

DEPARTMENT OF REGULATORY AGENCIES

Division of Insurance

3 CCR 702-4

LIFE, ACCIDENT AND HEALTH

Proposed 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, **mayshall** 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 **mayshall** 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 **mayshall** 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, **mayshall** a new preexisting 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 **mayshall** 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.

E. Allowable Restrictions

All exclusions and restrictions included in any credit insurance policy or contract must be considered in determining whether or not the rate will fulfill the loss ratio requirement when rates are determined according to Section 12(B) or **(ED)** of this regulation. In addition, all exclusions and restrictions must be adequately disclosed to the insured.

F. Credit Life Insurance

Except as permitted in Subsection B of this Section 6, a credit life insurance contract must contain no exclusion other than for suicide within one year of the effective date of the insurance in compliance with §10-7-109, C.R.S., and the incontestability clause as defined in §10-7-102(1)(b), C.R.S., unless such additional exclusions are specifically included in the rate development. Under no circumstances, however, **mayshall** the contract exclude loss due to commercial aviation or foreign travel.

G. Credit Accident and Health Insurance

1. Unless specifically included in the rate development, no credit accident and health policy shall contain 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 the six months following the effective date of coverage.
2. Except as provided in Subsection G(1) of this Section 6, credit accident and health policies **mayshall** contain no exclusions more restrictive than normal pregnancy, elective surgery, intentionally and self-inflicted injury, flight in non-commercial aircraft, or war.
3. Any credit insurance policy that identifies itself as providing coverage in the case of disability shall define disability no more restrictively than the definition included in Section 3(D) of this regulation, unless specifically included in the rate development.
4. The policy or certificate shall provide for a daily benefit equal in amount to no less than one-thirtieth of the monthly benefit payable under the policy or certificate.

H. Credit Unemployment Insurance

Credit unemployment insurance policies must clearly define unemployment within the policy and certificate and must contain provisions not less favorable to insured debtors than the following:

1. Coverage for unemployment for any reason, except that coverage may be excluded for unemployment due to the insured debtor's:
 - a.** Voluntary forfeiture of salary, wage or other employment income;
 - ab.** Resignation;

- bc. Retirement;
- cd. General strike;
- de. Illegal walkout;
- ef. War;
- fg. Separation from the military;
- gh. Willful misconduct or criminal misconduct or unlawful behavior; and
- hi. Disability caused by injury, sickness or pregnancy.

2. For credit unemployment insurance which provides for a monthly benefit in the event of unemployment, benefits must start after a waiting period of not longer than thirty (30) days, but need not be retroactive to the first day of unemployment and must have a maximum benefit period that is no shorter than one month. Coverage may include unemployment under the Federal Family Medical Leave Act 29 USC 2602 et. seq.
3. Credit unemployment insurance policies **mayshall** not contain eligibility requirements more than the following:
 - a. Exclusion from qualification for coverage: 1) self-employed individuals; 2) workers in seasonal or temporary jobs designed to last six (6) months or less; and 3) debtors who have been notified at the time of election of coverage either orally or in writing of any layoff from employment within the next sixty (60) days. These exclusions must be disclosed to all prospective insureds, if applicable.
 - b. No employment requirement shall be more restrictive than one requiring that the debtor actually be at work and employed in a full-time gainful occupation on the effective date of coverage and for at least six (6) consecutive months prior to the effective date of coverage.

I. Credit Property Insurance

1. Where premiums are collected on a single premium basis, the premium charge for credit property insurance shall be calculated based on the total replacement value or original amount of indebtedness, whichever is less, of each item of insured property. Premium calculations must be based on purchases of durable goods only and shall not include the cost of any service, meals, entertainment, or any other non-durable item.
2. Coverage shall be not less than that provided by the standard fire policy with coverage attachment, extended coverage endorsement and replacement cost provision endorsement, or such other appropriate standard policy form for the underlying risk and hazard.
3. If the debtor has or obtains additional personal property coverage, the debtor may retain the additional coverage or may substitute coverage at any time and, upon such substitution, shall be entitled to a refund of the unearned premium on the policy. Where this insurance was not initially required by the creditor, the debtor may cancel at any time and shall be entitled to a refund of any premium paid. If such substitution or cancellation occurs within thirty (30) days of the extension of credit, the entire premium shall be refunded, provided that a compensable claim does not occur prior to the date substitution or cancellation occurs.

