

State of Utah
Administrative Rule Analysis
 Revised November 2021

NOTICE OF PROPOSED RULE		
TYPE OF RULE: New ___; Amendment ___; Repeal ___; Repeal and Reenact _x_		
Title No. - Rule No. - Section No.		
Utah Admin. Code Ref (R no.):	R590-91	Filing ID (Office Use Only)
Changed to Admin. Code Ref. (R no.):	R	

Agency Information

1. Department:	Insurance	
Agency:	Administration	
Room no.:	Suite 2300	
Building:	Taylorsville State Office Building	
Street address:	4315 S. 2700 W.	
City, state and zip:	Taylorsville, UT 84129	
Mailing address:	PO Box 146901	
City, state and zip:	Salt Lake City, UT 84114-6901	
Contact person(s):		
Name:	Phone:	Email:
Steve Gooch	801-957-9322	sgooch@utah.gov
Please address questions regarding information on this notice to the agency.		

General Information

2. Rule or section catchline:
R590-91. Credit Life Insurance and Credit Accident and Health Insurance
3. Purpose of the new rule or reason for the change (Why is the agency submitting this filing?):
The rule is being repealed and reenacted in compliance with Executive Order 2021-12. During the review of this rule, the department discovered a significant number of minor issues that needed to be amended, and determined that a repeal and replace was the proper method.
4. Summary of the new rule or change (What does this filing do? If this is a repeal and reenact, explain the substantive differences between the repealed rule and the reenacted rule):
The majority of the changes are being done to fix style issues to bring the rule text more in line with current rulewriting standards and to make the language of the rule more clear. Substantive changes remove certain requirements including a duplicative filing requirement for rates and forms, reserving standards that are no longer applicable, duplicative annual financial reporting requirements, and outdated and unenforced experience reporting requirements.

Fiscal Information

5. Provide an estimate and written explanation of the aggregate anticipated cost or savings to:
A) State budget:
There is no anticipated cost or savings to the state budget. The substantive rule changes are limited to removal of requirements that are duplicative, outdated, or no longer enforced.
B) Local governments:
There is no anticipated cost or savings to local governments. The substantive rule changes are limited to removal of requirements that are duplicative, outdated, or no longer enforced.
C) Small businesses ("small business" means a business employing 1-49 persons):
There is no anticipated cost or savings to small businesses. The substantive rule changes are limited to removal of requirements that are duplicative, outdated, or no longer enforced.
D) Non-small businesses ("non-small business" means a business employing 50 or more persons):

There is no anticipated cost or savings to non-small businesses. The substantive rule changes are limited to removal of requirements that are duplicative, outdated, or no longer enforced.

E) Persons other than small businesses, non-small businesses, state, or local government entities ("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an **agency**):

There is no anticipated cost or savings to any other persons. The substantive rule changes are limited to removal of requirements that are duplicative, outdated, or no longer enforced.

F) Compliance costs for affected persons (How much will it cost an impacted entity to adhere to this rule or its changes?):

There are no compliance costs for any affected persons. The substantive rule changes are limited to removal of requirements that are duplicative, outdated, or no longer enforced.

G) Comments by the department head on the fiscal impact this rule may have on businesses (Include the name and title of the department head):

After conducting a thorough analysis, it was determined that this proposed rule amendment will not result in a fiscal impact to businesses. — Jonathan T. Pike, Insurance Commissioner

6. A) Regulatory Impact Summary Table (This table only includes fiscal impacts that could be measured. If there are inestimable fiscal impacts, they will not be included in this table. Inestimable impacts will be included in narratives above.)

Regulatory Impact Table			
Fiscal Cost	FY2022	FY2023	FY2024
State Government	\$0	\$0	\$0
Local Governments	\$0	\$0	\$0
Small Businesses	\$0	\$0	\$0
Non-Small Businesses	\$0	\$0	\$0
Other Persons	\$0	\$0	\$0
Total Fiscal Cost	\$0	\$0	\$0
Fiscal Benefits			
State Government	\$0	\$0	\$0
Local Governments	\$0	\$0	\$0
Small Businesses	\$0	\$0	\$0
Non-Small Businesses	\$0	\$0	\$0
Other Persons	\$0	\$0	\$0
Total Fiscal Benefits	\$0	\$0	\$0
Net Fiscal Benefits	\$0	\$0	\$0

B) Department head approval of regulatory impact analysis:

The Commissioner of Insurance, Jonathan T. Pike, has reviewed and approved this fiscal analysis.

Citation Information

7. Provide citations to the statutory authority for the rule. If there is also a federal requirement for the rule, provide a citation to that requirement:

Section 31A-2-201		

Incorporations by Reference Information

(If this rule incorporates more than two items by reference, please include additional tables.)

8. A) This rule adds, updates, or removes the following title of materials incorporated by references (a copy of materials incorporated by reference must be submitted to the Office of Administrative Rules; *if none, leave blank*):

	First Incorporation
Official Title of Materials Incorporated (from title page)	
Publisher	

Date Issued	
Issue, or version	

B) This rule adds, updates, or removes the following title of materials incorporated by references (a copy of materials incorporated by reference must be submitted to the Office of Administrative Rules; *if none, leave blank*):

	Second Incorporation
Official Title of Materials Incorporated (from title page)	
Publisher	
Date Issued	
Issue, or version	

Public Notice Information

9. The public may submit written or oral comments to the agency identified in box 1. (The public may also request a hearing by submitting a written request to the agency. See Section 63G-3-302 and Rule R15-1 for more information.)

A) Comments will be accepted until (mm/dd/yyyy): 03/17/2022

B) A public hearing (optional) will be held:

On (mm/dd/yyyy):	At (hh:mm AM/PM):	At (place):

10. This rule change MAY become effective on (mm/dd/yyyy): 03/24/2022

NOTE: The date above is the date the agency anticipates making the rule or its changes effective. It is NOT the effective date. To make this rule effective, the agency must submit a Notice of Effective Date to the Office of Administrative Rules on or before the date designated in Box 10.

Agency Authorization Information

To the agency: Information requested on this form is required by Sections 63G-3-301, 302, 303, and 402. Incomplete forms will be returned to the agency for completion, possibly delaying publication in the *Utah State Bulletin* and delaying the first possible effective date.

