

# Table of Contents

---

## 18.01.61 - Credit Life and Credit Disability Insurance

000. Legal Authority. ....	2
001. Title And Scope. ....	2
002. Written Interpretations. ....	2
003. Administrative Appeals. ....	2
004. Incorporation By Reference. ....	2
005. Office -- Office Hours -- Mailing Address, Street Address And Web Site. ....	2
006. Public Records Act Compliance. ....	2
007. -- 009. (Reserved) ....	2
010. Definitions. ....	2
011. Rights And Treatment Of Debtors. ....	3
012. Policy Forms And Related Material. ....	5
013. Determination Of Reasonableness Of Benefits In Relation To Premium Charge. ....	6
014. Prima Facie Rates. ....	6
015. Credit Life Insurance. ....	8
016. Credit Disability Insurance. ....	8
017. Refund Formulas. ....	9
018. Experience Reports And Adjustment Of Prima Facie Rates. ....	9
019. Use Of Rates - Direct Business Only. ....	10
020. Supervision Of Credit Insurance Operations. ....	11
021. Prohibited Transactions. ....	11
022. Producer's License Required. ....	11
023. Disclosure. ....	12
024. Severability. ....	12
025. Repeal Of Rule No. 19. ....	12
026. -- 999. (Reserved) ....	12

**IDAPA 18  
TITLE 01  
CHAPTER 61**

**18.01.61 - CREDIT LIFE AND CREDIT DISABILITY INSURANCE**

**000. LEGAL AUTHORITY.**

This rule chapter is promulgated pursuant to the rule making authority in Sections 41-211 and 41-2314, Idaho Code, to aid in the interpretation and implementation of Chapter 23, Title 41, Idaho Code, concerning credit life and credit disability insurance. Nothing in this rule chapter shall apply to insurance for which no identifiable charge is made to the debtor. (7-1-93)

**001. TITLE AND SCOPE.**

The purpose of this rule chapter is to protect the interests of debtors and the public in this state by providing a system of rate, policy form, and operating standards for the transaction of credit life and credit disability insurance. (7-1-93)

**002. WRITTEN INTERPRETATIONS.**

In accordance with Section 67-5201(19)(b)(iv), Idaho Code, this agency may have written statements that pertain to the interpretation of the rules of the chapter, or to the documentation of compliance with the rules of this chapter. These documents will be available for public inspection and copying at cost in the main office and each regional or district office of this agency. (5-8-09)

**003. ADMINISTRATIVE APPEALS.**

All administrative appeals shall be governed by Chapter 2, Title 41, Idaho Code, the Idaho Administrative Procedure Act, Chapter 52, Title 67, Idaho Code, and IDAPA 04.11.01, "Idaho Rules of Administrative Procedure of the Attorney General," Subchapter A - General Provisions, Sections 000 through 099., (5-8-09)

**004. INCORPORATION BY REFERENCE.**

No documents are incorporated by reference. (5-8-09)

**005. OFFICE -- OFFICE HOURS -- MAILING ADDRESS, STREET ADDRESS AND WEB SITE.**

**01. Office Hours.** The Department of Insurance is open from 8 a.m. to 5 p.m. except Saturday, Sunday and legal holidays. (5-8-09)

**02. Mailing Address.** The department's mailing address is: Idaho Department of Insurance, P.O. Box 83720, Boise, ID 83720-0043. (5-8-09)

**03. Street Address.** The principal place of business is 700 West State Street, 3rd Floor, Boise, Idaho 83720-0043. (5-8-09)

**04. Web Site Address.** The department's website is <http://www.doi.idaho.gov>. (5-8-09)

**006. PUBLIC RECORDS ACT COMPLIANCE.**

Any records associated with these rules are subject to the provisions of the Idaho Public Records Act, Chapter 3, Title 9, Idaho Code. (5-8-09)

**007. -- 009. (RESERVED)**

**010. DEFINITIONS.**

**01. Closed-End Credit.** "Closed-end credit" means a credit transaction that is not open-end credit. (7-1-93)

**02. Compensation.** "Compensation" means money or anything else of value. (7-1-93)

**03. Credit Disability Insurance.** "Credit disability insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as

defined in the policy. (7-1-93)

**04. Credit Insurance.** “Credit insurance” means both credit life insurance and credit disability insurance. (7-1-93)

**05. Credit Life Insurance.** “Credit life insurance” means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction. (7-1-93)

