

# COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE  
January 23, 1997

## Administrative Letter 1997-2

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

**RE: Credit Insurance Experience Exhibits  
Section 38.2-3730 of the Code of Virginia**

In accordance with § 38.2-3730.13 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, 1998 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 for the 1996 reporting year, from which information will be obtained to properly calculate these rates, must be submitted to the Commission by April 1, 1997. All companies writing these coverages, as well as credit unemployment insurance and credit property insurance, were instructed, by letter in early December, 1996, to submit a duplicate copy of this exhibit to the Forms and Rates Section of the Bureau of Insurance. 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 exhibits on or before the due date**. There may not be sufficient time for the Bureau to correspond with companies providing inaccurate or late information, as has been the case in numerous instances with prior exhibit filings. The Bureau may have to rely on the information as filed, and will take appropriate action against any company providing inaccurate, incomplete or late information if it is subsequently determined that the company failed to comply with these instructions.

Attached to this administrative letter are examples of some of the problems identified with earlier exhibit filings. In some instances, information was not incorrect, but further explanation was necessary to properly evaluate the information. While these are only examples of some of the problems, and by no means all-inclusive, companies are encouraged to review the attachment to ensure that similar problems do not recur this year, and to contact the Bureau as soon as possible with any questions concerning the exhibit filings. In some cases, it may be appropriate to include a letter of explanation with the exhibit filing.

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Companies are also reminded that the information included in the 1994 and 1995 credit insurance experience exhibits will also be used in the prima facie rate calculation for the upcoming triennium. It is the reporting company's responsibility to ensure that any and all corrections were made to exhibits and diskettes, and that corrected copies were provided to the Bureau's Financial Regulation Division and Forms and Rates Section as well as the NAIC, as appropriate.

Companies are strongly encouraged to contact the Bureau with any questions or requests for clarification of any of the above as soon as possible. The Bureau will make every effort to respond promptly to all inquiries. Any questions, as well as the duplicate copy of the exhibit should be directed to:

Jacqueline K. Cunningham  
Supervisor, Forms and Rates Section  
Life and Health Division  
Bureau of Insurance  
P.O. Box 1157  
Richmond, Virginia 23218  
Phone: 804-371-9154  
Fax: 804-371-9944

Sincerely,

Alfred W. Gross  
Commissioner of Insurance

AWG/jkc  
attachment

## **Attachment to Administrative Letter 1997-2**

The following are examples of problems identified in filings of the credit insurance experience exhibits for the 1994 and 1995 reporting years. Companies are directed to review the information below to ensure that similar problems do not reoccur in their 1996 credit insurance experience exhibits. Any of the following situations legitimately applicable to a 1996 exhibit 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.
- **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.
- **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.