Agency head or designee, and title:	Steve Gooch, Public Information Officer	Date (mm/dd/yyyy):	02/01/2022
--	---	---------------------------	------------

R590. Insurance, Administration.

R590-91. Credit Life Insurance and Credit Accident and Health Insurance.

~~R590-91-1. Purpose and Authority.~~

~~The purpose of this rule is to protect the interests of debtors and the public in this State and to ensure a fair and equitable credit insurance market by establishing a system of reasonable rating, policy form, and operating standards for the transaction of credit life insurance and credit accident and health insurance. This rule is promulgated pursuant to Section 31A-2-201.~~

~~R590-91-2. Definitions.~~

~~As used in this rule:~~

~~A. "Credit Accident and Health Insurance" means insurance as defined in Section 31A-22-802.~~

~~B. "Credit Insurance" means both credit life insurance and credit accident and health insurance.~~

~~C. "Credit Life Insurance" means insurance as defined in Section 31A-22-802.~~

~~D. "Indebtedness" means indebtedness as defined in Section 31A-22-802.~~

~~E. "Net Indebtedness" means net indebtedness as defined in Section 31A-22-802.~~

~~F. "Net Written Premium" means premium as defined in Section 31A-22-802.~~

~~G. "Open End Credit" means credit extended by a creditor under an agreement in which the creditor reasonably contemplates repeated transactions; the creditor imposes a finance charge from time to time on an outstanding unpaid balance; and the amount of credit available to the debtor is self-replenishing as the debtor repays amounts previously drawn.~~

~~R590-91-3. Rights and Treatment of Debtors.~~

~~A. Multiple Plans of Insurance. If a creditor makes available to the debtor more than one plan of credit life insurance or more than one plan of credit accident and health insurance, the debtor must be informed of the plans applicable to the specific loan transaction.~~

~~_____ B. Substitution. If a creditor requires insurance, the debtor shall be given the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by the debtor or procuring and furnishing the required coverage through any insurer authorized to transact insurance business in this State. If this subsection is applicable, the debtor shall be informed by the creditor of the right to provide alternative coverage before the transaction is completed.~~

~~_____ C. Evidence of Coverage.~~

~~_____ (1) All credit insurance shall be evidenced by an individual policy, or, in the case of group insurance, by a certificate of insurance.~~

~~_____ (a) The individual policy or certificate of insurance shall be delivered to the debtor in accordance with Section 31A-22-806(3) and 70C-6-104. The insurer shall promptly notify the debtor of any delay in providing the insurance.~~

~~_____ (b) If the named insurer does not accept the risk, the insurer, if any, shall notify the debtor of the failure to provide the insurance. A substituted insurer, if any, shall deliver the policy or certificate in accordance with Section 31A-22-806(5).~~

~~_____ (c) Subsequent certificates are not needed on open end credit arrangements after the initial indebtedness.~~

~~_____ (2) Each individual policy or certificate of insurance shall provide the information required by Section 31A-22-806.~~

~~_____ (3) Each policy application must provide the information required by Section 31A-22-806(4)(b) and identify the agent, if any.~~

~~_____ D. Claims Processing. All credit insurance claims shall be processed in accordance with Section 31A-26-302.~~

~~_____ E. Termination of Group Credit Insurance Policy.~~

~~_____ (1) If a debtor is covered by a group credit insurance policy providing for the payment of single premiums to the insurer, then provisions shall be made by the insurer that in the event of termination of the policy for any reason, insurance coverage with respect to any debtor insured under the policy shall be continued for the entire period for which the single premium has been paid.~~

~~_____ (2) If a debtor is covered by a group credit insurance policy providing for the payment of premiums to the insurer on a monthly outstanding balance basis, then the policy shall provide that, in the event of termination of such policy, for whatever reason, termination notice shall be given to the insured debtor at least 30 days prior to the effective date of termination, except where replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The notice required in this paragraph shall be given by the insurer or, at the option of the insurer, by the creditor.~~

~~_____ F. Interest on Premium. If the creditor adds identifiable insurance charges or premiums for credit insurance to the indebtedness, and any direct or indirect finance, carrying, credit, or service charge is made to the debtor on the insurance charges or premiums, the creditor must remit and the insurer shall collect the premium within 60 days after it is added to the indebtedness.~~

~~_____ G. Renewal or Refinancing of Indebtedness. 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. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited promptly to the debtor as provided in Section 8.~~

~~_____ H. Maximum Aggregate Provisions. A provision in an individual policy or certificate that sets a maximum limit on total payments must apply only to that individual policy or certificate.~~

~~_____ I. Voluntary Prepayment of Indebtedness. If a debtor prepays his indebtedness other than as a result of his death or through a lump sum accident and health payment:~~

~~_____ (1) Any credit life insurance covering indebtedness shall be terminated and an appropriate refund of the credit life insurance premium shall be paid to the debtor in accordance with Section 8; and~~

~~_____ (2) Any credit accident and health insurance covering indebtedness shall be terminated and an appropriate refund of the credit accident and health insurance premium shall be paid to the debtor in accordance with Section 8. If a claim under this coverage is in progress at the time of prepayment, the amount of refund may be determined as if the prepayment did not occur until the payment of benefits terminates. No refund need be paid during any period of disability for which credit disability benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period.~~

~~_____ J. Involuntary Prepayment of Indebtedness. If an indebtedness is prepaid by the proceeds of a credit life insurance policy covering the debtor or by a lump sum payment of a disability claim under a credit insurance policy covering the debtor, then it shall be the responsibility of the insurer to see that the following are paid to the insured debtor if living or to the beneficiary, other than the creditor, named by the debtor or to the debtor's estate:~~

~~_____ (1) In the case of prepayment by the proceeds of a credit life insurance policy, or by the proceeds of a lump sum total and permanent disability benefit under credit life coverage, an appropriate refund of the credit accident and health insurance premium in accordance with Section 8;~~

~~_____ (2) In the case of prepayment by a lump sum disability claim, an appropriate refund of the credit life insurance premium in accordance with Section 8;~~

