

2760.0050 CREDIT LIFE INSURANCE RATES.

Subpart 1. **Initial prima facie rates.** Subject to the conditions and requirements in subpart 2 and part 2760.0090, the initial prima facie rates in this subpart meet the requirements of part 2760.0040 and are the maximum rates to be used without further proof of reasonableness, until the effective date of any adjustment under part 2760.0080.

A. If the premium is charged on a monthly outstanding balance (MOB) basis, the initial prima facie rate is \$0.615 per month per \$1,000 of outstanding insured debt on single life.

B. If the premium is charged on a single premium basis, the rate shall be computed according to the following formula or according to a formula approved by the commissioner which produces rates actuarially consistent with the following formula:

$$SP = \frac{OP}{10} \times \frac{\sum_{t=1}^n I_t}{I_0}$$

where: OP = Prima facie life rate per \$1,000 per month

n = Term of insurance coverage (months)

I_t = Scheduled amount of insurance for month t

SP = Single premium prima facie rate per \$100 initial amount of insured loan amount

Note: I_t includes any additional monthly payments covered in the benefit but not more than 1 for $n \leq 63$ months and 2 for $n > 63$ months

For purposes of calculating the single premium credit life rate, the initial value of OP is \$0.615.

C. If the life coverage is sold on a joint basis involving two debtors, the rate for the joint coverage shall be 167 percent of the applicable single rate.

D. If the insurer provides benefits more restrictive than specified in subpart 2, the insurer must file and use rates that are actuarially equivalent and must receive approval from the commissioner as meeting the requirements of part 2760.0040 before use. If the insurer provides benefits less restrictive than specified in subpart 2, the insurer shall either use the rates specified or rates that are actuarially equivalent, in which case the insurer must receive approval from the commissioner as meeting the requirements of part 2760.0040 before use.

Subp. 2. **Application to certain contracts.** The premium rates in subpart 1 shall apply to contracts providing credit life insurance that are offered to all eligible debtors electing to

purchase coverage within 30 days of the date the debtor becomes eligible and that conform to the following provisions.

A. Coverage for death by whatever means caused, unless coverage excludes death resulting from:

- (1) war or any act of war;
- (2) suicide within six months after the effective date of the coverage or later advance; or
- (3) subject to provisions of item B, a preexisting condition or conditions.

B. For the purpose of item A, subitem (3), no preexisting condition exclusion shall apply unless death is caused by or substantially contributed to by the preexisting condition and unless death occurs within six months following the effective date of coverage or later advance.

C. The insurer has the option to include in lieu of a preexisting condition exclusion on insurance written in connection with open-ended credit account, a provision to limit the amount of insurance payable on death due to natural causes to the balance as it existed six months before the date of death if there has been one or more increases in the outstanding balance during the six-month period and if evidence of individual insurability has not been required in the six-month period before the date of death. This provision applies only if and to the extent that the amount of coverage to which it would otherwise apply in the absence of this limitation exceeds \$1,000.

D. An age restriction providing that no insurance will become effective on debtors on or after the attainment of age 70 and that all insurance will terminate upon attainment by the debtor of age 70.

E. The insurer does not require evidence of individual insurability if the initial amount financed or open-end credit account limit is \$15,000 or less and the applicant elects to purchase coverage within 30 days of the effective date of the indebtedness.

Subp. 3. Other reasonable rates.

A. If the insurer uses a form that does not exclude preexisting conditions, a rate equal to 105 percent of the prima facie rate shall be considered reasonable.

B. If the insurer, its agent, or the application form for credit life insurance requests or requires that the debtor provide evidence of individual insurability and the initial amount financed or open-end credit account limit available is above \$15,000 or the applicant elects to purchase coverage more than 30 days after the effective date of the indebtedness, then the premium rates considered reasonable will be the prima facie rates in subpart 1. For policies insuring open-end lines of credit, the insurer may require evidence of individual insurability for advances which increase the outstanding debt above \$15,000.

Subp. 4. **Insurance application forms.** Insurers' use of the same application forms for credit life and credit accident and health insurance is permitted whether or not the underwriting questions are asked pursuant to subpart 3.

Statutory Authority: *MS s 62B.12*

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