

CHAPTER 2760
DEPARTMENT OF COMMERCE
CREDIT LIFE, ACCIDENT, HEALTH INSURANCE

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2760.0100 DEFINITIONS FOR REPORTING AND STATISTICAL DATA.

Subpart 1. **Claims.** "Claims" means benefits payable on death or disability, excluding loss adjustment expense, claims settlement costs, or other additions of any kind.

Subp. 2. **Claims incurred.** "Claims incurred" means claims actually paid during the year appropriately adjusted for the yearly change in claim reserves, including reserves for reported claims in process of settlement and claims incurred but not reported.

Subp. 3. **Premiums earned.** "Premiums earned" means the total gross premiums received by the insurance company reduced by the premiums refunded or credited on account of termination of coverage before expiry of the term, and appropriately adjusted for changes in policy reserves during the accounting period.

Statutory Authority: *MS s 62B.12*

2760.0200 PURPOSE.

Minnesota Statutes, section 62B.07, subdivision 2, of the Minnesota insurance code authorizes the commissioner of commerce to disapprove any credit life or credit accident and health insurance forms "if the premium rates charged or to be charged are excessive in relation to benefits ..." After extensive research and review of such insurance transactions in the state of Minnesota, including all expenses, factors, and trends relevant thereto, and after careful analysis of a study made by the National Association of Insurance Commissioners, it is hereby determined that in considering the elements set forth in Minnesota Statutes, section 62B.07, subdivision 2, the commissioner shall give reasonable consideration as to whether an anticipated loss ratio of "claims incurred" to "premiums earned" of 50 percent is developed.

Statutory Authority: *MS s 62B.12*

History: *L 1983 c 289 s 114 subd 1; L 1984 c 655 art 1 s 92*

2760.0300 RATE LIMITATIONS.

Subpart 1. **Determination.** It shall be presumed that the premiums are not excessive in relation to the benefits if the premiums or premium rates as filed with the commissioner do not exceed subparts 2 to 11, or actuarially equivalent rates.

Subp. 2. **Decreasing term credit life.** For decreasing term credit life insurance, a single premium of 40 cents per annum per \$100 of initial insured indebtedness. A premium payable monthly at the rate of 61.5 cents per \$1,000 of outstanding unpaid insured indebtedness will be deemed the actuarial equivalent of the foregoing rate. The premium rate standard set forth is applicable to a plan of death benefits with or without requirements for evidence of insurability:

A. that contains no exclusions, or no exclusions other than for suicide, flight in nonscheduled aircraft, war, or military service; and

B. contains no age restrictions, or only age restrictions making ineligible for the coverage debtors 65 or over at the time the indebtedness is incurred, or debtors who will have attained age 66 or over on the maturity date of the indebtedness.

Subp. 3. **Level amount credit life.** For level amount term credit life insurance, a single premium of 73.8 cents per annum per \$100 of initial insurance. A premium payable monthly at the rate of 61.5 cents per \$1,000 of initial insurance will be deemed the actuarial equivalent of the foregoing rate. The premium rate standard set forth is applicable to a plan of death benefits, with or without requirements for evidence of insurability that:

A. contains no exclusions, or no exclusions other than for suicide, flight in nonscheduled aircraft, war, or military service; and

B. contains no age restrictions, or only age restrictions making ineligible for the coverage debtors 65 or over at the time the indebtedness is incurred, or debtors who will have attained age 66 or over on the maturity date of the indebtedness.

Subp. 4. **Decreasing term joint credit.** For decreasing term joint credit life insurance, a single premium of 66.7 cents per annum per \$100 of initial insured indebtedness. A premium payable monthly at the rate of 102.6 cents per \$1,000 of initial joint credit life insurance will be deemed the actuarial equivalent of the foregoing rate. The premium rate standard set forth above is applicable to a plan of death benefits, with or without requirements for evidence of insurability that:

A. contains no exclusions, or no exclusions other than for suicide, flight in nonscheduled aircraft, war, or military service; and

B. contains no age restrictions, or only age restrictions making ineligible for the coverage debtors 65 or over at the time the indebtedness is incurred, or debtors who will have attained age 66 or over on the maturity date of the indebtedness.

