

# COMMONWEALTH OF VIRGINIA



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February 14, 2018

## Administrative Letter 2018-01

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

**RE: Credit Insurance Experience Exhibits  
Virginia Code § 38.2-3730**

**This Administrative Letter Withdraws and Replaces Administrative Letter 2015-02.**

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, 2019 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 2017 reporting year, from which information will be obtained to properly calculate these rates, must be submitted in accordance with § 38.2-3730 A of the Code of Virginia, no later than **April 1, 2018**.

In order to expedite the review process, we are requesting that ALL carriers complete the attached questionnaire. This questionnaire will enable the Bureau of Insurance to distinguish carriers who have Virginia experience to report on the CIEE from those who do not have any Virginia experience to report. Carriers that have experience to report must answer all questions and submit the completed questionnaire to the Life and Health Forms and Rates Section of the Bureau. Because of the time constraints under which the rate calculation must be completed, **carriers must submit complete and accurate CIEEs, as well as the questionnaire, on or before April 1, 2018**. Please note that carriers with no experience to report are not required to answer questions 1-9 on the questionnaire; however, all carriers must return the questionnaire to the Bureau with its name, NAIC # and contact information completed.

We have attached to this administrative letter examples of some of the problems identified with CIEE filings in previous years. In some instances, although information was correct, an explanation was necessary to properly evaluate the information. Carriers

are hereby directed 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 into account reinsurance ceded.

We strongly encourage all carriers to electronically submit the questionnaires to the Life and Health Forms and Rates Section via the Company Filing Portal. To access the questionnaire and the portal, go to <http://www.scc.virginia.gov/boi/co/miscforms.aspx>, and scroll down to "Credit Insurance Experience Exhibit". You will note that instructions are provided on the Bureau's website for submitting the documents through the portal.

Please contact the Bureau with any questions or requests for clarification. Questions or requests for clarification regarding the filing of required documents should be directed to:

Amanda McCauley  
(804) 371-0034  
[amanda.mccauley@scc.virginia.gov](mailto:amanda.mccauley@scc.virginia.gov)

Questions or requests for clarification regarding the use of the portal should be directed to:

Trish Todd  
(804) 371-9195  
[trish.todd@scc.virginia.gov](mailto:trish.todd@scc.virginia.gov)

Sincerely,



Scott A. White  
Commissioner of Insurance

SAW/agm  
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 2017 CIEEs. Any of the following situations legitimately applicable to a 2017 CIEE should include an appropriate explanation in the attached questionnaire.

- **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 may not be a problem, 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, identify in the questionnaire 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 in the questionnaire to enable the Bureau to appropriately combine experience for the past three years.

- **Calculation of Earned Premium at Prima Facie Rates.** Prima facie premium must be calculated using the prima facie rates approved and published by the Bureau effective January 1, 2016. Approval by the Bureau to charge alternate rates or use alternative rate structures does not constitute a change to the published prima facie rates, and these alternative rates or rates structures should not be used in calculating earned premium at prima facie rates.

Questionnaire

Company Name: \_\_\_\_\_

NAIC #: \_\_\_\_\_

**For calendar year 2017, did the company have any earned premiums or incurred claims?**

\_\_\_\_\_ **Yes** \_\_\_\_\_ **No**

**If “yes,” please complete the entire questionnaire. If “no,” please proceed to the last page and complete the contact information only. Responses to questions 1-9 are not required.**

1. Are both the *earned premiums* and *earned premiums at prima facie rates* stated?

\_\_\_\_\_ **Yes** \_\_\_\_\_ **No**

What adjustments, if any, were made to the earned premiums at prima facie rates? Please explain in detail how the adjustments were made. If none were made, please explain why not.

2. Are incurred claims stated without stating earned premiums and earned premiums at prima facie rates? \_\_\_\_\_ **Yes** \_\_\_\_\_ **No** If “yes,” please explain.

3. Are the beginning of year (BOY) reserves equal to the prior years’ stated end of year (EOY) reserves? \_\_\_\_\_ **Yes** \_\_\_\_\_ **No** If “no,” please provide a detailed explanation. (This applies to the premium, IBNR and claim reserves.)

4. Are the BOY reserves positive but no data was reported last year? \_\_\_\_\_ **Yes** \_\_\_\_\_ **No** If “yes,” please explain.

5. Has the reserve methodology changed since the prior year's CIEE was filed in Virginia? \_\_\_\_ Yes \_\_\_\_ No If "yes," please explain.
  
6. Was any business transferred by assumption reinsurance? \_\_\_\_ Yes \_\_\_\_ No If "yes," identify the companies involved and explain how any values in the CIEE have been impacted by the transaction.
  
7. Has the Company changed its name or has the Company been involved in a merger since the prior year's CIEE was filed in Virginia? \_\_\_\_ Yes \_\_\_\_ No If "yes," please provide complete details in order that the Bureau of Insurance can appropriately combine experience for the past three years.
  
8. Have all totals been verified as correct? \_\_\_\_ Yes \_\_\_\_ No If "no," please explain.
  
9. Does the CIEE contain any negative numbers? \_\_\_\_ Yes \_\_\_\_ No If "yes," please provide a detailed explanation.

Completed by: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Phone #: \_\_\_\_\_

Email Address: \_\_\_\_\_