

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

INSURANCE BUREAU

CREDIT INSURANCE RATES, FORMS, AND STANDARDS

(By authority conferred on the commissioner of insurance by section 210 of Act No. 218 of the Public Acts of 1956, as amended, being S500.210 of the Michigan Compiled Laws)

R 550.201 Definitions.

Rule 1. (1) As used in these rules:

(a) "Act" means Act No. 173 of the Public Acts of 1958, as amended, being S550.601 et seq. of the Michigan Compiled Laws, and known as the credit insurance act.

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

(c) "Credit transaction" means any transaction under which payment may be made at a future date for money loaned or goods, services, or properties sold or leased.

(d) "Joint credit life coverage" means credit life insurance covering 2 individuals, where the individuals are co-obligated on the indebtedness and where the entire sum insured becomes payable upon the death of the first debtor to die while the insurance is in force.

(e) "Open-end credit insurance" means credit insurance provided in connection with an indebtedness incurred under an open-end credit account plan by use of a credit card, check, or other device as the plan may provide. Open-end credit account plan includes a revolving charge account plan.

(f) "Post-claim underwriting" means determining whether an individual meets underwriting criteria after the receipt of a claim and voiding coverage or denying the claim based upon that determination. The term does not include determinations under preexisting conditions exclusion clauses permitted in these rules. The term also does not include determinations where knowledge by the insurer of facts misrepresented on the application would have led to a refusal by the insurer to issue a certificate based upon the insurer's written underwriting criteria on the date of application.

(g) "Underwrite" means applying standards under which the insurer issues, refuses to issue, renews, refuses to renew, or limits coverage. The term includes determinations based upon eligibility criteria or evidence of insurability.

(2) Terms defined in the act have the same meanings when used in these rules.

History: 1987 AACCS; 1995 AACCS.

Editor's note: The rules of the Insurance Bureau, Department of Commerce, entitled "Credit Insurance Rates, Forms, and Standards," being R 550.101 to R 550.121 and appearing in Issue No. 6 of the 1987 Michigan Register, are renumbered R 550.201 to R 550.221.

R 550.202 Policy or certificate content; acceptable language for notice of proposed insurance; open-end credit insurance; delivery, effective date, duration, issuance, amounts, and annual notice of continuation.

Rule 2. (1) Each individual policy or certificate of insurance shall set forth the information that is required by section 9 of the act.

(2) If a notice of proposed insurance is used pursuant to section 11 of the act, the following is acceptable language for such notice:

The front of this contract is marked to show if credit insurance applies to it. As shown by the marking, one or two kinds may apply. One is group credit life insurance. The other is group credit accident and health insurance. The insurer is named on this notice. The insurer may accept or reject the insurance. The insurance covers only those who sign the request for insurance. The charge is shown for each type of insurance to be bought. The term of insurance will begin on the date the debt begins. It will end on the date the debt is first set to end. If the insurer accepts the insurance, the insured will receive a certificate of insurance within 30 days. This will more fully describe the insurance. It will state any limits on coverage. If the debt is prepaid, a refund of the insurance charges will be made when due.

Any notice of proposed insurance given to a debtor shall be as complete as the notice provided in this subrule.

(3) When open-end credit insurance is provided, an individual policy, a certificate, or a notice of proposed insurance need only be delivered once for each account. Under open-end credit insurance, the effective date of the credit insurance policy or certificate is the date on which the debtor establishes the account and agrees to pay the required insurance charge, if any. Unless terminated earlier according to its terms, the open-end credit insurance shall remain in force until the account is cancelled. An individual policy, a certificate, or a notice of proposed insurance need not be issued each time the account is debited. This credit insurance is provided on the outstanding balance of the indebtedness; if no indebtedness exists, the insurance amount is zero and remains so until the account is debited. The creditor shall send an annual notice regarding the continuation of insurance to all account holders whose accounts have a zero balance. The notice shall explain how an account holder may cancel the credit insurance.

(4) When open-end credit insurance is provided, and where the policy contains a preexisting conditions exclusion permitted by the provisions of subrule 11(5) or subrule 12(2) of these rules, an insurer may apply a preexisting conditions exclusion to each advance under the open-end credit account. In applying this rule, all past and current payments made on the account by the debtor and insurer shall be applied to the earliest outstanding advances.

