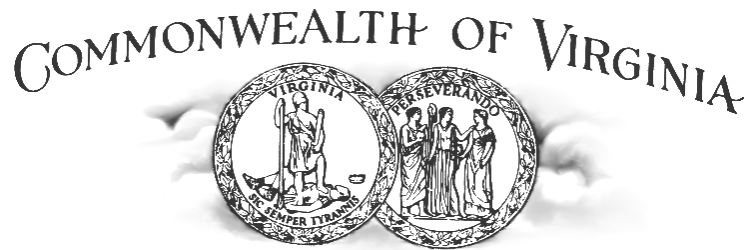


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**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

November 7, 1994

**ADMINISTRATIVE LETTER 1994-9**

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

**RE: I. Filing of Experience Reports and Adjustment of Prima Facie Rates**  
**II. Filing of Premium Rates and Refund Formulas**

I. Filing of Experience Reports and Adjustment of Prima Facie Rates

**COMPLETION OF LINE 1.G. OF THE CREDIT EXPERIENCE EXHIBIT**

Administrative Letter 1992-18, dated August 31, 1992, advised insurers to complete Line 1.G. in Parts 1 and 2 of the Credit Experience Exhibit based upon the prima facie rates set forth in that letter until instructed otherwise by the Virginia State Corporation Commission (hereinafter referred to as the Commission).

Insurers should change the method of completing Line 1.G. of the Credit Experience Exhibit for reporting business for 1994 and for all future years until instructed otherwise as follows. Line 1.G. in Parts 1 and 2 labeled, "Earned Premium at Prima Facie Rates" on the Credit Insurance Experience Exhibit for direct business in the Commonwealth of Virginia should be completed based on the prima facie rates in effect December 31st of the reporting year, as set forth in the NAIC instructions.

## II. Filing of Premium Rates and Refund Formulas

The Commission issued its Order Adopting Credit Life and Credit Accident and Sickness Insurance Rates for the Triennium 1995-1997, Case No. INS940096, on August 5, 1994. The Order sets forth rates for credit life insurance and credit accident and sickness insurance that are to be effective in Virginia on January 1, 1995. All insurers licensed to market credit life and credit accident and sickness insurance were mailed a copy of this Order and the adopted rates on August 10, 1994. These rates will remain in effect until January 1, 1998 as required by Section 38.2-3725 of the Code of Virginia, as amended.

In accordance with Sections 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 that sets forth the rates, rate formulas and refund formulas that it intends to use in Virginia effective January 1, 1995. 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. It 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.

## **REFUNDS - CREDIT ACCIDENT AND SICKNESS INSURANCE**

Section 38.2-3729.C. of the Code of Virginia requires that refund formulas for credit accident and sickness insurance with terms of 61 months or less develop refunds which are at least as favorable to the debtor as refunds based on the Rule of 78 or the actuarial method, whichever method is consistent with the original method of premium calculation. This section also requires that refund formulas for credit accident and sickness insurance with terms greater than 61 months develop refunds which are at least as favorable to the debtor as refunds based on the actuarial method. It has been determined that only the actuarial method is consistent with the original method of premium calculation for credit accident and sickness insurance. Thus, effective January 1, 1995, all filed forms and refund formulas must comply with this requirement, and refunds cannot be made based on the Rule of 78 for credit accident and sickness insurance.

**DEVIATED PREMIUMS**

Each company that has submitted and had approved a deviated premium rate is also reminded that these rates can be used only through December 31, 1994, in accordance with Section 38.2-3728.C. 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 Section 38.2-3730. A request for a deviated rate or rates to be effective on or after January 1, 1995 may be included as part of the actuarial memorandum referenced herein if desired. Please contact the Bureau of Insurance, in writing, for the specific requirements for such a filing, if needed.

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, 1995. Any insurer that does not have revised rates approved must cease marketing credit life insurance and credit accident and sickness insurance in Virginia as of January 1, 1995, and until such date that it has new rates approved.

Should you have any questions regarding this matter, please contact Robert F. Grissom, Senior Insurance Market Examiner in the Bureau's Life and Health Forms and Rates Section at the address shown above.

Sincerely yours,

Steven T. Foster  
Commissioner of Insurance

STF/ds