4. Valuation of losses shall be the replacement cost of the property up to the original amount of indebtedness.
5. "Property" shall be defined no more restrictively than the definition of Section 3(H) of this regulation.
6. Coverage may be issued only as long as compliance with §5-4-301(3), C.R.S., is maintained.

J. Credit Dismemberment Insurance

Any credit insurance policy, which identifies itself as providing coverage against dismemberment, shall define dismemberment no more restrictively than the definition included in Section 3(E) of this regulation.

Section 7 Premium Payment

A. Single Premium Basis

If the creditor adds identifiable insurance charges or premiums for credit insurance to the total amount of the indebtedness, and makes any direct or indirect finance, carrying, credit or service charges whatever to the debtor in connection with such insurance charge or premiums, the creditor has loaned the premium or the insurance charge to the debtor. This loaned premium will be deemed collected by the insurer as soon as it is added to the indebtedness. In this event, the coverage is deemed to be on a single premium basis. However, credit insurance issued in connection with a covered loan cannot be financed, either directly or indirectly. A "covered loan" is defined in §5-3.5-101(2), C.R.S.

B. Monthly Basis

A creditor may remit and an insurer may collect on the monthly basis if the insurance charge or premium is not added to the initial amount financed and does not constitute part of the initial outstanding indebtedness, and if no direct or indirect finance, carrying, credit or service charge is made to the debtor in connection with the insurance charge or premium.

Section 8 Termination of Coverage

A. Continuation of Coverage - Group Insurance

If the debtor is covered by a group credit insurance policy and has paid a single premium for the coverage, then, in the event of termination of the group policy for any reason, insurance coverage shall be continued for the entire period for which the single premium has been paid. This provision shall not limit the debtor's right to cancel the insurance at any time at the debtor's written request, nor shall it prevent cancellation of insurance as permitted by Section 8(D) of this regulation.

B. Extension of Coverage - Group Insurance

If a debtor is covered by a group credit insurance policy providing for the payment of premiums by the insured on a basis other than single premium, then the policy shall provide that, in the event of termination of such group policy for whatever reason, a written termination notice shall be given to the insured debtor at least thirty (30) days prior to the effective date of the termination. This thirty (30) day notice is not required if the existing insurer replaces coverage in the same or greater amount without a lapse of coverage, or if another insurer charging the same or lower premium rate replaces coverage in the same or greater amount without a lapse in coverage.

C. Cancellation of Individual Policies

If a debtor is covered by a contract of individual credit insurance, neither the insurer nor the creditor may shall cancel the policy without the debtor's express written consent. However, this prohibition is not applicable in the following situations:

1. Non-payment of premium, subject to the insurance contract's mandatory grace period; or
2. Default on the scheduled loan payments; or
3. The creditor no longer has an insurable interest in the debtor (such as due to a pre-payment of the loan); or
4. For open-end coverage on open-end loans, the insurer may non-renew the coverage by giving notice of its intent to non-renew thirty (30) days prior to the renewal date.

D. Cancellation of Group Certificates

If a debtor is covered by a group certificate and has the collateral legally repossessed, the certificate coverage shall terminate on the date of the repossession.

Section 9 Refunds

A. Refund Methodology

1. For policies issued or renewed on or after December 1, 2002, and except as otherwise permitted in Subsection 9(A)(2) of this regulation, the amount of the refund shall not be less than that calculated using the Rule of Anticipation Refund Method.

For policies issued prior to December 1, 2002, it is acceptable to use the Pro-rata Refund Method. For level benefit plans over the premium payment period, the method used must produce a refund no less favorable to the insured than the Pro-rata Refund Method. For other plans, it is acceptable, at the insurer's option, to request the use of alternative methodologies which must reflect the fact that premiums are earned proportionately to the coverage.

2. Alternative methods in specified instances.
 - a. The Actuarial Refund Method. Actuarial Refund Method means the method in which the refund is equal to A multiplied by B, divided by C, where: A = the premium paid for the total coverage originally scheduled, B = the sum of the originally scheduled amounts of insurance for each month in the term of insurance following the date of termination, and C = the sum of the amounts of insurance for each month in the term of coverage originally scheduled. The Actuarial Refund Method may be used for all types of credit life insurance and credit property insurance.
 - b. The Rule of 78 (sum of the digits) Refund Method. The Rule of 78 Refund Method may be used for credit life insurance in which the amount of coverage decreases by approximately the same amount each month, and the amount of coverage in the final month is equal to or less than the approximate amount by which coverage decreases each month.