**06. Credit Transaction.** “Credit transaction” means any transaction by the terms of which the repayment of money loaned or loan commitment made, or payment for goods, services or properties sold or leased, is to be made at a future date or dates. (7-1-93)

**07. Creditor.** “Creditor” means the lender of money or vendor of goods, services or property, rights or privileges, including a lessor under a lease intended as security for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender or vendor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them. (7-1-93)

**08. Debtor.** “Debtor” means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction. (7-1-93)

**09. Identifiable Charge.** “Identifiable charge” is the amount the debtor is charged for insurance which is disclosed in the credit or other instrument furnished the debtor which sets out the financial elements of the credit transactions, and including any differential in finance, interest, service or other similar charge made to debtors who are in like circumstances, except for their insured or noninsured status. (7-1-93)

**10. Indebtedness.** “Indebtedness” means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction. (7-1-93)

**11. Net Written Premium.** “Net written premium” means gross written premium minus refunds on terminations. (7-1-93)

**12. Open-End Credit.** “Open-end credit” means an arrangement as defined in Section 28-41-301(25), Idaho Code, including revolving charge accounts, pursuant to which: (7-1-93)

**a.** A creditor may permit a debtor, from time to time, to purchase on credit from the creditor or pursuant to a credit card, or to obtain loans from the creditor or pursuant to a credit card; (7-1-93)

**b.** The amounts financed and the finance and other appropriate charges are debited to an account; (7-1-93)

**c.** The finance charge, if made, is computed on the account periodically; and (7-1-93)

**d.** Either the debtor has the privilege of paying in full or in installments or the creditor periodically imposes charges computed on the account for delaying payment and permits the debtor to continue to purchase on credit. (7-1-93)

**13. Preexisting Condition.** “Preexisting condition” means a health condition, including sickness or injury, for which there has been medical advice, diagnosis or treatment within six (6) months preceding the effective date of the debtor’s coverage and which exists prior to the effective date of the coverage. (7-1-93)

**011. RIGHTS AND TREATMENT OF DEBTORS.**

**01. Multiple Plans of Insurance.** If a creditor makes available to the debtors more than one plan of credit life insurance or more than one plan of credit disability insurance, all debtors must be informed of all such plans for which they are eligible. (7-1-93)

**02. Substitution.** When a creditor requires credit life insurance, credit disability insurance, or both, as additional security for an indebtedness, 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 by 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. (7-1-93)

**03. Evidence of Coverage.** (7-1-93)

**a.** All credit insurance shall be evidenced by an individual policy, or, in the case of group insurance, by a certificate of insurance. The individual policy or certificate of insurance shall be delivered to the debtor in accordance with Section 41-2311, Idaho Code. (7-1-93)

**b.** Each individual policy or certificate of insurance shall set forth such information as required by Section 41-2308, Idaho Code, and any other appropriate sections of the Idaho Insurance Code. (7-1-93)

**04. Claims Processing.** All credit insurance claims shall be processed in accordance with Sections 41-1329 and 41-2312, Idaho Code. (7-1-93)

**05. Termination of Group Credit Insurance Policy.** (7-1-93)

**a.** If a debtor is covered by a group credit insurance policy providing for the payment of single premiums to the insurer, then provision 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 such policy shall be continued for the entire period for which the single premium has been paid. (7-1-93)

**b.** 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 thereof shall be given to the insured debtor at least thirty (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. (7-1-93)

**06. Interest on Premiums.** If any direct or indirect finance, carrying, credit or service charge is made to the debtor on such insurance charges or premiums, the creditor must remit and the insurer shall collect such premium within sixty (60) days after it is added to the indebtedness. (7-1-93)

**07. Renewal or Refinancing of the 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 such termination prior to scheduled maturity, a refund shall be paid or credited to the debtor as provided in Section 017. In any renewal or refinancing of the indebtedness, the effective date of the coverage as respects any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the indebtedness which was renewed or refinanced, at least to the extent of the amount and term of the indebtedness outstanding at the time of renewal and refinancing of the debt. In addition, the policy shall provide that, in the event the debtor becomes disabled while insured, credit disability insurance benefits will be payable during continued disability regardless of any termination of the insurance by renewal or refinancing, unless a different provision not less favorable to the debtor is approved by the director. (7-1-93)

