

Review Requirements Checklist
CREDIT ACCIDENT AND SICKNESS INSURANCE

REVIEW REQUIREMENTS	REFERENCES	COMMENTS
General Filing Requirements		
Transmittal Letter	14 VAC 5-100-40	Must be submitted in duplicate for each filing, describing each form, its intended use and kind of insurance provided.
	14 VAC 5-100-40 1	Forms submitted and described in transmittal letter must have a number that consists of digits, letters or a combination of both. (Our system limits the number of characters to 20, including spaces, commas, hyphens, etc.)
	14 VAC 5-100-40 2	Must clearly indicate if forms are replacements, revisions, or modifications of previously approved forms and describe the exact changes that are intended.
	14 VAC 5-100-40 3	Certification of Compliance signed by General Counsel or officer of company or attorney or actuary representing company is required.
	14 VAC 5-100-40 5	Description of market for which the form is intended.
	14 VAC 5-100-40 6	At least one copy of each form must be included in the filing. A duplicate copy of forms must be submitted if the company wants a "stamped" copy of forms for its records. A stamped self-addressed return envelope is required. The letter of transmittal must be addressed to: State Corporation Commission, Bureau of Insurance, P.O. Box 1157, Richmond, VA 23218.
	Administrative Letter 1983-7	Must include the name and NAIC number of the company for which the filing is made.
Forms		
Form Number	14 VAC 5-100-50 1 & § 38.2-3724 D 5	Form number must appear in lower left-hand corner of first page of each form.
Company Name & Address	14 VAC 5-100-50 2 & § 38.2-3724 B 1	Full and proper corporate name (including "Inc.") must prominently appear on cover sheet of all policies and other forms. Home office address of insurer must prominently appear on each policy.
Final Form	14 VAC 5-100-50 3	Form must be submitted in the final form in which it will be issued and completed in "John Doe" fashion to indicate its intended use.
Application	14 VAC 5-100-50 4	Any policy, which is to be issued with an attached application, must be filed with a copy of the application completed in "John Doe" fashion to indicate its intended use. (If application was previously approved, advise date of approval.)
Type Size	§ 38.2-3724 D 5	Forms must be printed with type size of at least 10 point type.
Arbitration	§ 38.2-312	Contract may not deprive courts of Virginia jurisdiction in actions against insurer. Arbitration may not be binding.

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Fraud Notice	§ 38.2-316 D 1	Title 38.2 of the Insurance Code does not define "Insurance Fraud." Any notice regarding insurance fraud is in non-compliance with this section of the Code. Variations in a notice warning of consequences of making fraudulent statements are acceptable. The notice may disclose that it does not apply in Virginia or may disclose states where applicable.
Standard Form Requirements		
Maximum Term of Loan	§ 38.2-3717	Insurance cannot be issued in connection with a loan or other credit transaction which (1) exceeds 120 months duration, (2) secured by a first mortgage or deed of trust or (3) made to finance or refinance the purchase of real property.
Amount of Credit A&S Insurance	§ 38.2-3720 B	Amount of insurance cannot exceed amount of unpaid indebtedness – benefit payable not in excess of loan payment.
Maximum Aggregate	§ 38.2-3720 C	Maximum limit on benefit payable shall apply only to each certificate, or individual policy, separately.
Term of Insurance	§ 38.2-3721 A	The term of insurance shall commence on the date when the debtor becomes obligated to the creditor. The term can be no longer than 15 days after the maturity date of the loan except when extended without additional cost to the debtor.
Renewal or Refinancing of the Indebtedness	§ 38.2-3721 B	If the indebtedness is discharged due to renewal or refinancing prior to the maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of such termination prior to scheduled maturity, a refund shall be paid or credited to the debtor as provided in § 38.2-3729. In any renewal or refinancing of the indebtedness, the effective date of coverage for purposes of application of any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the indebtedness which was renewed or refinanced at least to the extent of the remaining amount and duration of coverage in force on the indebtedness that was renewed or refinanced.
Termination of Group Credit Insurance Policy	§ 38.2-3721 C	<p>1. If a debtor is covered by a single premium policy, the policy insurance coverage with respect to any debtor insured under such policy shall be continued for the entire period for which the single premium has been paid.</p> <p>2. If a debtor is covered by an MOB policy, notice of termination shall be given to the insured debtor at least thirty days prior to the effective date of termination except where replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The notice required in this subdivision shall be given by the insurer or, at the option of the insurer, by the creditor, in writing, mailed to the insured debtor at the insured debtor's address as shown in the records of the insurer or creditor.</p>

