

## IDAPA 18 – IDAHO DEPARTMENT OF INSURANCE

### Market Oversight

#### 18.03.05 – Credit Life and Credit Disability Insurance

##### **Who does this rule apply to?**

*This rule applies to insurers, debtors of credit life and credit disability insurance, and Idaho residents.*

##### **What is the purpose of this rule?**

*The purpose of this rule protects the interest of debtors and Idaho residents by providing a system of rate, policy form, and operating standards for transactions.*

##### **What is the legal authority for the agency to promulgate this rule?**

*This rule implements the following statutes passed by the Idaho Legislature:*

Insurance -

Department of Insurance:

- [41-211, Idaho Code](#) – Rules  
Credit Life and Credit Disability Insurance
- [41-2314, Idaho Code](#) – Enforcement

##### **Who do I contact for more information on this rule?**

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## 18.03.05 – CREDIT LIFE AND CREDIT DISABILITY INSURANCE

### 000. LEGAL AUTHORITY.

Title 41, Chapters 2 and 23, Sections 41-211 and 41-2314, Idaho Code. (3-31-22)

### 001. SCOPE.

This rule protects 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. Nothing in this rule chapter applies to insurance for which no identifiable charge is made to the debtor. (3-31-22)

### 002. -- 009. (RESERVED)

### 010. DEFINITIONS.

The definitions set forth in Chapters 2 and 23 are applicable to these rules. In addition, the following terms have the meanings set forth below. (3-31-22)

01. **Closed-End Credit.** A credit transaction that is not open-end credit. (3-31-22)
02. **Compensation.** Money or anything else of value. (3-31-22)
03. **Credit Insurance.** Means credit life insurance and credit disability insurance. (3-31-22)
04. **Credit Transaction.** 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. (3-31-22)
05. **Identifiable Charge.** 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. (3-31-22)
06. **Net Written Premium.** A gross written premium minus refunds on terminations. (3-31-22)
07. **Open-End Credit.** An arrangement as defined in Section 28-41-301(26), Idaho Code, including revolving charge accounts. (3-31-22)
08. **Pre-existing Condition.** 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. (3-31-22)

### 011. RIGHTS AND TREATMENT OF DEBTORS.

01. **Multiple Plans of Insurance.** If a creditor makes available to the debtors more than one (1) plan of credit life insurance or more than one (1) of credit disability insurance, all debtors are to be informed of all such plans for which they are eligible. (3-31-22)
02. **Substitution.** When a creditor requires credit life insurance, credit disability insurance, or both, as additional security for an indebtedness, the debtor will be given the option of furnishing the amount of insurance through existing policies of insurance owned or controlled by the debtor or by procuring and furnishing the coverage through any insurer authorized to transact insurance business in this state. If this subsection is applicable, the debtor will be informed by the creditor of the right to provide alternative coverage before the transaction is completed. (3-31-22)
03. **Termination of Group Credit Insurance Policy.** (3-31-22)
  - a. If a debtor is covered by a group credit insurance policy providing for the payment of single premiums to the insurer, then provision will 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 is to be continued for the entire period for which the single premium has been paid. (3-31-22)
  - 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 will provide that, in the event of termination of such policy for whatever reason, termination notice will 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 requisite notice is given by the insurer or, at the option of the insurer, by the creditor. (3-31-22)

**04. 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 will remit and the insurer will collect such premium within sixty (60) days after it is added to the indebtedness. (3-31-22)

**05. 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 will 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 is to 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 is 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 will 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. (3-31-22)

**06. Maximum Aggregate Provisions.** A provision in a policy or certificate that sets a maximum limit on total payments applies only to that policy or certificate except as may be provided for in Section 41-2005(4), Idaho Code. (3-31-22)

**07. 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 is 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: (3-31-22)

**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; (3-31-22)

**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; (3-31-22)

**c.** In either case, the amount of the benefits in excess of the amount needed to repay the indebtedness after crediting any unearned interest or finance charges. (3-31-22)

**08. Amounts to be Insured.** If benefits to be provided are less than the scheduled amount of indebtedness, the insurer will notify the insured of such benefit in the policy or certificate. (3-31-22)

**09. Total Disability.** The policy is not to 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 request medical evidence of actual total disability at reasonable intervals to justify the commencement and continued payment of benefits. (3-31-22)

**10. Permanent Disabilities.** Credit disability insurance will not restrict coverage to permanent disabilities, where the debtor is in fact totally disabled for the period dictated by the policy, although such disability may be of a temporary nature. (3-31-22)

**11. Statement by Debtor.** No statement made by a debtor will 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. (3-31-22)

**12. Acceptable Insurance Constituting Waiver.** Acceptance of insurance by the insurer will

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 effective date of coverage. (3-31-22)

**012. (RESERVED)**

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

**01. General Standard.** Benefits provided by credit insurance policies need to 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, may be conclusively presumed to satisfy this general standard. (3-31-22)

**02. Nonstandard Coverage.** If any insurer files for approval of any form, providing coverage more restrictive than that described in Section 014, the insurer will 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. (3-31-22)

**014. PRIMA FACIE RATES.**

**01. Credit Life Insurance Prima Facie Rates.** (3-31-22)

**a.** The Director will post on the Department's website the prima facie rates for credit life insurance that are to be used. (3-31-22)