**08. Maximum Aggregate Provisions.** A provision in a policy or certificate that sets a maximum limit on total payments must apply only to that policy or certificate except as may be provided for in Section 41-2005(4), Idaho Code. (7-1-93)

**09. Voluntary Prepayment of Indebtedness.** If a debtor prepays the indebtedness other than as a result of death or through a lump sum disability payment: (7-1-93)

**a.** Any credit life insurance covering such indebtedness shall be terminated and an appropriate refund

of the credit life insurance premium shall be paid to the debtor in accordance with Section 017; and (7-1-93)

**b.** Any credit disability insurance covering such indebtedness shall be terminated and an appropriate refund of the credit disability insurance premium shall be paid to the debtor in accordance with Section 017. If a claim under such 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. (7-1-93)

**10. 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 the beneficiary, other than the creditor, named by the debtor or to the debtor's estate: (7-1-93)

**a.** 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 disability insurance premium in accordance with Section 017; (7-1-93)

**b.** In the case of prepayment by a lump sum disability claim, an appropriate refund of the credit life insurance premium in accordance with Section 017; (7-1-93)

**c.** 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. (7-1-93)

**11. Amounts to be Insured:** (7-1-93)

**a.** Credit life insurance benefits shall be consistent with the premium charge. Credit life insurance may provide benefits in amounts which do not exceed, but may be less than, the initial amount of indebtedness, including unearned interest or finance charges, or the actual amount of unpaid indebtedness, whichever is greater. (7-1-93)

**b.** Credit disability insurance may provide benefits not exceeding an amount according to Section 41-2306(2), Idaho Code. (7-1-93)

**c.** If benefits to be provided are less than the scheduled amount of indebtedness, the insurer shall notify the insured of such benefit in the policy or certificate. (7-1-93)

**12. Total Disability.** The policy shall not restrict coverage to those periods of total disability when the debtor is under the regular and continuing care of a physician, osteopath or chiropractor; provided, the insurer may retain the right to require medical evidence of actual total disability at reasonable intervals to justify the commencement and continued payment of benefits. (7-1-93)

**13. Permanent Disabilities.** Credit disability insurance shall not restrict coverage to permanent disabilities, where the debtor is in fact totally disabled for the period required by the policy, although such disability may be of a temporary nature. (7-1-93)

**14. Statement by Debtor.** No statement made by a debtor shall be used by the insurer as a basis for denying eligibility for coverage unless such statement is contained in a written application for insurance signed by the debtor. (7-1-93)

**15. Acceptable Insurance Constituting Waiver.** Acceptance of insurance by the insurer shall constitute a waiver of any conditions for issuance of insurance that the debtor's application revealed as breached on the date the application was made, unless a refund of all insurance charges to the debtor is actually made within thirty (30) days of the date the coverage became effective. (7-1-93)

**012. POLICY FORMS AND RELATED MATERIAL.**

**01. Permissible Forms.** Credit life and credit disability insurance shall be issued only in the forms described in Section 41-2305, Idaho Code. (7-1-93)

**02. Filing Requirements.** 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 and the schedules of maximum premium rates pertaining thereto shall be filed with the director as required by Section 41-2309, Idaho Code, and other applicable Department of Insurance Bulletins and Rules. (7-1-93)

**013. DETERMINATION OF REASONABLENESS OF BENEFITS IN RELATION TO PREMIUM CHARGE.**

**01. General Standard.** Benefits provided by credit insurance policies must be reasonable in relation to the premium charged. This requirement is satisfied if the premium rate charged develops or is expected to develop a loss ratio of not less than fifty percent (50%). The Department of Insurance has established prima facie rates as a means to achieve the loss ratio benchmark. With the exception of deviations approved under Section 019, prima facie rates filed in accordance with Section 014 as adjusted pursuant to Section 018, shall be conclusively presumed to satisfy this general standard. Reporting forms throughout the period of coverage. (7-1-93)

**02. Nonstandard Coverage.** If any insurer files for approval of any form, providing coverage more restrictive than that described in Section 014, the insurer shall demonstrate to the satisfaction of the director that the premium rates to be charged for such restricted 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 these sections. (7-1-93)

**014. PRIMA FACIE RATES.**

**01. Credit Life Insurance Prima Facie Rates.** (7-1-93)

**a. Premium Rate.** Premium rates for credit life insurance on a single life 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 Subsections 014.01.a.i. and 014.01.a.ii. Subsection 014.01.a.iii. refers to single life premium rates for other types of benefits either alone or in combination with the type of benefits applicable to Subsections 014.01.a.i. and 014.01.a.ii. (7-1-93)

