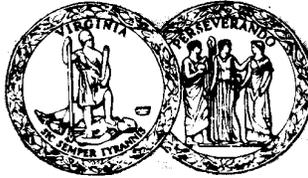


COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

January 15, 1990

Administrative Letter
1991-3

TO: All Insurers Licensed to Write Credit Accident and Sickness Insurance in Virginia

RE: Premiums Charged for Credit Accident and Sickness Insurance

The Bureau of Insurance is in the process of studying a number of issues relating to various lines of credit insurance. Preliminary findings indicate that many writers of credit accident and sickness insurance are charging premiums which are generating far less than the 50% loss ratio required by law. The Code of Virginia provides, in Section 38.2-3710.E., that benefits provided on any credit accident and sickness form shall be deemed reasonable if the rate charged or to be charged generates a loss ratio of not less than fifty percent. Section 38.2-3710.C.3. of the Code of Virginia further provides that the Commission shall withdraw approval of any forms if the premium rates or charges are not reasonable in relation to the benefits provided.

The purpose of this letter is to advise insurers writing this line of insurance to begin their own review of their loss ratios on Virginia business, and to begin the process necessary to develop rates, based upon their last three (3) calendar years of experience, when available, that produce a ratio of losses incurred to premiums earned of at least fifty percent. The Bureau of Insurance intends to complete its review of the loss ratios generated by each company writing this line of insurance shortly. If this review of the company's experience indicates that the fifty percent loss ratio has not been met, or may not reasonably be expected to be met, approval of the forms used to write credit accident and sickness insurance will be withdrawn as provided in Sections 38.2-3710.C.3. and 38.2-3710.H. of the Code of Virginia, as amended.

Insurers shall promptly review their records and, if necessary, submit amended rates to avoid the action stated in the preceding paragraph. The amended rates should be supported by clear documentation that will withstand actuarial review indicating that the amended rates will produce a loss ratio of at least fifty

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percent. This rate filing should be accompanied by a statement providing the date that the amended rates will be implemented. Any questions regarding the contents of this letter should be directed to:

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

Sincerely yours

A handwritten signature in black ink, appearing to read "S. T. Foster", with a long horizontal flourish extending to the right.

Steven T. Foster
Commissioner of Insurance

STF/ds