

DEPARTMENT OF REGULATORY AGENCIES

Division of Insurance

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LIFE, ACCIDENT AND HEALTH

Amended Regulation 4-9-2

CREDIT INSURANCE

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Section 1 Authority

This regulation is promulgated under the authority of §§10-1-109, 10-10-109(2.5)(c) and 10-10-114, C.R.S.

Section 2 Scope and Purpose

The purpose of this regulation is to implement component rating and provide standards to enforce the provisions of Article 10 of Title 10, C.R.S., regarding all forms of credit insurance.

Section 3 Definitions

- A. "Annual Report for Credit Insurance" means a list of all policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders delivered or issued for delivery in this state, including the titles of the programs or products or name of the lending institutions affected by the forms (required if marketed, serviced or rated differently).
- B. "Credit Insurance" means the same as defined in §10-10-103(2), C.R.S. and includes all insurance written in connection with a loan but does not include insurance written as an isolated transaction on the part of the insurer not related to an agreement or plan for insuring debtors of a creditor.

- C. "Credit Insurance Forms" means policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and other forms issued by the insurer to be delivered or issued for delivery in Colorado.
- D. "Disability" means the inability to perform the substantial and material duties of one's own occupation during the first twelve months of disability. After the first twelve months, disability is defined as the inability to perform the substantial and material duties of one's own occupation or any other occupation for which one is reasonably qualified by education, experience or by training obtained prior to the date of disability or by subsequent training at the insurer's option and expense. This definition shall not apply to lump sum disability coverage.
- E. "Dismemberment" means, at a minimum, the actual loss of use of a hand or foot, or irrecoverable loss of sight of an eye.
- F. "Listing of New Policy Forms for Credit Insurance" means a list of any new policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, and riders delivered or issued for delivery in this state including the titles of the programs or products or type of lending institutions (required if marketed, serviced or rated differently) affected by the forms and the effective date the form will be used.
- G. "Loss Ratio" means incurred losses divided by earned premiums. No expenses, including loss adjustment expenses, may be included as losses in this ratio.
- H. "Property" means all property, such as household furnishings, appliances, business furniture and fixtures and effects pledged as collateral or security acquired as a result of a contract that is related to a credit transaction. Such property may not include automobiles, boats, airplanes, recreational vehicles, trucks, and tractors or like vehicles.
- I. The "Pro Rata Refund Method " means a method of calculating a credit insurance refund which is calculated as 1 multiplied by 2 divided by 3, where 1, 2, and 3 are defined as follows:
 - 1. The original amount of the premium paid for the coverage period.
 - 2. The number of days or months in the coverage period remaining for which the premium was paid.
 - 3. The number of days or months in the initial coverage period covered by the premium.
- J. The "Rule of 78 Refund Method" means a method of calculating a credit insurance refund which is calculated as the original amount of the premium paid for the period multiplied by the quantity (T) times (T+1), then divided by the quantity (N) times (N+1). "T" is the remaining term of the insurance, commonly measured in months, and "N" is the original term of the insurance, commonly measured in months.
- K. The "Rule of Anticipation Refund Method" means a method of calculating a credit insurance refund in which the refund is equal to the single premium for the remaining originally scheduled amount(s) of coverage for the remaining term of coverage using the table of premium rates and formulas that applied when the coverage being cancelled was written.

Section 4 Multiple Plans of Insurance

If a creditor makes available to the debtors more than one plan of credit insurance applicable to the credit insurance transaction, each debtor must be informed of each plan for which he or she is eligible.

Section 5 Substitution

When a creditor requires insurance as additional security for indebtedness, the debtor shall be given the option of furnishing the required amount of insurance either:

- A. Through existing policies of insurance owned or controlled by the debtor; or
- B. By procuring and furnishing the required coverage through any insurer authorized to transact insurance business in Colorado.

Section 6 Benefit Standards/Policy Requirements

A. Minimum Insurance Amounts

- 1. For other than monthly outstanding balance coverage, the amount of credit insurance at any point in the insurance coverage can never bear a lesser percentage to the scheduled outstanding balance than the percentage that the original amount of coverage bears to the initial loan balance.
- 2. A group certificate or individual policy providing coverage for less than the term of the loan elected (truncated coverage) shall disclose both the term of the insurance coverage and that the insurance will terminate prior to the scheduled maturity date of indebtedness. The termination disclosure shall appear in prominent type on the first page of the group certificate or individual policy. At the time of election of truncated coverage, the debtor shall be provided with written notification that the term of the insurance coverage is less than the scheduled maturity of the loan.

The notification regarding truncated coverage may be included in the application, enrollment form, notice of proposed insurance, certificate, policy, or any other document provided to the debtor at the time coverage is elected.

B. Coverage Increases

With respect to coverages, such as monthly outstanding balance coverage, that permit increases in the amount of coverage after the initial effective date of the individual policy or group certificate, the suicide exclusion and the preexisting condition exclusion, if any, may be applied separately with respect to each increase in the amount of coverage from the date of and in the amount of the increase. Under no circumstances, however, may a new pre-existing condition limitation or new suicide exclusion be applied to coverage in force immediately prior to such increase in coverage.

C. Cancellation Notice

All individual policies and group insurance certificates must state that the insurance is cancelable at any time during the term of the contract at the debtor's advance written request to the insurer.

D. Actively-At-Work Requirement

Unless specifically included in the rate development, no 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 may be included in any credit accident and health insurance policy or contract. "Full-time" means a regular work week of not less than thirty hours, for a period of not less than one month. A debtor shall be considered to be actively at work if absent from work due solely to regular days off, holidays or paid vacation.