(5) If an insurer underwrites, then all the following provisions shall apply:

(a) All information from applicants shall be obtained through questions contained in the application form, which shall not be in the loan agreement.

(b) Questions shall be clear and unambiguous. So far as possible, questions shall be designed to elicit a yes or no answer.

(c) Questions to applicants shall be based upon objective matters, such as the diagnosis or treatment of medical conditions. Questions shall not be based upon an applicant's subjective judgment of health conditions.

(6) An insurer shall not engage in post-claim underwriting.

(7) Each individual policy or certificate of insurance shall contain a provision as follows, or other similar language approved by the commissioner of insurance:

Limit on certain defenses: If evidence of insurability or eligibility was required respecting this coverage, the insurer was responsible for making any underwriting decision, including any decision respecting eligibility, based upon that evidence within 60 days of the application for insurance. After that 60 days, failure of the insured to meet any underwriting criteria for the

issuance of this coverage shall not be used to void the coverage or to deny a claim. However, material misrepresentations made by the applicant in the application for coverage may be used to void the coverage or to deny a claim. A misrepresentation is material where knowledge by the insurer of facts misrepresented on the application would have led to a refusal by the insurer to issue the certificate based upon the insurer's written underwriting criteria on the date of application.

(8) The statement in an application for insurance or notice of proposed insurance with respect to a preexisting conditions exclusion shall be printed in not less than 12-point type.

(9) If a credit insurance policy contains restrictions that make a debtor who attains a certain age ineligible for continued coverage, then all of the following provisions shall apply:

(a) Notice with respect to the age restriction shall appear in applications for insurance, notices of proposed insurance, and certificates of insurance.

(b) The reduced term of insurance due to the age restriction shall be taken into account in calculating the premium.

(c) The term of insurance shall extend beyond a debtor's attaining the age at which the restriction applies where the insurer has received premiums for a period of coverage after that date and has not returned the premiums within 60 days after their receipt by the insurer and before a loss occurs that is covered by the policy.

History: 1987 AACS; 1990 AACS; 1995 AACS.

Editor's note: The rules of the Insurance Bureau, Department of Commerce, entitled "Credit Insurance Rates, Forms, and Standards," being R 550.101 to R 550.121 and appearing in Issue No. 6 of the 1987 Michigan Register, are renumbered R 550.201 to R 550.221.

R 550.203 Termination of group credit insurance policy.

Rule 3. (1) 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 if the policy is terminated 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.

(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 if the policy is terminated for whatever reason, termination notice thereof shall be given to the insured debtor not less than 30 days before the effective date of termination, except where replacement of the coverage by the same or another insurer in the same or a greater amount takes place without lapse of coverage. The notice required in this subrule shall be given by the insurer or, at the option of the insurer, by the creditor.

History: 1987 AACS.

R 550.204 Remittance of premiums.

Rule 4. 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 such insurance charges or premiums, the creditor shall remit, and the insurer shall collect, such premium within 60 days after it is added to the indebtedness. However, this time limit may

be extended a reasonable amount of time, not to exceed 60 days if, due to the processing of the premium data, the creditor is unable to remit such premium to the insurer within the 60 days.

History: 1987 AACS.

R 550.205 Renewal or refinancing of indebtedness.

Rule 5. If the indebtedness is discharged due to renewal or refinancing before 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 before the scheduled maturity, a refund shall be made promptly as provided in R 550.113.

History: 1987 AACS.

R 550.206 Maximum aggregate provisions.

Rule 6. A provision in an individual policy or a certificate that sets a maximum limit on total insurance benefits is operative only if a refund of premium charges has been made on the amount of insurance in excess of the maximum limit, if any, issued to the debtor within 90 days of the effective date of coverage.

History: 1987 AACS.

R 550.207 Voluntary prepayment of indebtedness.

Rule 7. If a debtor prepays his or her indebtedness other than as a result of his or her death or through a lump sum disability payment under a credit insurance policy covering the debtor, both of the following provisions apply:

(a) Any credit life insurance covering such indebtedness shall be terminated and an appropriate refund of the credit life insurance premium shall be made in accordance with R 550.113.