- c. The Pro-rata Refund Method. The Pro-rata Refund Method may be used for all credit insurance in which the amount of coverage remains level throughout the entire duration of the coverage.
- d. The Mean Method. The Mean Method is the average of the Sum of Digits Refund Method and the Pro-rata Refund Method and may be used for credit accident and health insurance and credit unemployment insurance in which the maximum total indemnity amount decreases by a uniform amount each month throughout the term of coverage and the amount of indemnity in the final month of coverage is equal to or less than the amount by which the maximum total indemnity amount decreases each month.

B. Partial Month Calculation

In the event that the insurer is using a refund methodology that requires the use of complete months, no charge for credit insurance **may** be made for a partial month of fifteen (15) days or less. A full month may be charged for sixteen (16) days or more of a loan month.

C. Minimum Refund

No refund of less than or equal to \$5.00 must be made.

D. Involuntary Prepayment of Indebtedness

If an indebtedness is prepaid by the proceeds of one distinct benefit type of the credit insurance policy or policies covering the debtor, then it shall be the responsibility of the insurer issuing another kind of coverage, upon notification by the creditor or by the insurer if the insurer issued additional kinds of insurance, that the indebtedness has been paid off and to refund the unearned premium, if any. The refund must be calculated according to the acceptable methodologies of this Section 9, and must be paid or credited to the debtor, the beneficiary named by the debtor other than the creditor, or to the debtor's estate, as appropriate.

For example, if the indebtedness is prepaid by the proceeds of a life insurance policy or benefit, the unearned premium of the accident and health, unemployment, and property benefits or policies must be refunded.

E. Voluntary Prepayment of Indebtedness

If a debtor prepays the indebtedness other than through the proceeds of a credit insurance policy, all credit insurance policies or distinct benefits covering the indebtedness shall be terminated and a refund of the unearned premium shall be paid or credited to the debtor. However, if a claim under such coverage is in progress at the time of prepayment, the claim shall continue as if there had been no prepayment. Under this circumstance, no refund of unearned credit insurance premium should be made until the claim has been finalized and the refund for that coverage shall be calculated from the date the event or occurrence giving rise to the claim ended.

F. Refund of Creditor Contribution to Payment of Premium

If a creditor pays, from the creditor's own funds, a portion of the premium for any coverage for which an unearned premium refund becomes payable, the insurer may pay to the creditor and the creditor may retain an amount of the refund for the coverage that is equal to the refund as calculated in Section 9 of this regulation, multiplied by the proportion of the total premium paid by the creditor to the total amount of premium originally paid for the coverage.

Section 10 Claims

A. Responsibility of the Insurer

Section 10-10-108(2)(d), C.R.S., requires that the policy or certificate "state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness, ... that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate." Proper payment of the entire claim is the contractual responsibility of the insurer and the simple act of forwarding a check for the entire claim to the creditor cannot relieve the insurer of this responsibility where excess fund exist.

B. Claims Processing

1. For policies and certificates which provide for a maximum amount of insurance, if 1) the debtor becomes insured for an amount in excess of the stated maximum, or 2) two or more individual policies or group certificates are issued in error and an insurance charge or premium has been separately paid by the debtor, then the total amount insured under each individual policy or certificate must be paid in the event of a valid claim. If the error is discovered prior to the incurrence of a claim, the insurer **may** notify the debtor, refund the excess premium paid and correct or cancel the excess coverage.
2. Except when the scheduled termination of the insurance coverage is more than thirty (30) days before the scheduled termination of the indebtedness, all policies and certificates shall provide for an extension of the maturity date to coincide with the end of the payment period, when the debtor is not obligated to begin monthly payments to the creditor on the effective date of the loan.
3. When an identifiable charge is made to the debtor for insurance, any provision in a policy or certificate that sets a maximum limit on the total payments must apply only to that policy or certificate.

Section 11 Policy Forms and Related Material

A. Filing Requirements

1. **Listing of New Policy Forms.** At least thirty-one (31) days prior to using any new form, subject to the provisions of this regulation, each entity must file in a format prescribed by the Commissioner, a listing of new policy forms including a fully executed certificate of compliance. Any such listing and the applicable certificate of compliance must be prepared individually for each program.
2. **Annual Report.** No later than July 1 of each year, each credit insurer must file an annual report of all policy forms in use including a fully executed certificate of compliance.