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Termination Disclosure	§ 38.2-3721 D	The policy or certificate shall contain a provision that the insurance may be terminated upon written request of the debtor except if the insurance was required as security for any indebtedness at the time of the credit transaction. If insurance is required, the debtor shall have the right to terminate the insurance by furnishing evidence of other insurance that is at least equal in coverage and protection to the creditor.
Variable Interest Rate Loans	§ 38.2-3722	The policy or group certificate must include a disclosure that provides that (1) the death benefit can not be less than the insured scheduled amount of coverage or the amount required to liquidate the insured indebtedness, whichever is greater, and (2) that the term of insurance will continue for a period not to exceed 3 months if the actual interest rate charge at any time exceeds the original contract interest rate.
Credit A&S Reserves	§ 38.2-3723 B	For contracts other than single premium contracts, the minimum standard for valuation of reserves shall be the total gross unearned premiums calculated by the actuarial method, but not less than the aggregate amounts calculated as of the valuation date by the refund formulas approved by the Commission. For single premium contracts, the minimum standard for valuation of such reserves (1) for plans having less than a 15-day elimination period, the morbidity standard shall be the 1985 Commissioner's Individual Disability Table A as adopted by the NAIC (85CIDA) with claim incidence rates increased by 12%; (2) for plans having a greater than 14-day elimination period, the morbidity standard shall be the 85CIDA for a 14-day elimination period with claim incidence rates increased by 12%; and (3) the interest rate shall be the calendar year statutory valuation interest rate for valuation of whole life insurance determined pursuant to §§ 38.2-3132 through 38.2-3136.
	§ 38.2-3723 C	For all contracts in the aggregate, if the net premium refund liability exceeds the aggregate recorded contract reserves, the insurer shall establish an additional reserve liability that is equal to the excess of the net refund liability over the contract reserves recorded. The net refund liability may include consideration of commission, premium tax and other expenses recoverable. In all cases, such amounts must be evaluated for probability of recovery.
Policy Provisions	§ 38.2-3724 A	Each policy or certificate shall be separate and apart from the loan document.
	§ 38.2-3724 B 2	Each policy or certificate shall set forth the name of the debtor(s).
	§ 38.2-3724 B 3	Each policy or certificate shall state the age or date of birth of the debtor(s).
	§ 38.2-3724 B 4	Each policy or certificate shall set forth the premium amount separate for Life/A&S.
	§ 38.2-3724 B 5	Each policy or certificate shall include a description of coverage including the amount and term of coverage and any exceptions, limitations or restrictions.
	§ 38.2-3724 B 6	Each policy or certificate shall include a statement indicating that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness.
	§ 38.2-3724 B 7	Each policy or certificate shall include a statement that if the amount of insurance exceeds the amount necessary to discharge the indebtedness, any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate.

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Truncated/Critical Period Coverage	§ 38.2-3724 C	Any policy or certificate which provides truncated or critical period coverage or any other type of similar coverage that does not provide benefits or coverage for the entire term or amount of the indebtedness shall include a statement printed on the face of the policy or first page of the certificate that clearly describes the limited nature of the insurance. The statement shall be printed in capital letters and in bold twelve-point or larger type. Also, the policy or certificate shall not include any benefits or coverage other than truncated or critical period coverage or any other type of similar coverage that does not provide benefits or coverage for the entire term or amount of the indebtedness.
Entire Contract	§ 38.2-3724 D 1	The policy must contain a provision that the policy, or the policy and any application endorsed upon or attached to the policy when issued, shall constitute the entire contract between the parties, and all statements made by the creditor or by the individual debtors shall, in the absence of fraud, be deemed representations and not warranties.
Contestability	§ 38.2-3724 D 2	The policy must contain a provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue. No statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after the insurance has been in force for a period of two years during such person's lifetime, and prior to the date on which the claim thereunder arose.
Due Proof	§ 38.2-3724 D 3	The policy must include a provision that when a claim for the death or disability of the insured arises, settlement shall be made upon receipt of due proof of such death or disability.
Title	§ 38.2-3724 D 4	The policy and certificate must include a title, on the face page, that briefly and accurately describes the nature and form of the policy/certificate.
Readability Standards	§ 38.2-3724 D 6	Each policy/certificate must meet readability standards set forth in § 38.2-3735 E.
Free-Look Provision	§ 38.2-3724 D 7	The policy/certificate must have printed on it a notice stating in substance that if, during a period of at least 10 days from the date the policy/certificate is delivered to the policyowner or certificateholder the policy/certificate is surrendered to the insurer or its agent with a written request to cancel, the policy/certificate shall be void and the insurer must refund any premium paid for the policy/certificate.