**i.** Eighty-six cents (\$0.86) per month per one thousand dollars (\$1,000) of outstanding insured indebtedness if premiums are payable on a monthly outstanding balance basis. (7-1-93)

**ii.** Gross coverage - Decreasing term: fifty-four cents per one hundred dollars of initial insured indebtedness per year (\$0.54/\$100/year) if premiums are payable on a single premium basis and the amount of the insurance decreases in equal monthly amounts. (7-1-93)

**iii.** Level term: One Dollar per one hundred dollars of initial insured indebtedness per year (\$1/\$100/year) if premiums are payable on a single premium basis for an amount of insurance that remains constant throughout the period of coverage. (7-1-93)

**iv.** Joint coverage on either of the basis in Subsection 014.01.a.i., 014.01.a.ii., or 014.01.a.iii. shall be one hundred sixty five percent (165%) of the specified rate for that type of coverage. (7-1-93)

**v.** A combination of the appropriate rate for level term and the appropriate rate for decreasing term (with equal decrements), if coverage provided is a combination of level term and decreasing term (with equal decrements). (7-1-93)

**vi.** If the benefits provided are other than those described in the introduction to this subsection, premium rates for such benefits shall be actuarially consistent with the rates provided in Subsections 014.01.a.i., 014.01.a.ii., 014.01.a.iii., and 014.01.a.iv. (7-1-93)

vii. If the policy provisions are other than those that correspond to the use of rates provided for in this Rule chapter, those other provisions shall not be unfair, unjust, inequitable, misleading, or deceptive; encourage misrepresentation of the coverage; or be contrary to statute or administrative rule. (7-1-93)

**02. Credit Disability Insurance Prima Facie Rates.** (7-1-93)

a. **Premium Rate.** Credit disability insurance 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 payable, shall be as set forth in Subsection 014.02.a.ii and iii. Subsection 014.02.a.014.02.iii., 014.02.iv., and 014.02.v. refer to premium rates for other types of benefits either alone or in combination with the type of benefits applicable to Subsection 014.02.a.i. and 014.02.a.ii. (7-1-93)

i. If premiums are payable on a single-premium basis for the duration of the coverage, the premium rates for one hundred dollars (\$100.00) of initial indebtedness repayable shall be as set forth in the following table utilizing straight line interpolation for the intervening months; or

No. Months Indebtedness Is Repayable	Non-Retroactive Benefits		Retroactive Benefits		
	14 Day - 30 Day		7 Day	14 Day	30 Day
6	\$1.00	\$.40	\$2.60	\$1.80	\$1.30
2	1.40	.80	3.00	2.20	1.70
24	2.20	1.60	4.00	3.00	2.50
36	3.00	2.40	5.00	3.80	3.30
48	3.50	2.90	5.70	4.30	3.80
60	3.90	3.30	6.30	4.70	4.20
72	4.30	3.70	NA	5.10	4.60
84	4.70	4.10	NA	5.50	5.00
96	5.10	4.50	NA	5.90	5.40
108	5.50	4.90	NA	6.30	5.80
120	5.90	5.30	NA	6.70	6.20

NA - Not Available

(7-1-93)

ii. 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 director which produces rates actuarially consistent to the single premium rates:

$$Op(n) = \frac{20Sp(n)}{n+1}$$

Where Sp = Single Premium Rate per one hundred dollars (\$100) of initial insured indebtedness repayable in n equal monthly installments.

Op - Monthly Outstanding Balance Premium Rate per one thousand dollars (\$1,000).

n - Original repayment period, in months.

(7-1-93)

iii. The actuarial equivalent of Subsections 014.02.a.i. and 014.02.a.ii. shall be used if the coverage provided is a constant maximum indemnity for a given period of time. (7-1-93)

iv. 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 even amounts per month, 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 even amounts per month. (7-1-93)

v. If the benefits provided are other than those described in Subsection 014.02.a.i. above, rates for such benefits shall be actuarially consistent with rates provided in Subsections 014.02.a.i., 014.02.a.ii., 014.02.a.iii., and 014.02.a.iv. (7-1-93)

vi. The outstanding balance rate for credit disability insurance may be either a term-specified rate or may be a single composite term outstanding balance rate applicable to all loans. (7-1-93)

vii. If the policy provisions are other than those that correspond to the use of rate provided for in this Rule chapter, those other provisions shall not be unfair, just, inequitable, misleading, or deceptive; encourage misrepresentations of the coverage; or be contrary to statute or administrative rule. (7-1-93)