~~_____ (3) In either case, the amount of the benefits in excess of the amount required to repay the indebtedness after crediting any unearned interest or finance charges.~~

~~_____ K. Amounts to be Insured:~~

~~_____ (1) Credit life insurance benefits shall be consistent with the premium charge.~~

~~_____ The initial amount of credit life insurance may not exceed the total amount payable under the contract of indebtedness. Credit life insurance may provide benefits in amounts which do not exceed, but may be less than, the scheduled amount of indebtedness, including unearned interest or finance charges, or the actual amount of unpaid indebtedness, whichever is greater. Credit life insurance on preauthorized lines of credit not exceeding the commitment period may be written for the preauthorized amount on a nondecreasing or level term plan. The death benefit amount shall be that amount for which premiums are paid. Whenever the amount of insurance exceeds the unpaid indebtedness, that excess is payable to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate.~~

~~_____ (2) The total amount of indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, may not exceed, but may be less than the aggregate of the periodic scheduled unpaid installments of the indebtedness. The amount of each periodic indemnity payment may not exceed the total amount payable under the contract of indebtedness divided by the number of periodic installments.~~

~~_____ L. Dividends on participating individual policies of credit insurance shall be payable to the individual insureds.~~

R590-91-4. Policy Forms, Filing and Reserves.

~~_____ A. Permissible Forms. Credit life insurance and credit accident and health insurance shall be issued only in the forms defined in Section 31A-22-803.~~

~~_____ B. Filing Requirements.~~

_____ (1) All policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders to be delivered or issued for delivery in this State shall be filed with the commissioner as required by Sections 31A-21-201, 31A-22-807, and 31A-22-808.

_____ (2) An actuarial memorandum, signed and dated, must be included in each rate and form filing. The memorandum must identify the following:

_____ (a) types of coverage: gross, net, decreasing, level, single life, joint life, full term or truncated;

_____ (b) types of loans to be insured: open end, closed end;

_____ (c) durations of the loans and durations of the coverage. Refer to Section 31A-22-801(2)(a);

_____ (d) methods of premium charge: single premium or monthly outstanding balance;

_____ (e) schedules of premium rates and formulas for each type of coverage;

_____ (f) methods of refund calculation and formulas for each type of coverage; and

_____ (g) reserve bases.

_____ (3) All filings are subject to the general filing requirements of the Utah Submission of Credit Life and Credit Accident and Health Insurance Form and Rate Filings, Rule R590-228. The commissioner may prohibit a form if the benefits provided are not reasonable in relation to the premium charged.

_____ C. The minimum reserve basis for credit life insurance issued to be effective prior to January 1, 2008 shall be the 1980 Commissioner's Standard Ordinary Table (1980 CSO) with interest at 5-1/2% per annum.

_____ D. The minimum reserve basis for active lives on credit accident and health insurance issued to be effective prior to January 1, 2008 shall be the amount of the premium refund available to the insured.

_____ E. The minimum reserve basis for disabled lives on credit accident and health insurance issued to be effective prior to January 1, 2008 shall be the 1987 Commissioner's Group Disability Table (1987 CGDT) with interest at 5-1/2% per annum.

R590-91-5. Reasonableness of Benefits in Relation to Premium.

_____ A. General Standard. Under Section 31A-22-807, benefits provided by credit insurance policies must be reasonable in relation to the premium charged. This requirement is deemed to be satisfied if the premium rate charged develops or may be reasonably expected to develop a loss ratio of not less than 50% for credit life insurance and not less than 55% for credit accident and health insurance.

_____ B. Nonstandard Coverage. If any insurer files for approval of any form providing coverage different from that described in Sections 6 and 7, the insurer shall demonstrate to the satisfaction of the commissioner that the premium rates to be charged for the coverage will develop or may be reasonably expected to develop a loss ratio not less than that contemplated for standard coverage at the premium rates described in these sections.

_____ C. Coverage Without Separate Charge. If no specific charge is made to the debtor for credit insurance, the standards of Subsection A above and the deviation standards of Section 11 are not required to be used. For purposes of this subsection, it will be considered that the debtor is charged a specific amount for insurance if an identifiable charge for insurance is disclosed in the credit or other instrument furnished the debtor which sets out the financial elements of the credit transactions, or if there is a differential in finance, interest, service or other similar charge made to debtors who are in like circumstances, except for their insured or noninsured status. Any such charge which exceeds the premium rate standards set out in Sections 6 and 7 as adjusted pursuant to Section 9 must be filed with the commissioner.

R590-91-6. Credit Life Insurance Prima Facie Rates.

_____ A. Premium Rate. Credit life insurance prima facie premium rates for the insured portion of an indebtedness payable in equal monthly installments, where the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid, shall be as set forth in paragraphs (1) and (2). Paragraphs (3), (4), and (5) refer to prima facie premium rates for other types of benefits either alone or in combination with the type of benefits applicable to (1) and (2).

_____ (1) Outstanding balance: \$0.65 per month per \$1,000 of outstanding insured indebtedness if premiums are payable on a monthly outstanding balance basis;

_____ (2) Single Premium Decreasing Term: If premiums are payable on a single premium basis, the following formula shall be used to develop single premium rates from the outstanding balance rate:

_____ $Sp = (N + 1)/20 (Op)$ where Sp is the single term premium per \$100 of initial insured indebtedness, N is the credit term in months, and Op is the monthly outstanding balance rate per \$1,000 of outstanding insured indebtedness.

_____ (3) Single Premium Level Term: If premiums are payable on a single premium basis when the benefit provided is level term, the following formula shall be used to develop single premium rates from the outstanding balance rate:

_____ $Sp = N/10 (Op)$ where Sp is the single term premium per \$100 of initial insured indebtedness, N is the credit term in months, and Op is the monthly outstanding balance rate per \$1,000 of outstanding insured indebtedness.

_____ (4) Joint coverage rate on basis (1), (2), or (3) of Subsection A may be no greater than one hundred and seventy percent (170%) of the specific rate for that type of coverage.

_____ (5) A combination of the appropriate rate for level term and the appropriate rate for decreasing term, with equal decrements, shall be used, if coverage provided is a combination of level term and decreasing term, with equal decrements.