Subp. 5. **Credit accident and health.** For credit accident and health insurance the following single premium rates per \$100 initial insured indebtedness in part 2760.9910 or 2760.9920.

An insurer may use a bracket rate, provided the bracket is either of a three month duration as set forth in part 2760.9910, or of a six month duration as set forth in part 2760.9920, and provided the middle rate or one of the middle rates of each bracket is the charge for any insurance falling within such three month or six month bracket, whichever the case may be.

Rates for policies of credit accident and health insurance on which premiums are paid other than in equal monthly installments, or for such policies providing benefits payable other than as specified above, shall be actuarially consistent with the rates specified above. Each rate filing made under this subpart shall be certified by the company's actuary or by an officer of the company making the filing, to the effect that the rates submitted do not exceed the maximum rates set forth in this part or are the actuarial equivalents.

The premium rates specified are presumed not excessive in relation to benefits for policies that:

A. contain no exclusion for preexisting conditions, except a provision excluding or denying a claim for disability resulting from preexisting illness, or disease or physical condition for which the debtor received medical advice, consultation, or treatment during the six month period immediately preceding the effective date of the debtor's coverage and which would ordinarily be expected to affect materially the debtor's health during the period of coverage, provided, however, that after such coverage has been in force for six months (12 months for contracts of more than three years), this preexisting exclusion clause shall not operate to deny coverage for any disability commencing thereafter;

B. may except or restrict coverage for total disabilities resulting from pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in nonscheduled aircraft, or war or military service;

C. provide or offer coverage to all debtors regardless of age or to all debtors not older than a specified age limit, which shall not be less than age 65 at the time the insurance becomes effective or 66 at the scheduled maturity date of the transaction.

Subp. 6. **More restrictive coverage.** If credit life or credit accident and health coverage is offered that is more restrictive than provided in subparts 2 to 5, separate rate filings must be made at a level lower than that set forth, and which can reasonably be anticipated to produce a loss ratio of 50 percent in accordance with the basic test set forth in part 2760.0200.

Subp. 7. **Higher premium rates.** An insurer may receive approval of a higher premium rate or schedule of rates to be used in connection with insurance on the debtors of a creditor or a class or classes of debtors, if the insurer demonstrates to the satisfaction of the commissioner that the mortality or morbidity experience that may reasonably be anticipated on such debtors of a creditor or a class or classes of debtors will develop a loss ratio in excess of 50 percent if the rate standards in subparts 2 to 5 are used.

Subp. 8. **Monthly rates.** If premiums are paid monthly on outstanding balances, the monthly premium rates shall be computed by a method that is actuarially consistent with the premiums on a single premium basis.

Subp. 9. **Annual filing.** Insurers doing credit life and/or credit accident and health insurance business in the state shall annually file with the Department of Commerce a report of its credit life insurance experience and credit accident and health insurance experience on forms prescribed by the commissioner.

Subp. 10. [Repealed, 12 SR 2393]

Subp. 10a. **New policies.** This part applies to all individual credit insurance policies sold after June 2, 1988, and to all debtors enrolled under group certificates or policies issued or renewed after June 2, 1988.

Subp. 11. **Preexisting policies.** Any premium not consistent with those promulgated and set forth in subparts 1 to 9 may be continued as follows:

A. for individual policies, all that became effective prior to December 31, 1968; and

B. for group policies, all debtors whose coverage became effective prior to December 31, 1968.

Statutory Authority: *MS s 45.023; 62B.12*

History: *L 1983 c 289 s 114 subd 1; L 1984 c 655 art 1 s 92; 12 SR 2393*

2760.0400 REFUNDS OF PREMIUM.

Refunds of premium:

A. The refund of an unearned amount paid by or charged to the debtor for insurance in the case of reducing term credit life insurance, or of credit accident and health insurance on which such charges to the debtor are payable by other than a single sum and of level term credit life insurance shall not be less than the pro rata gross unearned amount charged.