**015. CREDIT LIFE INSURANCE.**

Premium rates in conformance with Section 014 shall apply to policies providing credit life insurance to be issued with or without evidence of insurability, to be offered to all debtors, and containing: (7-1-93)

**01. Exclusions.** No exclusions other than suicide within six (6) months of the incurred indebtedness; and (7-1-93)

**02. Age Restrictions.** Either no age restrictions or age restrictions making ineligible for coverage debtors sixty-five (65) or over at the time the indebtedness is incurred or debtors having attained age seventy (70) or over on the maturity date of the indebtedness. (7-1-93)

**03. Open-End Credit Plan.** 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 sixty-five (65). (7-1-93)

**04. Closed-End Credit Plans.** On insurance written in connection with closed-end credit plans and 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 advice, diagnosis or treatment within six (6) months preceding the effective date of coverage and which caused or substantially contributed to the death of the insured debtor within six (6) months following the effective date of coverage. The effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the advance or charge is posted to the plan account. Other more restrictive provisions may be used subject to appropriate rate adjustment approved by the director. (7-1-93)

**05. Other Provisions.** If the policy provisions are other than those that correspond to the use of rates provided for in Section 014, those other provisions shall not be unfair, unjust, inequitable, misleading, or deceptive; encourage misrepresentation of the coverage; or be contrary to statute or administrative rule. (7-1-93)

**016. CREDIT DISABILITY INSURANCE.**

Premium rates in conformance with Section 014 shall apply to policies providing credit disability insurance to be issued with or without evidence of insurability, to be offered to all eligible debtors, and containing: (7-1-93)

**01. Preexisting Conditions.** 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 (6) months preceding the effective date of the debtor's coverage and which caused loss within the six (6) months following the effective date of coverage. (7-1-93)



**02. Other Exclusions or Restrictions.** No other provision which excludes or restricts liability in the event of disability caused in a specific manner except that it may contain provisions excluding or restricting coverage in the event of normal pregnancy and intentionally self-inflicted injuries or disability arising out of the commission of felony acts. (7-1-93)

**03. Actively-at-Work Requirement.** No actively-at-work requirement more restrictive than one (1) requiring that the debtor be actively at work at a full-time gainful occupation on the effective date of coverage. "Full time" means a regular work week of not less than thirty (30) hours. A debtor shall be deemed to be actively at work if absent from work due solely to regular day off, holiday or paid vacation. (7-1-93)

**04. Age Restrictions.** No age restrictions, or only age restrictions making ineligible for coverage debtors sixty-five (65) or over at the time the indebtedness is incurred or debtors who will have attained age sixty-six (66) or over on the maturity date of the indebtedness. (7-1-93)

**05. Daily Benefit.** A daily benefit equal in amount to one thirtieth (1/30) of the monthly benefit payable under the policy for the indebtedness. (7-1-93)

**06. Definition of Disability.** A definition of "disability" which provides that during the first twelve (12) months of disability the insured shall be unable to perform the substantial and material duties of his occupation at the time the disability occurred, and thereafter the duties of any occupation for which the insured is reasonably fitted by education, training or experience. This Subsection 016.06 shall not apply to lump sum disability coverage. (7-1-93)

**07. Open-End Credit Plan.** 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 sixty-five (65). (7-1-93)

**08. Other Provisions.** If the policy provisions are other than those that correspond to the use of rates provided for in Section 014, those other provisions shall not be unfair, unjust, inequitable, misleading, or deceptive; encourage misrepresentation of the coverage; or be contrary to statute or administrative rule. (7-1-93)

**09. Effective Date of Coverage.** For the purposes of Subsections 016.01 and 016.03, the effective date of coverage for each part of the insurance attributable to a different advance or charge to an open-end credit plan account is the date on which the advance or charge is posted to the plan account. (7-1-93)

**017. REFUND FORMULAS.**

**01. Filing and Approval by the Director.** Any refund formula which is at least as favorable to the insured debtor as the "sum of the digits" formula, or the "Rule of 78," for single premium decreasing or disability plans or pro-rata for other plans, shall be deemed acceptable. Refund formulas must be filed with and approved by the director prior to use in accordance with Section 41-2310 (2), Idaho Code. (7-1-93)