B. Elements of Certification

The elements of certification as determined by the Commissioner, which must be included in the Colorado credit insurance certification form are as follows:

1. The name of the insurer, the form number(s) and the type of creditors who will be using the forms (e.g. banks, credit unions, auto dealers);
2. A statement that the officer signing the certification form is knowledgeable about credit insurance;

3. A statement that the officer signing the certification form has carefully reviewed the policy forms, subscription certificates, membership certificates or other evidences of credit insurance coverage identified on the listing of new policy forms or annual report;
4. A statement that the officer signing the certification form has read and understands each applicable law, regulation and bulletin;
5. A statement that the officer signing the certification form is aware of the applicable penalties for certification of a non-complying form;
6. A statement that the officer signing the certification form certifies:

For listings of new policy forms for credit insurance, that to the best of the officer's knowledge, the documents identified on the Listing of New Policy Forms or Annual Report provide all applicable mandated benefits and are in full compliance with all Colorado Insurance Laws and Regulations.
7. The name and title of the officer signing the certification form and the date the certification form is signed;
8. The original signature of the officer. Signature stamps, photocopies or signatures on behalf of the officer are not acceptable.

C. Evidence of Coverage

All credit insurance shall be evidenced by an individual policy, or in the case of group insurance, by a certificate of insurance. It is the responsibility of the insurer that these policies or certificates are provided to the debtor.

Section 12 Rates

With the exception of the use of component based rates as permitted in Section 12(B) of this regulation, the maximum permissible premium rates for credit insurance must be filed concurrent with the effective date with the Commissioner. An insurer may at any time use rates lower than those that are filed.

A. Credit Insurance Directly Written by a State or National Bank

All credit insurance written directly by a state or national bank may, at the insurer's option, be rated by either of the methods described in Subsection B and D of this Section 12.

However, if the insurer chooses to rate according to Subsection D of this Section 12, the insurer must file, with the Division of Insurance, a listing of the policy forms for which the rates will be determined according to Subsection D of this Section 12. This filing must be submitted to the Division of Insurance prior to any use of the rates.

B. Component Rates

As permitted by §10-10-109(2.5)(c)(I), C.R.S., rates for certain benefits and types of business have been established by the Commissioner after giving due consideration to the individual components listed in that section of law. With the exception of the exemptions provided by Subsection A and C of this Section 12, and Appendix 4A of this regulation, all insurers must use premium rates that are no higher than the rates listed in Appendix 4A.

An insurer may at any time use rates lower than those rates listed in Appendix 4A. The rates in Appendix 4A, when used in accordance with the provisions of this Section 12(B), are deemed to

be reasonable in relation to the benefits provided and are not excessive, inadequate nor unfairly discriminatory.

The rates for the specific plans included in Appendix 4A are subject to the following maximum conditions:

1. Credit life insurance mayshall contain no exclusions other than those listed in Section 6(F) of this regulation.
2. Credit insurance may include an age restriction providing that no insurance need to be offered to debtors over 65 on the effective date or over 66 on the scheduled maturity date of the debt. In the case of loans, such as revolving credit loans, which have no scheduled maturity date of the debt, credit insurance must be offered to all debtors not older than the attained age of 66. The premium rate to all debtors eligible for coverage shall be the same regardless of age. Coverage may be terminated upon the debtor's attainment of a specified age not less than 66.
3. Credit accident and health insurance mayshall contain no exclusions other than those listed in Section 6(G) of this regulation.
4. Credit property insurance must cover all perils excluding theft without evidence of forced entry.
5. The rates for credit life insurance and credit disability insurance do not apply to credit union accounts.

C. Rating for Other Benefits

Rates for benefits and plans that are materially different than those listed in Subsection B of this Section 12, must be rated in accordance with the loss ratio standard of Subsection D of this Section 12. In determining whether a particular benefit or plan is materially different from the plans listed in Subsection B of this Section 12, the Commissioner will give consideration to such justification as the insurer may submit. Such justification may include, but need not be limited to the following: The amount of the benefit in relation to the amount of the insured loan balance, the use or nonuse of exclusionary or retroactive waiting periods, the age of the debtor or debtors, the degree of underwriting used, the coverage or exclusion of causes of loss, or the coverage of risks other than those set forth in this regulation.