_____ (6) If the benefits provided are other than those described in Subsection A above, rates for these benefits shall be actuarially consistent with the rates provided in Paragraphs (1), (2), and (3).

_____ B. The premium rates in Subsection A shall apply to all policies providing credit life insurance, to be issued either with or without evidence of insurability, to be offered to all eligible debtors, and containing:

_____ (1) No exclusions other than suicide within one year of the incurred indebtedness;

_____ (2) Either no age restrictions or age restrictions making ineligible for coverage debtors 65 or over at the time the indebtedness is incurred or debtors having attained age 66 or over on the maturity date of the indebtedness; and

_____ (3) Insurance written in connection with an open end credit plan may exclude from the classes eligible for insurance classes of debtors determined by age, and provide for the cessation of insurance or reduction in the amount of insurance upon attainment of not less than age 65.

_____ (4) On insurance written in connection with open end credit plans where the amount of insurance is based on or limited to the outstanding unpaid balance, no provision excluding or denying a claim for death resulting from a preexisting condition except for those conditions for which the insured debtor received medical diagnosis or treatment within six months preceding the effective date of coverage and which caused or substantially contributed to the death of the insured debtor within six months following the effective date of coverage. The effective date of coverage for each part of the insurance attributable to a subsequent advance or increase to the outstanding balance is the date on which the advance or increase is posted to

the plan account. Such preexisting condition exclusion shall apply to the initial indebtedness and all subsequent advances on an individual basis, only where evidence of individual insurability has not been required.

R590-91-7. Credit Accident and Health Insurance Prima Facie Rates.

A. Premium Rate. Credit accident and health insurance prima facie premium rates for the insured portion of an indebtedness repayable in equal monthly installments, where the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid, shall be as set forth in paragraphs (1) and (2). Paragraphs (3), (4), (5), and (7) refer to prima facie premium rates for other types of benefits either alone or in combination with the type of benefits applicable to (1) and (2).

(1) If premiums are payable on a single premium basis for the duration of the coverage, the premiums shall be as indicated on the attached chart which is available from the Insurance Department.

(2) If premiums are paid on the basis of a premium rate per month per thousand of outstanding insured indebtedness, these premiums shall be computed according to the following formula, or according to a formula approved by the commissioner which produces rates actuarially equivalent to the single premium rates in Table I:

$$OPn = 20/n+1 (SPn)$$

where SPn = Single Premium Rate per \$100 of initial insured indebtedness repayable in n equal monthly installments;

OPn = Monthly Outstanding Balance Premium Rate per \$1,000;

n = Original payment period, in months.

(3) The actuarial equivalent of paragraphs (1) and (2) shall be used if the coverage provided is a constant maximum indemnity for a given period of time.

(4) An appropriate combination of the premium rate for a constant maximum indemnity for a given period of time and the premium rate for a maximum indemnity which decreases in equal amounts per month shall be used if the coverage provided is a combination of a constant maximum indemnity for a given period of time after which the maximum indemnity begins to decrease in equal amounts per month.

(5) If the benefits provided are other than those described above, rates for the benefits shall be actuarially consistent with rates provided in Paragraphs (1), (2), (3), and (4).

(6) The outstanding balance rate for credit accident and health insurance may be either a term specified rate or may be a single composite term outstanding balance rate applicable to all loans made under an open end credit plan.

(7)(a) For an open end credit plan, the monthly rate per \$1,000 of outstanding principal balance shall be the rate calculated using the formula in paragraph (2) where n is the number of monthly indemnity payments required to completely extinguish the debt. The rate shall be further reduced to appropriately account for critical period if applicable.

(b) The critical period factors shall be filed with the department and shall not exceed the factors based on the 1968 Credit A and H Two Composite Tables published by the NAIC (Proceedings - 1968 Vol. II).

B. The premium rates in Subsection A shall apply to all policies providing credit accident and health insurance, to be issued with or without evidence of insurability, to be offered to all eligible debtors, and containing:

(1) No 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) No other provision which excludes or restricts liability in the event of disability caused in a specified manner except that it may contain provisions excluding or restricting coverage in the event of normal pregnancy and intentionally self-inflicted injuries.

(3) No actively at work test may require that the debtor be employed more than 30 hours per week.

(4) No age restrictions or only age restrictions making ineligible for 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.

(5) A daily benefit equal in amount to one thirtieth of the monthly benefit payable under the policy for the indebtedness.

(6) A definition of disability, which is no more restrictive than one requiring that during the first 12 months of disability the insured shall be unable to perform the principal duties of his occupation at the time the disability occurred, and thereafter unable to perform the principal duties of any occupation for which the insured is reasonably fitted by education, training, or experience. This paragraph may not apply to lump sum disability coverage.

(7) Insurance written in connection with an open end credit plan may exclude from the classes eligible for insurance classes of debtors determined by age, and provide for the cessation of insurance or reduction in the amount of insurance upon attainment of not less than age 65.

R590-91-8. Refund Formulas.

A. Refund formulas which any insurer desires to use must be filed with and approved by the commissioner prior to use. Refund formulas used must develop refunds which are at least as favorable to the debtor as the following methods which are deemed the minimum requirements for the plans described:

(1) Pro Rata Method. The pro rata unearned gross premium method shall be deemed to produce the minimum refund amount to be used for level term credit insurance, and for credit insurance coverages under which premiums are collected from the debtor on a basis other than the single premium basis.

Refund = t/n (original gross single premium) where t = the number of remaining months;

n = the original loan term in months.

(2) Rule of 78 method. The Rule of 78 or sum of the digits unearned premium method shall be deemed to produce the minimum refund amount to be used for insurance coverage which reduces in equal amounts per month and for which the premiums are collected on a single premium basis.

Refund = $(t(t+1)/n(n+1))$ (original gross single premium)

where t = the number of remaining months; n = the original loan term in months.

(3) Combination Methods. An appropriate combination of the pro rata method and the Rule of 78 method or, at the option of the insurer, the pro rata method shall be used for credit life insurance provided as a combination of level and decreasing term coverage and for credit accident and health insurance wherein the insured is covered for a constant maximum indemnity for a given period of time, after which the maximum indemnity begins to decrease in equal amounts per month.