**02. Termination.** In the event of termination, no charge for credit insurance may be made for the first fifteen (15) days of a loan month and a full month may be charged for sixteen (16) days or more of a loan month. (7-1-93)

**03. Minimum Refund.** No refund of five dollar (\$5) or less need be made. (7-1-93)

**018. EXPERIENCE REPORTS AND ADJUSTMENT OF PRIMA FACIE RATES.**

**01. Report of Credit Life and Credit Disability Business Written.** Each insurer doing credit insurance business in this state shall annually file with the director and the NAIC Support and Services Office a report of credit life and credit disability business written on a calendar year basis. Such report shall utilize the Credit Insurance Supplement-Annual Statement Blank as approved by the National Association of Insurance Commissioners. Such filing shall be made in accordance with and no later than the due date in the Instructions to the Annual Statement. (7-1-93)

**02. Review of Loss Ratio Standards.** Set Forth in Section 014. In 1995, and on a triennial basis thereafter, the director will review the loss ratio standards set forth in Section 013 and the prima facie rates set forth in Section 014 and determine therefrom the rate of expected claims on a statewide basis, compare such rate of expected claims with the rate of actual claims for the preceding three years determined from the incurred claims and earned premiums at prima facie rates reported in the Annual Statement Supplement, and may, if deemed necessary, revise the actual statewide prima facie rates by amendment of this Rule chapter to be used by insurers during the next three years. Such rates will reflect the difference between (a) actual claims based on experience; and (b) expected claims based on the loss ratio standards set forth in Section 013 applied to the prima facie rates set forth in Section 014.

(7-1-93)

**019. USE OF RATES - DIRECT BUSINESS ONLY.**

**01. Use of Prima Facie Rates.** An insurer that files rates or has rates on file that are not in excess of the prima facie rates shown in Section 014, to the extent adjusted pursuant to Section 018, may use those rates without further proof of their reasonableness.

(7-1-93)

**02. Use of Rates Higher Than Prima Facie Rates.** An insurer may file for approval of and use rates that are higher than the prima facie rates established pursuant to Section 018, to the extent adjusted, if it can be expected that the use of such higher rates will result in a ratio of claims incurred to premiums earned (assuming the use of such higher rates) that is not less than fifty percent (50%) for those accounts to which such higher rates apply and that such upward deviations will not result on a statewide basis for that insurer of a ratio of claims incurred to premiums earned of less than the expected loss ratio underlying the current prima facie rate developed or adjusted pursuant to Section 018. If rates higher than the prima facie rates shown in Section 014, to the extent adjusted pursuant to Section 018, are filed for approval, the filing shall specify the accounts to which such rates apply. Such rates may be:

(7-1-93)

- a.** Applied uniformly to all accounts of the insurer; or (7-1-93)
- b.** Applied on an equitable basis approved by the director to only one (1) or more accounts of the insurer for which the experience has been less favorable than expected; or (7-1-93)
- c.** Applied according to a case-rating procedure on file with the director. (7-1-93)

**03. Approval Period of Deviated Rates.** (7-1-93)

**a.** A deviated rate will be in effect for a period of time not longer than the experience period used to establish such rate (i.e. one (1) year, two (2) years or three (3) years). An insurer may file for a new rate before the end of a rate period, but not more often than once during any twelve-month (12) period. (7-1-93)

**b.** Notwithstanding the provision of Subsection 019.01 of this rule chapter, if an account changes insurers, that rate approved to be used for the account by the prior insurer is the maximum rate that may be used by the succeeding insurer for the remainder of the rate approval period approved for the prior insurer or until a new rate is approved for use on such account, if sooner. (7-1-93)

**04. Use of Rates Lower Than Filed Rates.** An insurer may at any time use a rate for an account that is lower than its filed rate without prior notice, justification and approval by the director. (7-1-93)

**05. Glossary of Terms and Definitions as Used in Section 019.** (7-1-93)

- a.** "Experience" means "earned premiums" and "incurred claims" during the experience period. (7-1-93)
- b.** "Experience Period" means the most recent period of time for which experience is reported, but not for a period longer than three (3) full years. (7-1-93)
- c.** "Incurred Claims" means total claims paid during the experience period, adjusted for the change in claim reserve. (7-1-93)