(b) Any credit accident and health insurance covering such indebtedness shall be terminated and an appropriate refund of the credit accident and health insurance premium shall be made in accordance with R 550.113. If a claim under such coverage is in process 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 made during any period of disability for which credit accident and health benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period.

History: 1987 AACS.

R 550.208 Involuntary prepayment of indebtedness.

Rule 8. 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, to the beneficiary, other than the creditor, named by the debtor, or to the debtor's estate:

(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 accident and health insurance premium in accordance with R 550.113.

(b) In the case of prepayment by a lump sum disability claim, an appropriate refund of the credit life insurance premium in accordance with R 550.113.

(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.

History: 1987 AACCS.

R 550.209 Policy forms; filing; and reserves.

Rule 9. (1) Credit life and credit accident and health insurance shall be issued only in the forms described in section 4 of the act.

(2) All policy forms, certificates of insurance, notices of proposed insurance, applications for insurance, binders, 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 commissioner as required by sections 12 and 18 of the act.

(3) For policies and certificates issued after January 1, 1987, the minimum reserve basis for credit life insurance shall be determined in accordance with the 1980 commissioner's extended term table with interest at 5 1/2%.

(4) The minimum reserve basis for active lives on credit accident and health insurance shall be the amount of the premium refund available to the insured.

History: 1987 AACCS.

R 550.210 Rates generally.

Rule 10. (1) Under section 13 of the act, benefits provided by credit insurance policies shall be reasonable in relation to the premium charged. This requirement is deemed to be satisfied if a premium rate not exceeding the prima facie rate is charged.

(2) If any insurer files for approval of any form providing coverage other than that described in R 550.111 and R 550.112, the insurer shall demonstrate that the rates to be charged for such coverage are actuarially consistent with the applicable prima facie rates.

(3) If no specific charge is made to the debtor for credit insurance, the deviation standards of R 550.114 are not required to be used, but any premium rates resulting from such standards as are used which exceed the premium rate standards set out in R 550.111 and R 550.112 shall be filed with the commissioner. For purposes of this subrule, 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.

History: 1987 AACCS.

R 550.211 Credit life insurance prima facie rates.

Rule 11. (1) Single life credit life 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 subdivisions (a) and (b) of this subrule. Single life credit life insurance prima facie premium rates, when the benefit provided is level term, shall be as set forth in subdivisions (a) and (c) of this subrule. Subdivisions (e) and (f) of this subrule refer to prima facie premium rates for other types of benefits either alone or in combination with the types of benefits applicable to subdivisions (a), (b), and (c) of this subrule. Subdivisions (a) to (g) read as follows:

(a) If premiums are payable on the monthly outstanding balance basis, the premium rate shall be the following amounts per month per \$1,000.00 of outstanding balance:

(i) .8000 commencing September 1, 1987.

(ii) .7692 commencing September 1, 1988.

(iii) .7385 commencing September 1, 1989, and continuing thereafter.

(b) If premiums are payable on a single premium basis, where the benefit provided is decreasing term, the single premium rates shall be as follows:

(i) Where the term of insurance equals 12 months, the 12-month single-term premium (SP12) shall equal the following amounts per \$100.00 of initial insured indebtedness:

(A) .52 commencing September 1, 1987.

(B) .50 commencing September 1, 1988.

(C) .48 commencing September 1, 1989, and continuing thereafter.

(ii) Where the term of insurance is different than 12 months, $SP = SP12 \times n/12$, where SP is the single-term premium per \$100.00 of initial insured indebtedness for insurance with a term different than 12 months, and n is the term of insurance in months.

(c) If premiums are payable on a single premium basis, where the benefit provided is level term, the single premium rates shall be as follows:

(i) Where the term of insurance equals 12 months, the 12-month single-term premium (SP12) shall equal the following amounts per \$100.00 of initial insured indebtedness:

(A) .96 commencing September 1, 1987.

(B) .92 commencing September 1, 1988.

(C) .89 commencing September 1, 1989, and continuing thereafter.

(ii) Where the term of insurance is different than 12 months, $SP = SP12 \times n/12$, where SP is the single-term premium per \$100.00 of initial insured indebtedness for insurance with a term different than 12 months, and n is the term of insurance in months.

(d) Coverage may be offered at the insurer's option, based on either the monthly outstanding balance basis or single premium basis.