**b.** If the benefits provided are other than those described in Paragraph 014.01.a., premium rates for such benefits will be actuarially consistent with the rates provided in Paragraph 014.01.a. (3-31-22)

**c.** If the policy provisions are other than those that correspond to the use of rates provided for in this subsection, those other provisions will not be unfair, unjust, inequitable, misleading, or deceptive; encourage misrepresentation of the coverage; or be contrary to statute or administrative rule. (3-31-22)

**02. Credit Disability Insurance Prima Facie Rates.** (3-31-22)

**a.** The Director will post on the Department's website the credit disability insurance prima facie rates that are to be used. (3-31-22)

**b.** If the benefits provided are other than those described in Paragraph 014.02.a., rates for such benefits need to be actuarially consistent with rates provided in Paragraph 014.02.a. (3-31-22)

**c.** 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. (3-31-22)

**d.** If the policy provisions are other than those that correspond to the use of rate provided for in this Subsection, those other provisions are not to be unfair, just, inequitable, misleading, or deceptive; encourage misrepresentations of the coverage; or be contrary to statute or administrative rule. (3-31-22)

**015. CREDIT LIFE INSURANCE.**

Premium rates in conformance with Section 014 apply to policies providing credit life insurance to be issued with or without evidence of insurability, to be offered to all debtors, and containing: (3-31-22)

**01. Exclusions.** No exclusions other than suicide within six (6) months of the incurred indebtedness; and (3-31-22)

**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. (3-31-22)

**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). (3-31-22)

**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 pre-existing 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. (3-31-22)

**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 are not to be unfair, unjust, inequitable, misleading, or deceptive; encourage misrepresentation of the coverage; or be contrary to statute or administrative rule. (3-31-22)

**016. CREDIT DISABILITY INSURANCE.**

Premium rates in conformance with Section 014 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: (3-31-22)

**01. Pre-existing 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. (3-31-22)

**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. (3-31-22)

**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 is actively at work if absent from work due solely to regular day off, holiday or paid vacation. (3-31-22)

**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. (3-31-22)

**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. (3-31-22)

**06. Definition of Disability.** A definition of "disability" which provides that during the first twelve (12) months of disability the insured is 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 does not apply to lump sum disability coverage. (3-31-22)

**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). (3-31-22)

**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 are not to be unfair, unjust, inequitable, misleading, or deceptive; encourage misrepresentation of the coverage; or be contrary to statute or administrative rule. (3-31-22)

**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. (3-31-22)

**017. REFUND FORMULAS.**

**01. Filing and Approval by the Director.** Any refund formula that 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, will be deemed acceptable. (3-31-22)

**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. (3-31-22)

**03. Minimum Refund.** No refund of five dollar (\$5) or less need be made. (3-31-22)

**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 will 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 will utilize the Credit Insurance Supplement-Annual Statement Blank as approved by the National Association of Insurance Commissioners. Such filing will be made in accordance with and no later than the due date in the Instructions to the Annual Statement. (3-31-22)

**02. Review of Loss Ratio Standards.** On a triennial basis beginning in 1995, 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 to be used by insurers during the next three (3) 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. (3-31-22)

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

**01. Use of Prima Facie Rates.** An insurer that files rates or has rates on file 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. (3-31-22)

**02. Use of Rates Higher Than Prima Facie Rates.** An insurer may file for approval of and use rates 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) 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 will specify the accounts to which such rates apply. Such rates may be: (3-31-22)

**a.** Applied uniformly to all accounts of the insurer; or (3-31-22)

**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 (3-31-22)

**c.** Applied according to a case-rating procedure on file with the director. (3-31-22)

**03. Approval Period of Deviated Rates.** (3-31-22)

**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. (3-31-22)

**b.** Notwithstanding Subsection 019.01, 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. (3-31-22)

**04. Use of Rates Lower Than Filed Rates.** An insurer may at any time use a rate for an account lower than its filed rate without prior notice, justification and approval by the director. (3-31-22)

**05. Terms and Definitions Applicable to This Section.** (3-31-22)

**a.** "Experience" means "earned premiums" and "incurred claims" during the experience period. (3-31-22)

**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. (3-31-22)

**c.** "Incurred Claims" means total claims paid during the experience period, adjusted for the change in claim reserve. (3-31-22)

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

**01. Responsibilities of Insurer.** Each insurer transacting credit insurance in this state is responsible for the settlement, adjustment and payment of all claims and is 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 needs to include, but not be limited to, a verification of the accuracy of premium payments or other identifiable charges, premium refunds, and claims incurred. (3-31-22)

**02. Maintenance of Records.** Records of such reviews will be maintained for four (4) years for review by the director. (3-31-22)

**021. PRODUCER'S LICENSE NEEDED.**

**01. Life and Disability Insurance License or Limited License.** Except as provided in this section, to solicit credit life and credit disability insurance, producer is: licensed to sell life and disability insurance; or issued an appropriate "Limited License". (3-31-22)

**02. 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 need 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. (3-31-22)

**022. 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 will be made to the principal debtor and copies given and retained, in accordance with State and Federal law. The creditor will 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 need to 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. (3-31-22)

**023. -- 999. (RESERVED)**