

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

January 19, 1982

Administrative Letter 1982-2

MEMORANDUM

TO: All Companies Licensed to Write Credit Life
and Health Insurance in Virginia

RE: Credit Life and Health Insurance

The Bureau of Insurance has conducted investigations in recent months which have disclosed problems with respect to refunds in credit insurance transactions.

Sections 38.1-482.8B and 38.1-482.8C of the Virginia Insurance Code address the matter of refunds. Refund procedures are further addressed in Section 13 of Credit Life Regulation 13. Section 15(2) of Regulation 13 addresses the insurer's responsibility concerning refunds when these procedures have been delegated to the creditor.

We have discovered that, in many instances, proper refunds are not being made. Our investigations indicate problems with refunds not being made on debts paid off prior to the scheduled maturity date. We have also discovered numerous instances of improper refund calculations (refunds made on a basis other than the Rule of 78 in the case of decreasing term insurance). Lastly, many refunds are not being made in a prompt manner. In view of this, we are suggesting that each company make a determination that proper refunds are being made, and promptly make any refunds due.

We wish to advise you that we have disciplined companies and will continue to discipline companies for violations of the Credit Life and Health Insurance Laws and Regulation as provided for in the Virginia Insurance Code. Should you have any questions concerning the matters addressed in this letter, please forward them, in writing, to William J. Gestwick or Michael R. Harper in the Bureau's Life and Health Insurance Division.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "James M. Thomson".

James M. Thomson
Commissioner of Insurance

PASjr:dj