BUREAU OF INSURANCE

February 23, 2000

OBSOLETE

ADMINISTRATIVE LETTER 2000-1

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, 2001 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 1999 reporting year, from which information will be obtained to properly calculate these rates, must be submitted to the Commission no later than **April 1, 2000**. All companies were instructed, by letter dated December 1, 1999, to submit a duplicate copy of this exhibit to the 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 the Bureau be provided with complete and accurate CIEEs from each and every affected carrier on or before April 1, 2000.**

Attached to this administrative letter are examples of some of the problems identified with earlier CIEE filings. In some instances, information was not incorrect, but further explanation was necessary to properly evaluate the information. Companies are encouraged 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 reinsurance ceded into account.

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

Jacqueline K. Cunningham
Supervisor, Forms and Rates Section
Life and Health Division
P.O. Box 1157
Richmond, Virginia 23218
804-371-9110

Very Truly Yours,

Alfred W. Gross
Commissioner of Insurance

AWG/jkc
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 1999 CIEEs. Any of the following situations legitimately applicable to a 1999 CIEE should include an appropriate explanation.

- **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 was not broken out of the 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 is not a problem per se, 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.