

Commonwealth of Virginia

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

November 7, 1997

Administrative Letter 1997-12

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

RE: Credit Life Insurance and Credit Accident and Sickness Insurance Premium Rates Effective January 1, 1998

On August 19, 1997, the Virginia State Corporation Commission (the "Commission") issued an *Order Adopting Adjusted Prima Facie Rates for the Triennium Commencing January 1, 1998*, Case No. INS970158. A technical, non-substantive *Amending Order* was issued by the Commission on September 24, 1997. 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 August 21, 1997, and a copy of the Amending Order on October 3, 1997. Pursuant to § 38.2-3725 E of the Code of Virginia, the adjusted prima facie rates for the triennium commencing January 1, 1998 will remain in effect until January 1, 2001.

In accordance with §§ 38.2-3728 A and 38.2-3729 C of the Code of Virginia, each company that markets credit life insurance or credit accident and sickness insurance in Virginia will be required to file an actuarial memorandum setting forth the rates, rate formulas and refund formulas that it intends to use in Virginia effective January 1, 1998. This memorandum should include, but not be limited to, the specific single premium and monthly outstanding balance (MOB) rates and rate formulas, the methodology used to calculate the credit accident and sickness MOB rates, all premium and refund formulas, including examples of each, and any other information required to document the development of these rates. The memorandum should also specify the date of previously approved formulas, provide the form numbers to which each rate or formula will apply, and provide 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, 1998 may be included as part of the actuarial memorandum referenced above. Please contact the Bureau of Insurance for the specific requirements for such a filing if needed. It should be noted that previously approved deviated premium rates can only be used through December 31, 1997, in accordance with § 38.2-3728 C 1 of the Code of Virginia. This section of the Code states that in no event will deviated rates remain in effect after the effective date that new prima facie rates are effective as set forth in § 38.2-3730 of the Code of Virginia.

My staff will review filings as promptly as possible, however, companies that delay making filings cannot be assured that our review can be completed by January 1, 1998. Any insurer that does not have revised rates and refund formulas approved by the Commission on or before January 1, 1998 must cease marketing credit life insurance or credit accident and sickness in Virginia as of January 1, 1998 and must cease charging premiums for existing MOB contracts as January 1, 1998 until such date that it has received the Commission's approval, as noted above.

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

Robert F. Grissom
Senior Insurance Market Examiner
State Corporation Commission
Bureau of Insurance
Life and Health Division - Forms and Rates Section
P.O. Box 1157
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804-371-9152

Very Truly Yours,

Alfred W. Gross
Commissioner of Insurance

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