**020. SUPERVISION OF CREDIT INSURANCE OPERATIONS.**

**01. Responsibilities of Insurer.** Each insurer transacting credit insurance in this state shall be responsible for the settlement, adjustment and payment of all claims and shall also be responsible for conducting a thorough periodic review of creditors with respect to their credit insurance business with such creditors, to assure compliance with the insurance laws of this state and the rules promulgated by the director. Such review shall include, but not be limited to, a verification of the accuracy of premium payments or other identifiable charges, premium refunds, and claims incurred. (7-1-93)

**02. Maintenance of Records.** Records of such reviews shall be maintained for four (4) years for review by the director. (7-1-93)

**021. PROHIBITED TRANSACTIONS.**

The following practices, when engaged in by insurers in connection with the sale or placement of credit insurance, or as an inducement thereto, shall constitute unfair methods of competition and shall be subject to the Unfair Trade Practices Act of this State as outlined in Chapter 13, Title 41, Idaho Code. (7-1-93)

**01. Special Advantages or Services.** The offer or grant by an insurer to a creditor of any special advantage or any service not set out in either the group insurance contract or in the agency contract, other than the payment of producer commissions. (5-8-09)

**02. Deposit by Insurer of Money or Securities Required of Creditor.** Agreement by an insurer to deposit with a bank or financial institution money or securities of the insurer with the design or intent that the same shall affect or take the place of a deposit of money or securities which otherwise would be required of the creditor by such bank or financial institution as a compensating balance or offsetting deposit for a loan or other advancement. (7-1-93)

**03. Deposit by an Insurer Without Interest or at a Lessor Rate of Interest.** Deposit by an insurer of money or securities without interest or at a lesser rate of interest than is currently being paid by the creditor, bank or financial institution to other depositors of like amounts and terms. This paragraph shall not be construed to prohibit the maintenance by an insurer of such demand deposits or premium deposit accounts as are reasonably necessary for use in the ordinary course of the insurer's business. (7-1-93)

**022. PRODUCER'S LICENSE REQUIRED.**

**01. Life and Disability Insurance License or Limited License.** To solicit credit life and credit disability insurance as provided in Chapter 23, Title 41, Idaho Code, and in this rule chapter, a producer must: (5-8-09)

**a.** Be licensed to sell life and disability insurance in compliance with Chapter 10, Title 41, Idaho Code; or (7-1-93)

**b.** Be issued a "Limited License" as defined in Section 41-1003(4), Idaho Code, covering only credit life and credit disability insurance, and no individual so licensed shall during the same period hold a license as a producer as to any other or additional major line of insurance. (5-8-09)

**02. Individual, Firm or Corporation.** Sections 41-1004, 41-1005, 41-1007, Idaho Code, provide that a limited producer's limited license for credit life and credit disability insurance shall be issued to individuals, firms or corporations qualifying for such license. Any individual who sells, solicits or negotiates with debtors to purchase individual credit life or credit disability insurance, or who explains such coverage, must be licensed as an insurance producer. Any firm or corporation offering such individual coverage must comply with the provisions of Section 41-1007(2) by having a designated licensed producer, who is an individual responsible for the business entity's compliance with the insurance laws and rules of this state. (5-8-09)

**03. Administration of Group Policy.** Under Section 41-1005(2)(b), Idaho Code, the issuance of group certificates of credit life insurance and credit disability insurance and the performance of other ministerial duties in

connection with group insurance policy administration does not require the person doing such acts to be licensed as a producer provided that no commission is paid for such services. A group policyholder may be reimbursed its expense of administering a group policy without being licensed as a producer, and such reimbursement will not be considered a commission provided it is reasonably computed to equate to the actual administrative expenses. It will be presumed that an amount of reimbursement not exceeding ten percent (10%) of the net written prima facie premium for the group policy is reasonably computed to equate to the administrative expenses of the group policyholder. Amounts exceeding ten percent (10%) of the net written prima facie premium will be presumed to exceed actual administrative expenses unless prior approval to pay such greater amount is secured pursuant to the insurer demonstrating to the director's satisfaction that such higher amount does not exceed the policyholder's actual administrative expenses. For purposes of this subsection, "prima facie premium" means premiums at the rates set forth in Section 014 without adjustment pursuant to Section 018. (5-8-09)

**04. Dividends and Other Compensation Permitted by Law.** Subsections 022.01, 022.02, and 022.03 do not apply to compensation that is otherwise permitted by law, such as the payment of dividends on participating policies. (7-1-93)