D. Loss Ratio Standard

All rate or rating plan filings subject to Subsection D of this Section 12, must demonstrate compliance with the 40% loss ratio standard and must be certified by a qualified actuary.

In evaluating such filings, the Commissioner will give consideration to such justification as the insurer may submit. Such justification may include, but need not be limited to, relevant available mortality, morbidity, bodily injury, or unemployment data pertaining to the debtors of a creditor or a class or classes of debtors of a creditor or creditors, previous experience of the same or similar plans of insurance or group of creditors, debtors, or an analysis of the credibility of such data. Use of the credibility standard as promulgated or produced by the National Association of Insurance Commissioners (NAIC) are expressly permitted, but not required.

The benefits provided to Colorado policy and contract holders by the coverage must be reasonable in relation to the premium rates charged and must be such that the 40% loss ratio standard of §10-10-109(2.5)(b), C.R.S., may be reasonably expected to be met or exceeded. Rates and rating data for all benefit types must accurately reflect the benefits provided

Separate rates by age are allowable.

1. Coverage may be limited to debtors aged 65 and younger or age 66 on the scheduled maturity date of the indebtedness.
2. In the case of open-ended loans, coverage must be provided or offered to all debtors not older than attained age 65, and coverage may be canceled or reduced upon attainment of not less than age 66 by giving notice thirty (30) days prior to such cancellation or reduction.

E. Rate Filing Requirements

All rate filings must be accompanied by adequate supporting documentation, which shall include, at a minimum:

1. Experience of earned premiums, incurred losses and calculated loss ratios for the prior three years, or all available experience, if less than three (3) years. Rates and rating data must be based on Colorado data to the extent that it is credible.
2. Target or expected loss ratio.
3. Quantification of any benefit changes.
4. Rate development.
5. Analysis of credibility, and use of collateral data such as company experience in other states for similar policies, industry experience, mortality tables or morbidity tables.
6. Demonstration of compliance with the loss ratio standard.
7. Certification of a qualified actuary.

Section 13 Compliance

Credit insurance rated according to Subsection D of ~~this~~ Section 1312 of this regulation, is generally required to separately satisfy the loss ratio requirement for each type of coverage or plan, e.g., life, accident and health, property and unemployment. However, experience for a combined coverage, which is sold as a single product for a combined, indivisible premium, may separately satisfy the loss ratio requirement. If the cumulative loss ratio for all Colorado business rated according to Subsection D of ~~this~~ Section 1312 and issued or renewed by the insurer for a consecutive three year calendar year period falls below the minimum loss ratio as defined in §10-10-109, C.R.S., the insurer shall either promptly file adjusted rates that can be prospectively expected to produce a loss ratio greater than or equal to the minimum standards, or submit reasons acceptable to the Commissioner as to why it should not be required to do so.

If the Commissioner, by the insurer's failure to maintain the required minimum loss ratio, determines that a delinquency of an insurer exists under the provisions of §10-3-401 et. seq., C.R.S., the insurer shall justify its past practice and provide to the Commissioner an explanation, or plan of abatement or correction. Corrective measures, which the Commissioner may accept in a plan of abatement or correction, may include:

- A. Implementation of a rate decrease or benefit increase such that the premiums collected within the following two (2) calendar years will generate a future loss ratio in excess of the statutory minimum, and such that the cumulative five (5) year loss ratio at the end of this two year period will be at least equal to the minimum statutory loss ratio.

- B. Payment of a stipulated settlement to the Division of Insurance equal to one hundred and ten percent of the premiums collected in excess of the premium necessary to generate the minimum loss ratio.
- C. Refund of any premiums collected in excess of the premium necessary to generate the past minimum loss ratio, such refund to be paid to or applied to the benefit of the insured debtors.
- D. Voluntary suspension of credit insurance sales.

Section 14 Severability

If any provision of this regulation or the application thereof to any person or circumstance is for any reason held invalid, the remainder of this regulation shall not be affected.

Section 15 Enforcement

Noncompliance with this Regulation may result, after proper notice and hearing, in the imposition of any sanction(s) made available in the Colorado statutes pertaining to the business of insurance or other laws which include the imposition of fines, issuance of cease and desist orders, and/or suspensions or revocation of license. Among others, the penalties provided for in §§10-3-1108 and 10-10-114, C.R.S. may be applied.

Section 16 Effective Date

This regulation shall become effective on ~~December 31, 2007~~ **January 1, 2010**.