B. The refund of an unearned amount paid by or charged to the debtor for insurance in the case of reducing term credit life insurance or of credit accident and health insurance on which the insurance charges to the debtor are paid in a single sum shall not be less than the amount computed by the "sum of the digits" formula, commonly known as the "rule of 78."

C. A premium refund or credit need not be made if the amount thereof is less than \$1.

Statutory Authority: *MS s 62B.12*

2760.0500 INSURER'S AUDITING RIGHTS.

The insurer shall reserve its legal right to audit each creditor's account to verify the accuracy of premium payments or other identifiable insurance charges, premium refunds, and claims incurred.

Statutory Authority: *MS s 62B.12*

2760.0600 LEVEL TERM INSURANCE ELECTION.

Subpart 1. **Conditions.** When the indebtedness is repayable in substantially equal installments, level term insurance not in excess of the total amount repayable under the contract of indebtedness will be permitted only if:

- A. the debtor is apprised of the right to have insurance covering only the scheduled or actual amount of indebtedness; and
- B. the debtor is apprised that such insurance covering only the scheduled or actual amount of indebtedness will cost less than level term insurance; and
- C. such debtor nonetheless elects in writing to carry level term insurance.

Subp. 2. **Method of election.** The written election reciting the three requirements in subpart 1 shall be separately signed by the debtor and may be either:

- A. a separate form; or
- B. in a separate prominently displayed blocked section in the insurance application or the policy itself;
- C. in a separate prominently displayed blocked perforated addition to the top or bottom of the insurance application; or
- D. in a separate prominently displayed blocked section on the credit instrument.

Subp. 3. **Form approval.** Prior approval of the form by the commissioner shall be required.

Statutory Authority: *MS s 62B.12*

History: *17 SR 1279*

2760.0700 EXISTING CREDIT INSURANCE.

Subpart 1. **Request to continue.** If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness, unless the debtor requests in writing that it be continued. Such written election to continue prior insurance shall be separately signed by the debtor at the time the indebtedness is renewed or refinanced, and may be either:

- A. a separate form;
- B. in a separate prominently displayed blocked section of such credit instrument;
- C. in a separate prominently displayed blocked section in the new insurance application; or
- D. in a separate prominently displayed blocked perforated addition at the top or bottom of the new insurance application.

Subp. 2. **Form approval.** Prior approval of the form by the commissioner shall be required.

Statutory Authority: *MS s 62B.12*

2760.0800 CONTINUING STUDY.

The commissioner of commerce feels it necessary to observe that the maximum rates as well as any approved deviations established and permitted in this chapter are not to be considered as the final solution to the rate problems in credit insurance in this state. Study of the matter will therefore be continued by the Department of Commerce, reports from the companies will be required, and further statistics will be accumulated. It is hence deemed appropriate that this matter be called up at a later date for further review and adjustment as the findings might dictate.

Statutory Authority: *MS s 62B.12*

History: *L 1983 c 289 s 114 subd 1; L 1984 c 655 art 1 s 92*

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2760.0900 EXISTING RATES.

No policies of credit insurance issued after the effective date of parts 2760.0100 to 2760.9920 shall be at a rate in excess of that set forth herein; nor, with respect to existing group policies of credit insurance, shall the rate exceed that set forth herein commencing with the policy anniversary date after the effective date of parts 2760.0100 to 2760.9920, without first obtaining the approval of the commissioner.