B. For net indebtedness insurance and for other types of insurance and other modes of premium payment, each insurer shall file for approval and include in the policy appropriate formulas and/or factors for refunds, or reference to such formulas and factors that are on file with the

commissioner. For net indebtedness, either the actuarial method also known as the U.S. Rule or pure premium method, or an arithmetic average of refunds due under Pro Rata and Rule of 78 Methods will be acceptable.

C. In the event of termination, no charge for credit insurance may be made for the first 15 days of a loan month and a full month may be charged for 16 days or more of a loan month, unless refunds are made on a pro rata basis for each day within the loan month.

D. If the total of all refunds due a debtor (or joint debtors) is less than \$5.00, no refund need be made.

R590-91-9. Experience Reports and Adjustment of Prima Facie Rates.

A. Each insurer doing Credit Insurance business in this state shall annually file with the commissioner and the NAIC Support and Services Office a report of credit life insurance and credit accident and health business written on a calendar year basis. Each insurer shall utilize the Credit Insurance Experience Exhibit as approved by the National Association of Insurance Commissioners. The report shall contain data separately for this state. The filing shall be made in accordance with and no later than the due date in the Instructions to the Annual Statement.

B. Whenever deemed necessary, the commissioner will publish by order, after a hearing, Prima Facie Rates before September 1. The new prima facie rates shall be effective January 1 of the following year.

R590-91-10. Rating Standards—Filing Requirements.

A. Requirement to File the Four Year Loss Ratio Test.

(1) Insurers with more than \$250,000 of credit insurance premium earned in Utah in the most recent four year period shall annually file an experience report to determine whether benefits are reasonable in relation to premiums based on the loss ratio test in Section 31A-22-807(4). The loss ratio shall be calculated at the rates actually used in each year. The insurer may also file an adjusted loss ratio report that adjusts premium to the most recent premium rates. The Four Year Loss Ratio Report is due one month after the due date of the experience exhibit required by Section 9.

(2) Insurers whose loss ratios are less than the minimum loss ratio by ten percentage points or more shall file a rating and benefits plan that meets the requirements of Subsection B. Insurers who would be required to decrease rates by more than 10% may phase in decreases in annual 10% increments.

B. Filing Standards.

(1) Insurers filing for a rate deviation, including those required to file under Subsection 1 above, shall submit an actuarial memorandum that shows that the premium rate does not exceed the sum of:

(a) 50% of the prima facie rate or its actuarial equivalent; and

(b) the expected losses.

(2) The calculation of expected losses shall take into account the following:

(a) the actual loss experience to the extent credible;

(b) the degree of underwriting used in marketing the product; and

(c) the relative mortality and morbidity of Utah experience when using national experience or actuarial tables.

R590-91-11. Rating Procedures—Direct Business Only.

A. Use of Rates Higher Than Prima Facie Rates.

An insurer may file for approval and use rates that are higher than prima facie rates if it can be expected that the use of those higher rates will produce a minimum loss ratio that is required by Section 31A-22-807.

B. Use of Rates Lower Than Filed Rates.

An insurer may use a rate that is lower than its filed rate without notice to the commissioner.

R590-91-12. Disclosure to Debtor.

A. When a premium or identifiable charge is payable by a debtor for credit insurance coverage, certain information must be disclosed to the debtor at the time the debtor applies for the insurance. The disclosures shall be made to the principal debtor and copies given to the debtor and retained in accordance with State and Federal law. These disclosures shall be made prominently and in close proximity to the space for the signature indicating the election to obtain the coverage. These disclosures may be made in conjunction with the Federal Truth in Lending disclosure, a Notice of Proposed Insurance, the application for insurance, or in the individual insurance policy or certificate. The following items must be included in the disclosure:

(1) the optional nature of the coverage;

(2) the premium or identifiable charge separately listed by type of coverage;

(3) eligibility requirements including health restrictions and at work requirements; and

(4) any age restrictions in regard to eligibility for insurance coverage at the time the indebtedness is incurred or in regard to cessation of coverage due to attainment of age.

B. If at any time during the term of the loan, the insurance is insufficient to pay off the scheduled outstanding balance of the loan, this fact must be clearly and prominently disclosed to the prospective insured on the policy or certificate.

C. All credit insurance policies and certificates shall clearly describe the amount of the benefit and the term of coverage. Whenever the amount of credit life insurance exceeds the unpaid indebtedness, such fact shall be clearly disclosed in the policy or group certificate; and such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate.

D. If any policy or certificate has a preexisting condition exclusion, such exclusion shall be clearly and prominently disclosed.

R590-91-13. Unfair Marketing Practices.

The commissioner finds that violations of this rule when engaged in by licensees of the department in connection with the sale or placement of credit insurance, or as an inducement, are misleading, deceptive, or unfairly induce the purchase of credit insurance and constitute unfair methods of competition and shall be in violation of Unfair marketing practices under Section 31A-23a-402.

R590-91-14. Severability.

If any provision of this rule or its application to any person or circumstance is for any reason held to be invalid, the remainder of the rule and the application of the provision to other persons or circumstances may not be affected.

R590-91-15. Enforcement Date.

~~_____The commissioner will begin enforcing the revised provisions of this rule on the effective date.]~~

R590-91-1. Authority.

This rule is promulgated by the commissioner pursuant to Section 31A-2-201.

R590-91-2. Purpose and Scope.

(1) The purpose of this rule is to:

- (a) protect the interests of debtors and the public in this state; and
- (b) establish a system of reasonable rating, policy form, and operating standards for credit insurance transactions.

(2) This rule applies to each credit insurance transaction within the scope of Title 31A, Chapter 22, Part 8, Credit Life and Accident and Health Insurance.

R590-91-3. Definitions.

Terms used in this rule are defined in Sections 31A-1-301 and 31A-22-802. Additional terms are defined as follows:

(1) "Credit insurance" means credit life insurance and credit accident and health insurance.

