurance in Virginia must submit the rates and refund formulas applicable to the upcoming triennium to the Bureau for approval. Each filing should include the following information:

- The specific single premium and monthly outstanding balance (MOB) rates and rate formulas, and examples of the rate formulas;
- All refund formulas, including examples;
- Any other information required to document the development of the rates and refund formulas;
- The date of previously approved formulas;
- The form number to which each rate or formula will apply; and
- A description of the referenced forms.

A request for approval of a deviated premium rate or rates to be effective on or after January 1, 2010 may be included as part of the actuarial memorandum referenced above. It should be noted that previously approved deviated premium rates can only be used through December 31, 2009, in accordance with § 38.2-3728 C 1 of the Code of Virginia.

The filing requirements for credit life insurance and credit accident and sickness insurance filings may be found on the Bureau's website at:

<http://www.scc.virginia.gov/division/boi/webpages/boinaicproductreviewchecklistlh.htm>

My staff will review filings as promptly as possible; however, companies that delay making filings after December 1, 2009 cannot be assured that our review will be completed by January 1, 2010. Any insurer that has not received the Bureau's approval of its rates and refund formulas on or before January 1, 2010 must cease marketing credit life insurance or credit accident and sickness insurance in Virginia as of January 1, 2010 and must cease charging premiums for existing MOB contracts as of January 1, 2010 until such date that it has received the Commission's approval, as noted above.

2009 House Bill 1972

House Bill 1972, enacted by the Virginia General Assembly during the 2009 legislative session, amended §§ 38.2-3724, 38.2-3729, 38.2-3735 and 38.2-3737 in the Credit Life and Credit Accident and Sickness Insurance Chapter. Among other things, these statutory amendments call for specific, prominent disclosure in credit life or credit accident and sickness insurance policy forms and certificates relating to the payment of refunds. Carriers are also required to retain documentation of having appropriately notified debtors of their rights to refunds. All carriers should have modified their forms and procedures, and secured any necessary approvals, prior to July 1, 2009 in order to ensure compliance with these new requirements. The Bureau will monitor form filings, consumer complaints and market activity, and will recommend appropriate action against any insurer found to have been in violation of the provisions of HB 1972 with respect to policies or certificates issued on and after July 1, 2009.

Any questions with regard to any of the above matters should be directed to:

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Cordially,



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