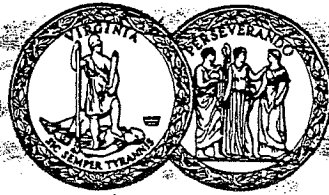


JAMES M. THOMSON
COMMISSIONER OF INSURANCE
THOMAS S. NARDO
FIRST DEPUTY COMMISSIONER

COMMONWEALTH OF VIRGINIA



BOX 1157
RICHMOND, VA. 23209
TELEPHONE (804) 786-3741
LETTER

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

REPLACED

November 9, 1983

**By Administrative
Letter 1984-4**

Administrative
Letter 1983 -11

TO: All Companies Licensed to Sell Credit Life Insurance and Credit Accident and Sickness Insurance in Virginia

RE: Insurance in Connection with Variable Rate Loans

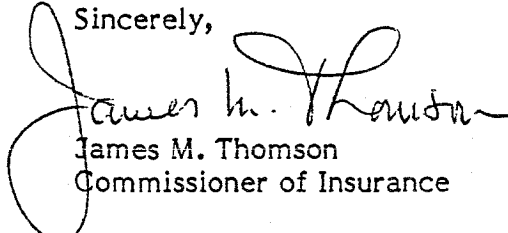
The Virginia Bureau of Insurance has received many inquiries from lending institutions and insurance companies marketing credit life and credit accident and sickness insurance as to whether or not these lines of insurance may be written in connection with variable rate loans. The Bureau has consistently taken the position that this can be accomplished by the use of insurance issued on the monthly outstanding balance basis but that it may not be done by the use of a single premium decreasing term policy. In the event that there is a fixed amount loan in conjunction with a fixed monthly payment, the insurance could exceed the scheduled or actual amounts of unpaid indebtedness if the variable rate were decreased, which would violate the provisions of Section 38.1-482.4 of the Code of Virginia, as amended.

The purpose of this letter is to notify all insurance companies marketing these lines of insurance of this statutory requirement in Virginia.

Any companies having questions or comments regarding the contents of this letter should address them to:

Robert L. Wright, CLU
Supervisor
Forms and Rates Section
Life and Health Division
Bureau of Insurance
P. O. Box 1157
Richmond, Virginia 23209

Sincerely,


James M. Thomson
Commissioner of Insurance