(2) "Open-end credit" means credit extended by a creditor under an agreement in which:

- (a) the creditor reasonably contemplates repeated transactions;
- (b) the creditor imposes a finance charge from time to time on an outstanding unpaid balance; and
- (c) the credit available to the debtor is self-replenishing as the debtor repays amounts previously drawn.

R590-91-4. Rights and Treatment of Debtors.

(1)(a) If a creditor requires insurance, the creditor shall give the debtor the option to:

- (i) furnish the required amount of insurance through an existing insurance policy the debtor owns or controls; or
- (ii) obtain insurance coverage through any insurer authorized to transact insurance business in this state.

(b) If this subsection applies, the creditor shall inform the debtor of the debtor's right to provide alternative coverage before the transaction is completed.

(2) Evidence of coverage for credit insurance shall comply with Sections 31A-22-806 and 70C-6-104.

(3)(a) If the named insurer does not accept the risk, the insurer shall notify the debtor that the insurer did not accept the risk and did not provide the insurance.

(b) A substituted insurer, if any, shall deliver the policy or certificate according to Subsection 31A-22-806(5).

(4) No subsequent certificate is needed on an open-end credit arrangement after the initial indebtedness.

(5) Each policy application must identify the producer, if any, and provide the information required by Subsection 31A-22-806(4)(b).

(6)(a) If a debtor is covered by a group credit insurance policy in which each individual pays a single premium to the insurer, the policy shall include a provision indicating that if the policy is terminated for any reason, the debtor's insurance coverage shall continue for the period for which the debtor's premium has been paid.

(b) If a debtor is covered by a group credit insurance policy with a premium paid to the insurer on a monthly outstanding balance basis, the policy shall include a provision indicating that the debtor shall be given at least 30 days notice before the policy is terminated.

(c) The notice requirement in Subsection (5)(b) does not apply when:

- (i) the debtor obtains replacement coverage from the same or another insurer;
- (ii) in the same or greater amount; and
- (iii) the replacement coverage takes place without lapse of coverage.

(d) The insurer shall provide the notice required in Subsection (5)(b) or, at the insurer's option, the creditor may provide the notice.

(7) If the creditor adds any identifiable insurance charge or premium for credit insurance to the indebtedness, and the creditor adds any direct or indirect finance, carrying, credit, or other service charge on the insurance charge or premium, the following shall occur:

(a) the creditor must remit the insurance charge or premium to the insurer; and

(b) the insurer shall collect the insurance charge or premium within 60 days after the insurance charge or premium is added to the indebtedness.

(8) A provision in an individual policy or certificate that sets a maximum limit on total payments shall only apply to the individual policy or certificate that contains the provision.

(9) For credit life insurance, when the indebtedness of a debtor is prepaid in a manner other than a lump sum accident and health payment, or as a result of the debtor's death:

(a) any credit life insurance covering the indebtedness shall be terminated; and

(b) the debtor shall be refunded the credit life insurance premium according to the formula in Section R590-91-9.

(10)(a) For credit accident and health insurance, when the indebtedness of a debtor is prepaid in a manner other than a lump sum accident and health payment or as a result of the debtor's death:

(i) any credit accident and health insurance covering the indebtedness shall be terminated; and

(ii) the debtor shall be refunded the credit accident and health insurance premium according to the formula in Section R590-91-9.

(b) If there is a pending claim under the coverage when the indebtedness is paid, the refund amount may be determined as if the indebtedness was paid after the benefit payments terminated.

(c) No refund need be paid during any disability period when credit disability benefits are payable.

(d) A refund shall be computed as if the indebtedness was paid at the end of the disability period.

(11)(a) If an indebtedness is prepaid from the proceeds of a debtor's credit life insurance policy or from a disability claim lump sum payment under the debtor's credit insurance policy, the insurer shall be responsible for ensuring that the following are paid to the insured debtor if living, or to the debtor's named beneficiary, other than the creditor, or to the debtor's estate:

(i) when the indebtedness is prepaid from the proceeds of a credit life insurance policy, or from the proceeds of a lump sum total and permanent disability benefit under credit life insurance coverage, the credit accident and health insurance premium refund made according to the formula in Section R590-91-9; or

(i) when the indebtedness is prepaid from a lump sum disability claim under credit accident and health insurance coverage, the credit life insurance premium refund made according to the formula in Section R590-91-9.

(b) For a debt paid under Subsection (11)(a), the benefit amount in excess of the amount required to repay the indebtedness after crediting any unearned interest or finance charges.

(12)(a) A credit life insurance benefit shall be consistent with the premium charge.

(b) Credit life insurance on preauthorized lines of credit not exceeding the commitment period may be written for the preauthorized amount on a nondecreasing or level term plan.

(c) The death benefit amount shall be the amount for which a premium is paid.

(d) When the insurance amount exceeds the unpaid indebtedness, the excess is payable to the debtor's named beneficiary, other than the creditor, or to the debtor's estate.

(13) A dividend on a participating individual credit insurance policy shall be payable to each individual insured.

R590-91-5. Policy Forms and Reserves.

(1) Credit insurance shall be issued in a form described in Section 31A-22-803.

(2) Each policy form, certificate, notice of proposed insurance, application, endorsement, and rider to be delivered or issued for delivery in this state shall be filed with the commissioner as required by Sections 31A-21-201, 31A-22-807, and 31A-22-808.

(3) Each filing is subject to the general filing requirements of Rule R590-228, Submission of Credit Life and Credit Accident and Health Insurance Form and Rate Filings.

(4) The commissioner may prohibit a form if the benefits provided are not reasonable in relation to the premium charged.

R590-91-6. Reasonableness of Benefits in Relation to Premium.

(1) If any insurer files a form for approval that provides coverage that is different from the coverage described in Sections R590-91-7 and R590-91-8, the insurer shall demonstrate to the commissioner's satisfaction that the premium rates for the coverage will develop or may reasonably be expected to develop a loss ratio not less than that contemplated for standard coverage at the premium rates described in Sections R590-91-7 and R590-91-8.

(2) If the debtor is not specifically charged for credit insurance, the standards in Section 31A-22-807 and Section R590-91-11 are not required to be used.