**023. DISCLOSURE.**

When a premium or identifiable charge is payable by a debtor for credit insurance coverage offered by a creditor, at the time such insurance is applied for, disclosures shall be made to the principal debtor and copies given and retained, in accordance with State and Federal law. The creditor shall also disclose the optional nature of the coverage, premium or identifiable charge separately by type of coverage, eligibility requirements, and policy limitations and exclusions. These disclosures shall be made prominently above the space for the signature indicating election to obtain such coverage. These disclosures may be made in conjunction with either (1) the Federal Truth-in-Lending disclosure, (2) a Notice of Proposed Insurance, or (3) the insurance policy or certificate. (7-1-93)

**024. SEVERABILITY.**

If any provision or clause of this rule chapter or the application thereof to any person or situation is held invalid, such invalidity shall not affect any other provision or application of the rule which can be given effect without the invalid provision or application, and to this end the provisions of this rule chapter are declared severable. (7-1-93)

**025. REPEAL OF RULE NO. 19.**

This rule chapter superseded and repealed Rule No. 19 entitled "Credit Life and Disability Insurance," dated October 1, 1969. (7-1-93)

**026. -- 999. (RESERVED)**

# Subject Index

- C**
- Credit Disability Insurance 8
    - Actively-at-Work Requirement 9
    - Age Restrictions 9
    - Daily Benefit 9
    - Definition of Disability 9
    - Effective Date of Coverage 9
    - Open-End Credit Plan 9
    - Other Exclusions or Restrictions 9
    - Other Provisions 9
    - Preexisting Conditions 8
  - Credit Life Insurance 8
    - Age Restrictions 8
    - Closed-End Credit Plans 8
    - Exclusions 8
    - Open-End Credit Plan 8
    - Other Provisions 8
- D**
- Definitions 2
    - Closed-End Credit 2
    - Compensation 2
    - Credit Disability Insurance 2
    - Credit Insurance 3
    - Credit Life Insurance 3
    - Credit Transaction 3
    - Creditor 3
    - Debtor 3
    - Identifiable Charge 3
    - Indebtedness 3
    - Net Written Premium 3
    - Open-End Credit 3
    - Preexisting Condition 3
  - Determination Of Reasonableness Of Benefits In Relation To Premium Charge 6
  - Dividends & Other Compensation Permitted by Law 12
- E**
- Experience Reports & Adjustment Of Prima Facie Rates 9
    - Report of Credit Life & Credit Disability Business Written 9
    - Review of Loss Ratio Standards 10
- P**
- Policy Forms & Related Material 5
    - Filing Requirements 6
    - Permissible Forms 6
  - Prima Facie Rates 6
- R**
- Credit Disability Insurance Prima Facie Rates 7
  - Credit Life Insurance Prima Facie Rates 6
  - Producer's License Required 11
    - Administration of Group Policy 11
    - Individual, Firm or Corporation 11
    - Life & Disability Insurance License or Limited License 11
  - Prohibited Transactions 11
    - Deposit by an Insurer Without Interest or at a Lessor Rate of Interest 11
    - Deposit by Insurer of Money or Securities Required of Creditor 11
    - Special Advantages or Services 11
  - Refund Formulas 9
    - Filing & Approval by the Director 9
    - Minimum Refund 9
    - Termination 9
  - Rights & Treatment Of Debtors 3
    - Acceptable Insurance Constituting Waiver 5
    - Amounts to be Insured 5
    - Claims Processing 4
    - Evidence of Coverage 4
    - Interest on Premiums 4
    - Involuntary Prepayment of Indebtedness 5
    - Maximum Aggregate Provisions 4
    - Multiple Plans of Insurance 3
    - Permanent Disabilities 5
    - Renewal or Refinancing of the Indebtedness 4
    - Statement by Debtor 5
    - Substitution 4
    - Termination of Group Credit Insurance Policy 4
    - Total Disability 5
    - Voluntary Prepayment of Indebtedness 4
- S**
- Supervision Of Credit Insurance Operations 11
- U**
- Maintenance of Records 11
  - Responsibilities of Insurer 11
  - Use Of Rates - Direct Business Only 10
    - Approval Period of Deviated Rates 10
    - Glossary of Terms & Definitions as Used in Section 019 10
    - Use of Prima Facie Rates 10
    - Use of Rates Higher Than Prima Facie Rates 10
    - Use of Rates Lower Than Filed Rates 10