Section 17 History

New Regulation 74-1 effective March 15, 1974.
Amended effective December 22, 1975.
Amended effective July 1, 1979.
Amended effective January 1, 1985.
Regulation 74-1 was renumbered 4-9-1, effective June 1, 1992.
Regulation 4-9-1 was repealed effective October 9, 1992.
New Regulation 4-9-2, effective October 9, 1992.
Amended effective April 1, 1993.
Amended effective November 1, 2000.
Amended effective December 1, 2002.
Amended effective January 1, 2006.
Amended effective December 31, 2007.
Amended effective January 1, 2010.

Appendix A

Component Based Rates for Policies or Certificates Issued on or after January 1, 2010

All Rates Listed in Sections 1 through 9 are for Single Life Coverage.

1. Single Premium Life Insurance – Not for use by Credit Union Accounts

- A. Gross decreasing term coverage: The rate is \$0.35 per \$100 per year.
- B. Net decreasing term coverage: The rate is the sum of the component-based Monthly Outstanding Balance Life Insurance rate for All Other as in 2.B. below, applied to the amount of coverage in force during each month.
- C. Truncated coverage: The rate is the sum of the component-based Monthly Outstanding Balance Life Insurance rate for All Other as in 2.B. below, applied to the amount of net coverage in force during each month.
- D. Level Term coverage: The component-based rate is \$0.65 per \$100 per year.

2. Monthly Outstanding Balance Life Insurance – Not for use by Credit Union Accounts

- A. Revolving charge accounts: The component-based rate is \$0.54 per \$1,000 per month.
- B. All other: The component-based rate is \$0.54 per \$1,000 per month.

3. Level Monthly Premium Decreasing Term Life Insurance – Not for use by Credit Union Accounts

- A. Gross coverage: Rates per \$1,000 initial balance by number of years:

Years	Rate
1	0.30
2	0.30
3	0.31
4	0.32
5	0.33
6	0.34
7	0.35
8	0.36
9	0.36
10	0.37

- B. Net coverage: Rates per \$1,000 initial balance by number of years:

Years	Rate
1	0.31

	<u>2</u>	<u>0.31</u>
	<u>3</u>	<u>0.32</u>
	<u>4</u>	<u>0.34</u>
	<u>5</u>	<u>0.35</u>
	<u>6</u>	<u>0.36</u>
	<u>7</u>	<u>0.37</u>
	<u>8</u>	<u>0.39</u>
	<u>9</u>	<u>0.40</u>
	<u>10</u>	<u>0.41</u>

C. Truncated coverage: Net Pay Truncated coverage rates are as follows:

<u>Term (Yrs)</u>	<u>1Yr</u>	<u>2 Yr</u>	<u>3 Yr</u>	<u>4 Yr</u>	<u>5 Yr</u>	<u>6 Yr</u>	<u>7 Yr</u>	<u>8 Yr</u>	<u>9 Yr</u>	<u>10 Yr</u>
<u>1</u>	<u>0.31</u>									
<u>2</u>	<u>0.43</u>	<u>0.31</u>								
<u>3</u>	<u>0.47</u>	<u>0.40</u>	<u>0.32</u>							
<u>4</u>	<u>0.49</u>	<u>0.44</u>	<u>0.39</u>	<u>0.34</u>						
<u>5</u>	<u>0.50</u>	<u>0.46</u>	<u>0.42</u>	<u>0.39</u>	<u>0.35</u>					
<u>6</u>	<u>0.51</u>	<u>0.48</u>	<u>0.45</u>	<u>0.42</u>	<u>0.39</u>	<u>0.36</u>				
<u>7</u>	<u>0.52</u>	<u>0.49</u>	<u>0.47</u>	<u>0.44</u>	<u>0.42</u>	<u>0.40</u>	<u>0.37</u>			
<u>8</u>	<u>0.52</u>	<u>0.50</u>	<u>0.48</u>	<u>0.46</u>	<u>0.44</u>	<u>0.42</u>	<u>0.40</u>	<u>0.39</u>		
<u>9</u>	<u>0.52</u>	<u>0.51</u>	<u>0.49</u>	<u>0.47</u>	<u>0.46</u>	<u>0.44</u>	<u>0.43</u>	<u>0.41</u>	<u>0.40</u>	
<u>10</u>	<u>0.53</u>	<u>0.51</u>	<u>0.50</u>	<u>0.48</u>	<u>0.47</u>	<u>0.45</u>	<u>0.44</u>	<u>0.43</u>	<u>0.42</u>	<u>0.41</u>