(3) For the purposes of Subsection (2), the debtor is specifically charged for credit insurance if:

(a) an identifiable charge for insurance is disclosed in the credit or other instrument furnished to the debtor that sets out the credit transaction's financial elements; or

(b) there is a differential in finance, interest, service, or other similar charge made to debtors who are in like circumstances, except for their insured or noninsured status.

(4) Any charge described in Subsection (3) that exceeds the premium rate standards in Sections R590-91-7 and R590-91-8, as adjusted under Section R590-91-10, shall be filed with the commissioner.

R590-91-7. Credit Life Insurance Prima Facie Rates.

(1) Subsections (3) and (4) refer to credit life insurance prima facie premium rates for the insured portion of an indebtedness payable in equal monthly installments, when the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid.

(2) Subsections (5), (6), and (7) refer to the prima facie premium rates for other benefit types alone or in combination with the benefit types in Subsections (3) and (4).

(3) If a premium is payable on a monthly outstanding balance basis, the prima facie rate shall be \$0.65 per month per \$1,000 of outstanding insured indebtedness.

(4) If a premium is payable on a single premium basis, the single premium prima facie rate per \$100 of the initial indebtedness shall be $((N+1)/20)(Op)$:

(a) N is the credit term in months; and

(b) Op is the rate specified in Subsection (3).

(5) If a premium is payable on a single premium basis when the benefit provided is level term, the single premium prima facie rate per \$100 of the initial indebtedness shall be $(N/10)(Op)$:

(a) N is the credit term in months; and

(b) Op is the rate specified in Subsection (3).

(6) The joint coverage rate for Subsection (3), (4), or (5) may not be greater than 170% of the specific rate for the type of coverage.

(7) A combination of the appropriate rate for level term and the appropriate rate for decreasing term, with equal decrements, shall be used if coverage provided is a combination of level term and decreasing term, with equal decrements.

(8) If the benefits provided are other than the benefits described in Subsections (1) through (7), the benefit rates shall be actuarially consistent with the rates in Subsections (1) through (7).

(9)(a) The premium rates in Subsections (1) through (8) shall apply to each credit life insurance policy that is issued with or without evidence of insurability, that is offered to all eligible debtors, and that contains:

(i) no exclusion, except suicide within one year of the incurred indebtedness; and

(ii) either no age restriction or an age restriction making ineligible for coverage:

(A) a debtor age 65 or over at the time the indebtedness is incurred; or

(B) a debtor age 66 or over on the maturity date of the indebtedness.

(b) Insurance written for an open-end credit plan may:

(i) exclude from insurance eligibility debtor classes determined by age; and

(ii) provide for the insurance to stop or reduce the insurance amount when the debtor reaches age 65.

(c) Insurance written for an open-end credit plan where the amount of insurance is based on or limited to the outstanding unpaid balance may not include any provision excluding or denying a claim for death resulting from a preexisting condition, except for a condition that:

(i) the insured debtor received medical diagnosis or treatment within six months before the effective date of coverage; and

(ii) caused or substantially contributed to the insured debtor's death within six months after the effective date of coverage.

(d) The exclusion in Subsection (9)(c) shall apply to the initial indebtedness and all subsequent advances on an individual basis, only where evidence of individual insurability has not been required.

(e) The effective date of coverage for each part of the insurance attributable to a subsequent advance or increase to the outstanding balance is the date on which the advance or increase is posted to the plan account.

R590-91-8. Credit Accident and Health Insurance Prima Facie Rates.

(1) Subsections (3) and (4) refer to credit accident and health insurance prima facie premium rates for the insured portion of an indebtedness repayable in equal monthly installments, when the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid.

(2) Subsections (5), (7), (8), and (9) refer to the prima facie premium rates for other benefit types alone or in combination with the benefit types in Subsections (3) and (4).

(3) If a premium is payable on a single-premium basis for the duration of the coverage, the premium shall be as indicated on "R590-91 Attachment: Credit Disability Insurance" available on the department's website <https://insurance.utah.gov>.

(4) If a premium is paid on a premium rate per month per thousand of outstanding insured indebtedness, the premium shall be computed according to:

(a) the formula in Subsection (4)(c); or

(b) a formula approved by the commissioner that produces a rate actuarially equivalent to the single premium rate defined in Subsection

(3).

(c) $OP_n = (20/(n+1))(SP_n)$;

(i) SP_n = single premium rate per \$100 of initial insured indebtedness repayable in n equal monthly installments;

(ii) OP_n = monthly outstanding balance premium rate per \$1,000; and

(iii) n = original payment period in months.

(5) The actuarial equivalent of Subsections (3) and (4) shall be used if the coverage provided is a constant maximum indemnity for a given time period.

(6) An appropriate combination of the premium rate for a constant maximum indemnity for a given time period and the premium rate for a maximum indemnity that decreases in equal amounts per month shall be used if the coverage provided is a combination of a constant maximum indemnity for a given time period after which the maximum indemnity begins to decrease in equal amounts per month.

(7) If the benefit provided is different from the benefits described in Subsections (1) through (6), the benefit rate shall be actuarially consistent with the rates in Subsections (3), (4), (5), and (6).

(8) The outstanding balance rate for credit accident and health insurance may be a term specified rate or a single composite term outstanding balance rate applicable to any loan made under an open-end credit plan.

(9)(a)(i) For an open-end credit plan, the monthly rate per \$1,000 of outstanding principal balance shall be the rate calculated using the formula in Subsection (4) where n is the number of monthly indemnity payments required to completely extinguish the debt.

(ii) The rate shall be further reduced to appropriately account for the critical period, if applicable.

(b) The critical period factors shall be filed with the department and shall not exceed the factors based on the 1968 Credit A and H Two Composite Tables published by the NAIC (Proceedings - 1968 Vol. II).