Statutory Authority: *MS s 62B.12*

2760.9910 SCHEDULE A.

Credit Accident and Health Insurance Premium Rates
Single Premium Rates Per \$100 of Initial Indebtedness

Number of Equal Monthly Installments	Nonretroactive Benefits Elimination Periods		Retroactive Benefits Waiting Periods	
	14 Days	30 Days	14 Days	30 Days
3	\$1.00	\$.43	\$1.65	\$.99
4	1.17	.58	1.85	1.21
5	1.30	.70	2.00	1.38
6	1.42	.81	2.12	1.51
7	1.51	.90	2.23	1.62
8	1.60	.99	2.32	1.72
9	1.67	1.07	2.41	1.80
10	1.74	1.13	2.48	1.88
11	1.80	1.19	2.54	1.95
12	1.86	1.24	2.61	2.01
13	1.91	1.30	2.66	2.07
14	1.97	1.35	2.72	2.12
15	2.01	1.40	2.76	2.17
16	2.06	1.44	2.80	2.22
17	2.10	1.48	2.85	2.27
18	2.14	1.52	2.89	2.31
19	2.18	1.56	2.94	2.34
20	2.22	1.60	2.98	2.39
21	2.26	1.64	3.01	2.43
22	2.30	1.67	3.05	2.46
23	2.33	1.70	3.09	2.50
24	2.36	1.74	3.12	2.54
25	2.40	1.78	3.16	2.57
26	2.43	1.82	3.19	2.61
27	2.46	1.85	3.22	2.64
28	2.50	1.88	3.26	2.67
29	2.53	1.91	3.30	2.72
30	2.56	1.95	3.33	2.75
31	2.60	1.98	3.37	2.78
32	2.63	2.00	3.39	2.80
33	2.66	2.04	3.42	2.84
34	2.70	2.07	3.45	2.87
35	2.73	2.10	3.49	2.90
36	2.75	2.13	3.52	2.94
37	2.78	2.17	3.55	2.97
38	2.82	2.19	3.58	3.00
39	2.85	2.22	3.61	3.04
40	2.88	2.26	3.64	3.06
41	2.90	2.29	3.67	3.09
42	2.94	2.31	3.71	3.12

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43	2.97	2.34	3.73	3.15
44	3.00	2.38	3.76	3.18
45	3.02	2.40	3.80	3.21
46	3.06	2.43	3.83	3.24
47	3.09	2.46	3.85	3.27
48	3.11	2.49	3.88	3.30
49	3.15	2.52	3.92	3.33
50	3.18	2.55	3.95	3.37
51	3.21	2.57	3.97	3.40
52	3.23	2.61	4.00	3.42
53	3.27	2.63	4.03	3.45
54	3.29	2.66	4.06	3.48
55	3.32	2.70	4.09	3.51
56	3.36	2.72	4.11	3.54
57	3.38	2.75	4.15	3.56
58	3.41	2.78	4.18	3.60
59	3.43	2.80	4.20	3.62
60	3.46	2.84	4.24	3.65

Statutory Authority: *MS s 62B.12*

2760.9920 SCHEDULE A-1.

Credit Accident and Health Insurance Premium Rates
Single Premium Rates Per \$100 of Initial Indebtedness
Six-Month Alternative Bracket Rate Schedule

Number of Equal Monthly Installments	Nonretroactive Benefits Elimination Periods		Retroactive Benefits Waiting Periods	
	14 Days	30 Days	14 Days	30 Days
3- 8	\$1.36	\$.76	\$2.06	\$1.44
9-14	1.83	1.21	2.57	1.98
15-20	2.12	1.51	2.87	2.29
21-26	2.35	1.72	3.10	2.52
27-32	2.54	1.92	3.32	2.74
33-38	2.74	2.12	3.51	2.93
39-44	2.92	2.30	3.68	3.11
45-50	3.11	2.48	3.87	3.29
51-56	3.28	2.64	4.03	3.46
57-60	3.42	2.79	4.19	3.61

Statutory Authority: *MS s 62B.12*