4. Single Premium Disability Insurance – Rates per \$100 of Initial Insurance - Not for use by Credit Union accounts

A. Full Benefit Rates at the End of the Loan Term: Rates per \$100 of Initial Insurance - Not for use by Credit Union Accounts

<u>Months</u>	<u>14 Retro</u>	<u>14 Non-Retro</u>	<u>30 Retro</u>	<u>30 Non-Retro</u>
<u>6</u>	<u>1.27</u>	<u>0.88</u>	<u>0.99</u>	<u>0.55</u>
<u>12</u>	<u>1.68</u>	<u>1.26</u>	<u>1.39</u>	<u>0.90</u>
<u>24</u>	<u>2.12</u>	<u>1.66</u>	<u>1.82</u>	<u>1.29</u>
<u>36</u>	<u>2.42</u>	<u>1.95</u>	<u>2.11</u>	<u>1.57</u>
<u>48</u>	<u>2.68</u>	<u>2.18</u>	<u>2.36</u>	<u>1.81</u>
<u>60</u>	<u>2.91</u>	<u>2.40</u>	<u>2.59</u>	<u>2.02</u>
<u>72</u>	<u>3.13</u>	<u>2.60</u>	<u>2.80</u>	<u>2.22</u>
<u>84</u>	<u>3.33</u>	<u>2.79</u>	<u>3.00</u>	<u>2.41</u>
<u>96</u>	<u>3.52</u>	<u>2.97</u>	<u>3.19</u>	<u>2.59</u>
<u>108</u>	<u>3.71</u>	<u>3.14</u>	<u>3.37</u>	<u>2.76</u>
<u>120</u>	<u>3.89</u>	<u>3.31</u>	<u>3.55</u>	<u>2.93</u>

B. Benefit Limited to the Lesser of 12 months or the End of the Loan Term: Rates per \$100 of Initial Insurance - Not for use by Credit Union Accounts

Months	14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
6	1.27	0.88	0.99	0.55
12	1.68	1.26	1.39	0.90
24	1.98	1.54	1.68	1.18
36	2.08	1.64	1.78	1.28
48	2.13	1.68	1.82	1.33
60	2.16	1.72	1.86	1.36
72	2.18	1.73	1.87	1.37
84	2.19	1.75	1.89	1.39
96	2.20	1.76	1.90	1.40
108	2.21	1.77	1.90	1.41
120	2.22	1.77	1.91	1.41

C. Benefit Limited to the Lesser of 24 months or the End of the Loan Term: Rates per \$100 of Initial Insurance - Not for use by Credit Union Accounts

Months	14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
6	1.27	0.88	0.99	0.55
12	1.68	1.26	1.39	0.90
24	2.12	1.66	1.82	1.29
36	2.34	1.88	2.04	1.51
48	2.46	1.98	2.15	1.62
60	2.53	2.06	2.22	1.69
72	2.58	2.10	2.26	1.73
84	2.61	2.13	2.29	1.76
96	2.63	2.15	2.32	1.78
108	2.65	2.17	2.33	1.80
120	2.67	2.18	2.35	1.81

D. Benefit Limited to the Lesser of 36 months or the End of the Loan Term: Rates per \$100 of Initial Insurance - Not for use by Credit Union Accounts

Months	14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
6	1.27	0.88	0.99	0.55
12	1.68	1.26	1.39	0.90
24	2.12	1.66	1.82	1.29
36	2.42	1.95	2.11	1.57
48	2.63	2.10	2.31	1.77

60	2.75	2.23	2.44	1.89
72	2.84	2.31	2.51	1.96
84	2.89	2.37	2.57	2.02
96	2.94	2.41	2.61	2.06
108	2.97	2.44	2.65	2.09
120	3.00	2.47	2.68	2.12

**5. Monthly Premium Disability Insurance (premium base = sum of remaining payments)
Rates per \$1,000 of Remaining Payments - Not for use by Credit Union Accounts**

A. Full Benefit Rates or the End of the Loan Term: Rates per \$1,000 of Remaining Payments - Not for use by Credit Union Accounts