(10) The premium rates in Subsections (1) through (9) shall apply to each credit accident and health insurance policy that is issued with or without evidence of insurability, that is offered to all eligible debtors, and that contains:

(a) no provision excluding or denying a disability claim resulting from a preexisting condition, except for a condition that:

(i) the insured debtor received medical advice, diagnosis, or treatment within six months before the effective date of the debtor's coverage;

and

(ii) caused the insured debtor's loss within the six months after the effective date of coverage;

(b) no other provision that excludes or restricts liability for a disability caused in a specified manner, except for a provision that excludes or restricts coverage in the event of:

(i) normal pregnancy; and

(ii) an intentionally self-inflicted injury;

(c) no actively at work test that requires the debtor to be employed more than 30 hours per week;

(d) no age restriction or an age restriction only making ineligible for coverage:

(i) a debtor age 65 or over at the time the indebtedness is incurred; or

(ii) a debtor who will have reached age 66 or over on the maturity date of the indebtedness;

(e) a daily benefit equal to 1/30th of the monthly benefit payable under the policy for the indebtedness; and

(f) a definition of disability that is no more restrictive than a definition requiring that:

(i) the insured be unable to perform the principal duties of the insured's occupation for 12 months from the time the insured's disability occurred; and

(ii) the insured be unable to perform the principal duties of any occupation the insured is reasonably qualified for by education, training, or experience after 12 months from the time the insured's disability occurred.

(11) Subsection (10)(f) may not apply to lump sum disability coverage.

(12) Insurance written for an open-end credit plan may:

(a) exclude from insurance eligibility debtor classes determined by age; and

(b) stop insurance coverage or reduce the amount of insurance when the debtor reaches age 65.

R590-91-9. Refund Formulas.

(1) A refund formula shall be at least as favorable to the debtor as the formulas in this section.

(2) The refund formulas in this section are the minimum requirements for a plan described in Subsections (2)(a) through (c).

(a)(i) The pro rata unearned gross premium method shall provide the minimum refund amount for level term credit insurance and credit insurance coverage under which premiums are collected from the debtor on a basis other than the single premium basis.

(ii) $Refund = t/n(\text{original gross single premium})$

(A) t = the number of remaining months; and

(B) n = the original loan term in months.

(b)(i) The Rule of 78 or sum of the digits unearned premium method shall provide the minimum refund amount for insurance coverage that:

- (A) reduces in equal amounts per month; and
- (B) the premiums are collected on a single premium basis.
- (ii) $\text{Refund} = (t(t+1)/n(n+1))(\text{original gross single premium})$
- (A) t = the number of remaining months; and
- (B) n = the original loan term in months.
- (c) A combination of the pro rata method and the Rule of 78 method or, at the option of the insurer, the pro rata method shall be used for:
 - (i) credit life insurance provided as a combination of level and decreasing term coverage; and
 - (ii) credit accident and health insurance when the insured is:
 - (A) covered for a constant maximum indemnity for a given time period; and
 - (B) after the time period the maximum indemnity begins to decrease in equal amounts per month.
- (3) For net indebtedness insurance, another type of insurance, and another mode of premium payment, each insurer shall:
 - (a) file for approval each formula and factor for a refund; and
 - (b) include in the policy:
 - (i) each formula and factor for a refund; or
 - (ii) reference each formula and factor filed and approved by the commissioner.
- (4) For net indebtedness, the acceptable methods of refund calculations are:
 - (a) the actuarial method, also known as the U.S. Rule or the pure premium method; or
 - (b) an arithmetic average of refunds due under pro rata and Rule of 78 methods.
- (5) When credit insurance is terminated:
 - (a) no charge may be made for the first 15 days of a loan month; and
 - (b) a full month may be charged for 16 days or more of a loan month, unless a refund is made on a pro rata basis for each day within the loan month.
- (6) If the total of all refunds due to a debtor or joint debtors is less than \$5, no refund is required.

R590-91-10. Adjustment of Prima Facie Rates.

When the commissioner determines that it is necessary to revise the prima facie rates, the commissioner shall publish by order and after a hearing, the revised prima facie rates before September 1. The new prima facie rates shall be effective January 1 of the following year.

R590-91-11. Rating Procedures for Direct Business Only.

(1) An insurer may file for approval and use a rate that is higher than a prima facie rate if the higher rate is expected to produce a minimum loss ratio that Section 31A-22-807 requires.

(2) An insurer may use a rate that is lower than the insurer's filed rate without notifying the commissioner.

R590-91-12. Disclosure to Debtor.

(1) When a premium or identifiable charge is payable by a debtor for credit insurance coverage, the following information must be disclosed to the debtor at the time the debtor applies for the insurance:

(a) the optional nature of the coverage;

(b) each premium or identifiable charge separately listed by type of coverage;

(c) any eligibility requirement, including a health restriction or at-work requirement; and

(d) any age restriction regarding eligibility for insurance coverage at the time the indebtedness is incurred or stopped due to the debtor reaching a specific age.

(2) The disclosures in Subsection (1) shall be made to the principal debtor.

(3) The principal debtor shall receive a copy of the disclosures.

(4) The disclosures shall be retained in accordance with state and federal law.

(5) The disclosure language shall be prominently displayed near the signature space for the election to obtain coverage.

(6) The disclosures in Subsection (1) may be made in conjunction with:

(a) the Federal Truth-In-Lending disclosure;

(b) a Notice of Proposed Insurance;

(c) the application; or

(d) the policy or certificate.

(7) If, during the term of the loan, the insurance is insufficient to pay off the scheduled outstanding loan balance, the policy or certificate must clearly and prominently disclose to the prospective insured that the insurance is insufficient to pay off the outstanding loan balance.

(8) Each credit insurance policy and certificate shall clearly describe the benefit amount and the term of coverage.

(9) When the amount of credit life insurance exceeds the unpaid indebtedness:

(a) the certificate or policy shall clearly disclose the excess; and

(b) the excess shall be paid to the debtor's named beneficiary, other than the creditor, or to the debtor's estate.

(10) If any policy or certificate has a preexisting condition exclusion, the exclusion shall be clearly and prominently disclosed.

R590-91-13. Severability.

If any provision of this rule, Rule R590-91, or its application to any person or situation is held invalid, such invalidity does not affect any other provision or application of this rule that can be given effect without the invalid provision or application. The remainder of this rule shall be given effect without the invalid provision or application.

KEY: insurance law

Date of Last Change: 2022|~~May 29, 2008~~|

Notice of Continuation: October 19, 2021

Authorizing, and Implemented or Interpreted Law: 31A-2-201