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Refund of Premium in the Event of Early Termination Provision	§ 38.2-3724 D 8	The policy or certificate must include a provision, separate and prominently captioned, stating in substance the following: “REFUND OF PREMIUM IN THE EVENT OF EARLY TERMINATION” “In the event this insurance policy or certificate is terminated prior to its originally scheduled maturity date, or the insured indebtedness is terminated or paid off earlier than scheduled, the insurer shall, within 30 days of receipt of notification from the debtor of such termination or early payoff, refund or credit any amount paid to the debtor for the insurance beyond the actual date of termination or payoff. Early termination of debt includes termination by renewal or refinancing. The debtor’s notification to the insurer shall include proof of termination or early payoff of the insured indebtedness.”
Delivery	§ 38.2-3724 E	The policy or certificate shall be delivered or mailed to the debtor at the time the indebtedness is incurred or within 10 business days thereafter.
Notice of Proposed Insurance	§ 38.2-3724 F	If the policy or certificate is not delivered or mailed to the debtor at the time the indebtedness is incurred, or within 10 business days thereafter, a notice of proposed insurance must be delivered to the debtor. The notice must include the name and address of the insurer, the name(s) of the debtor, the age of the debtor, the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and sickness insurance and the amount, term and a brief description of the coverage provided. Upon acceptance of insurance by the insurer, and within 30 days of the date upon which the indebtedness is incurred, the insurer shall deliver or mail the individual policy or group certificate of insurance to the debtor. The insurance shall become effective as provided in § 38.2-3721.
Out of State Filing Requirement	§ 38.2-3725 B	If a group policy of credit accident and sickness insurance is delivered in another state, the insurer shall be required to file the group certificate, application or enrollment request, and notice of proposed insurance delivered or issued for delivery in this state for approval. These forms shall comply with § 38.2-3724, with the exception of subsection D and § 38.2-3737. The premium rates shall comply with those established in this chapter or it must be demonstrated to the satisfaction of the Commission that the rates are actuarially equivalent to those required by § 38.2-3727 if the coverage differs from that required in Virginia. In no case shall the premiums exceed those set by the Commission in § 38.2-3727, as amended by § 38.2-3730.
Rates	§ 38.2-3727 B	Refer to Case No. INS-2006-00013 (or the most recently published prima facie rates).
MOB Rates	§ 38.2-3727 C	Refer to formula in Code.
	§ 38.2-3727 D	A credit accident and sickness insurance form may not be issued with a waiting period, retroactive or non-retroactive, which differs from the waiting periods set forth in § 38.2-3727 A.

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Policy Provisions	§ 38.2-3727 E 1	The policy/certificate may not include a provision excluding or denying a claim for disability resulting from preexisting conditions except for those conditions for which the insured debtor received medical advice, diagnosis or treatment within six months preceding the effective date of the debtor's coverage and which caused loss within six months following the effective date of coverage.
	§ 38.2-3727 E 2	The policy/certificate may not include other provisions that exclude or restrict liability in the event of disability caused in a specific manner. The policy/certificate, however, may contain provisions excluding or restricting coverage in the event of normal pregnancy and intentionally self-inflicted injuries.
	§ 38.2-3727 E 3	The policy/certificate may not include an actively-at-work requirement more restrictive than one requiring that the debtor be actively at work at a full-time gainful occupation on the effective date of coverage. "Full-time" means a regular work week of not less than 30 hours. A debtor shall be deemed to be actively at work if absent from work due solely to regular day off, holiday or paid vacation.
	§ 38.2-3727 E 4	The policy/certificate may not include age restrictions, or only age restrictions making ineligible for coverage debtors who are age 65 or over at the time the indebtedness is incurred or debtors who will have attained age 65 or over on the maturity date of the indebtedness.
	§ 38.2-3727 E 5	The policy/certificate may provide a daily benefit equal in amount to one-thirtieth of the monthly benefit payable under the policy for the indebtedness.
	§ 38.2-3727 E 6	The definition of "disability" provides that during the first 12 months of disability the insured shall be unable to perform the duties of this occupation at the time the disability occurred, and thereafter the duties of any occupation for which the insured is reasonably fitted by education, training or experience.
	§ 38.2-3727 E 7	Provision written in connection with an open-end credit plan may provide for the cessation of insurance or reduction in the amount of insurance upon attainment of an age not less than 65.
Premium Rates	§ 38.2-3728 A	All premiums must be filed and approved. Premiums no greater than those set forth in § 38.2-3727 shall be considered reasonable.