1. Duration specific rates

<u>Months</u>	<u>14</u> <u>Retro</u>	<u>14</u> <u>Non-Retro</u>	<u>30</u> <u>Retro</u>	<u>30</u> <u>Non-Retro</u>
6	3.63	2.52	2.83	1.58
12	2.59	1.94	2.13	1.38
24	1.70	1.33	1.45	1.03
36	1.31	1.05	1.14	0.85
48	1.09	0.89	0.96	0.74
60	0.96	0.79	0.85	0.66
72	0.86	0.71	0.77	0.61
84	0.78	0.66	0.70	0.57
96	0.73	0.61	0.66	0.53
108	0.68	0.58	0.62	0.51
120	0.64	0.55	0.59	0.48

2. Composite term rates for all durations.

<u>14</u> <u>Retro</u>	<u>14</u> <u>Non-Retro</u>	<u>30</u> <u>Retro</u>	<u>30</u> <u>Non-Retro</u>
1.18	0.95	1.03	.077

B. Benefit Limited to the Lesser of 12 months or the End of the Loan Term: Rates per \$1,000 of Remaining Payments - Not for use by Credit Union Accounts

1. Duration specific rates

<u>Months</u>	<u>14</u> <u>Retro</u>	<u>14</u> <u>Non-Retro</u>	<u>30</u> <u>Retro</u>	<u>30</u> <u>Non-Retro</u>
6	3.63	2.52	2.83	1.58
12	2.59	1.94	2.13	1.38

24	1.59	1.23	1.34	0.95
36	1.12	0.89	0.96	0.69
48	0.87	0.69	0.74	0.54
60	0.71	0.56	0.61	0.44
72	0.60	0.47	0.51	0.38
84	0.52	0.41	0.44	0.33
96	0.45	0.36	0.39	0.29
108	0.41	0.32	0.35	0.26
120	0.37	0.29	0.32	0.23

2. Composite term rates for all durations

14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
0.97	0.77	0.83	0.59

C. Benefit Limited to the Lesser of 24 months or the End of the Loan Term: Rates per \$1,000 of Remaining Payments - **Not for use by Credit Union Accounts**

1. Duration specific rates

Months	14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
6	3.63	2.52	2.83	1.58
12	2.59	1.94	2.13	1.38
24	1.70	1.33	1.45	1.03
36	1.27	1.02	1.10	0.82
48	1.01	0.81	0.88	0.66
60	0.83	0.67	0.73	0.55
72	0.71	0.57	0.62	0.47
84	0.61	0.50	0.54	0.41
96	0.54	0.44	0.48	0.37
108	0.49	0.40	0.43	0.33
120	0.44	0.36	0.39	0.30

2. Composite term rates for all durations.

14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
1.10	0.88	0.95	0.70

D. Benefit Limited to the Lesser of 36 months or the End of the Loan Term: Rates per \$1,000 of Remaining Payments - **Not for use by Credit Union Accounts**

1. Duration specific rates

Months	14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
6	3.63	2.52	2.83	1.58
12	2.59	1.94	2.13	1.38
24	1.70	1.33	1.45	1.03
36	1.31	1.05	1.14	0.85
48	1.07	0.86	0.94	0.72
60	0.90	0.73	0.80	0.62
72	0.78	0.63	0.69	0.54
84	0.68	0.56	0.60	0.47
96	0.61	0.50	0.54	0.42
108	0.54	0.45	0.49	0.38
120	0.50	0.41	0.44	0.35

2. Composite term rates for all durations.

14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
1.15	0.92	1.00	0.75

6. Monthly Premium Disability Insurance (premium base = remaining principal balance)
Rates per \$1,000 of Remaining Principal Balance - Not for use by Credit Union Accounts.

A. Full Benefit Rates at the End of the Loan Term: Rates per \$1,000 of Remaining Principal Balance - Not for use by Credit Union Accounts

1. Duration specific rates

Months	14 Retro	14 Non-Retro	30 Retro	30 Non-Retro
6	3.71	2.58	2.89	1.62
12	2.69	2.02	2.22	1.44
24	1.82	1.42	1.56	1.11
36	1.45	1.17	1.27	0.94
48	1.25	1.02	1.10	0.84
60	1.13	0.93	1.00	0.78
72	1.04	0.87	0.93	0.74
84	0.98	0.82	0.88	0.71
96	0.94	0.79	0.85	0.69
108	0.90	0.77	0.82	0.67
120	0.88	0.75	0.80	0.66

2. Composite term rates for all durations.