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Deviated Premium Rates	§ 38.2-3728 B	<p>The insurer must demonstrate that use of higher rates will not result in a loss ratio less than 60% for the account to which they will apply and to the insurer on a statewide basis. The following information should be provided for a deviated rate filing:</p> <ol style="list-style-type: none"> 1. State the experience period being used for the rate deviation. This period may not exceed three (3) full years. 2. Provide the premium rates that were charged for all policies and certificates in force during the experience period. This must include all premium rates that were in effect prior to the experience period in which premium was earned during that time. 3. Provide the proposed deviated premium rates, the accounts to which such rates are intended to apply, and a detailed description of how the proposed premium rates were derived. 4. State the incurred claims <i>for each account</i> during the experience period. This should include the paid claims, beginning reserves and year-end reserves. 5. Advise if the method used for calculating the claim reserves changed during the experience period. If so, then provide a description of all methods which were used, the incurred claims restated to illustrate the incurred claims which would have resulted under each of the alternative reserve methods and an explanation of what reserve method best reflects the actual loss experience. 6. Provide a description of the method used to allocate the incurred claims and claim reserves to the accounts for the experience period. If the method changed during the experience period, then please provide a description of the methods which were used, the incurred claims restated to illustrate the incurred claims which would have resulted under each of the alternative allocation methods and an explanation of which allocation method best reflects the actual loss experience. 7. Provide for each account the earned premiums based on the prima facie rates effective on (<i>insert effective date of last triennium</i>). Please provide a description of how this calculation was made. 8. Provide each account's earned premium based on the premium that would have been earned had the proposed premium rates been in effect. Please also provide a description of how this calculation was made. 9. Provide a copy of the Credit Life and Credit Accident and Health Experience Exhibit for the prior three (3) years and a revised Credit Life and Credit Accident and Health Experience Exhibit for each of the prior three years calculated as if the proposed deviated rates had been in effect.
Premium Refunds	§ 38.2-3729 A	In the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the debtor or person entitled thereto.

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	§ 38.2-3729 C & Administrative Letter 1994-9	Refund formulas for credit accident and sickness insurance must develop refunds which are at least as favorable to the debtor as refunds based on the actuarial method. The actuarial method will result in refunds equal to the premium cost of scheduled benefits subsequent to the date of cancellation or termination, computed at the schedule of premium rates in effect on the date of issue. Refund formulas must be filed with and approved by the Commission prior to use.
	§ 38.2-3729 E	Refunds may be computed on a daily basis or from the end of the loan month if sixteen days or more of a loan month have been earned, provided that, if fifteen days or less of a loan month have been earned, the refund is computed from the beginning of the loan month.
	§ 38.2-3729 F	A refund of five dollars or less may not be made.
	§ 38.2-3729 G	If a debtor prepays the indebtedness other than as a result of death, any credit accident and sickness insurance covering such indebtedness must be terminated and an appropriate refund of the premium must be paid or credited to the person entitled to the refund. If a claim is in progress at the time of prepayment, the amount of refund may be determined as if the prepayment did not occur until the payment of benefits terminates. No refund need be paid during any period of disability for which credit accident and sickness benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period.
	§ 38.2-3729 H	If an indebtedness is prepaid by the proceeds of a credit life insurance policy covering the debtor, it shall be the responsibility of the insurer to see that the following are paid to the insured debtor, if living, or the beneficiary, other than the creditor, named by the debtor or to the debtor's estate: (1) an appropriate refund of the premium, and (2) the amount of benefits in excess of the amount required to repay the indebtedness after crediting any unearned interest or finance charges.
Noncontributory Coverage	§ 38.2-3736	Discretion is given in the review requirements if no premium is charged for coverage. A specific premium will be considered charged for insurance if an identifiable charge for insurance is disclosed in the credit transaction, or if there is a differential in finance, interest, service or other similar charges because of the insurance.

Access to Administrative Letters, Administrative Orders, Regulations and Laws is available at:
<http://www.scc.virginia.gov/division/boi/webpages/boiadministrativeltrs.htm>

The Life and Health Division, Forms and Rates Section handles credit accident and sickness insurance. Please contact this section at (804) 371-9110 if you have questions or need additional information about this line of insurance.

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I hereby certify that I have reviewed the attached credit accident and sickness filing and determined that it is in compliance with the credit accident and sickness checklist.

Signed: _____

Name (please print): _____

Company Name: _____

Date: _____ Phone No: () _____ FAX No: () _____

E-Mail Address: _____