(e) The joint credit life rate on the basis specified in subdivision (a), (b), or (c) of this subrule shall be 1.5625 times the specific rate for that type of coverage.

(f) 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.

(g) If the benefits provided are other than those described in subdivisions (a) to (f) of this subrule, rates for such benefits shall be actuarially consistent with the rates provided in subdivisions (a), (b), (c), and (e) of this subrule.

(2) In connection with indebtedness that is repayable over a period of more than 120 months, when written on a single premium basis, the premium or other identifiable charge for credit life insurance shall be calculated to insure the scheduled amount required to liquidate the indebtedness,

exclusive of any unearned interest or finance charge. In connection with indebtedness that is repayable over a period of more than 120 months, when written on a monthly outstanding balance basis, the premium or other identifiable charge for credit life insurance shall be calculated to ensure the actual amount required to liquidate the indebtedness, exclusive of any unearned interest or finance charge.

(3) The premium rates in subrule (1) of this rule shall apply to all policies which provide credit life insurance, which are issued with or without evidence of insurability, which are offered to all eligible debtors, and which do not contain any of the following:

(a) Exclusions, other than suicide within 1 year of the incurred indebtedness.

(b) Age restrictions, other than age restrictions that make debtors who are 71 or over ineligible for initial or continued coverage.

(c) An actively at work test other than one which requires that a debtor is or has been, for the previous 2 weeks, either regularly working a 30-hour week or more or is able to do so.

(4) Any underwriting decision shall be made within 60 days of the application for insurance. An insurer shall not engage in post-claim underwriting.

(5) The premium rates in subrule (1) of this rule shall also apply to all policies which provide credit life insurance, which are to be issued without underwriting, except underwriting that is based upon age, and which do not contain any of the following:

(a) Age restrictions, other than age restrictions that make debtors who are 71 or over ineligible for initial or continued coverage.

(b) A provision excluding or denying a claim for death resulting from preexisting conditions, except for those conditions for which the insured debtor received diagnosis or treatment within 6 months preceding the effective date of the debtor's coverage and which caused loss within the 6 months following the effective date of the coverage.

(6) A preexisting conditions exclusion permitted by subrule (5) of this rule shall apply only to accumulated indebtedness of more than \$1,000.00 and where the diagnosis identified the condition.

History: 1987 AACCS; 1995 AACCS.

Editor's note: The rules of the Insurance Bureau, Department of Commerce, entitled "Credit Insurance Rates, Forms, and Standards," being R 550.101 to R 550.121 and appearing in Issue No. 6 of the 1987 Michigan Register, are renumbered R 550.201 to R 550.221.

R 550.212 Credit accident and health insurance prima facie rates.

Rule 12. (1) 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 subdivisions (a) and (b) of this subrule. Subdivisions (c), (d), and (e) of this subrule refer to prima facie premium rates for other types of benefits either alone or in combination with the type of benefits applicable to subdivisions (a) and (b) of this subrule. Subdivisions (a) to (f) read as follows:

(a) If premiums are payable on a single premium basis for the duration of the coverage, the premium rates shall be those set forth in appendix A of R 550.117.

(b) If premiums are paid on the basis of the premium rate per month per thousand of outstanding insured indebtedness, the premium rates shall be those set forth in appendix B of R 550.118.

(c) The actuarial equivalent of subdivision (b) of this subrule shall be used if the coverage provided is a constant maximum indemnity for a given period of time.

(d) 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.

(e) If the benefits provided are other than those described in subdivisions (a) to (d) of this subrule, rates for such benefits shall be actuarially consistent with rates provided in subdivisions (b) and (c) of this subrule.

(f) 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.

(2) The premium rates specified in subrule (1) of this rule shall apply to all policies which provide credit accident and health insurance, which are to be issued with or without evidence of insurability, which are to be offered to all eligible debtors, and which do not contain any of the following:

(a) A 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 6 months preceding the effective date of the debtor's coverage and which caused loss within the 6 months following the effective date of the coverage.

(b) Any provision that excludes or restricts liability in the event of disability caused in a specified manner, except that policies may contain provisions excluding or restricting coverage in the event of normal pregnancy, intentionally self-inflicted injuries, and any act of war, declared or undeclared.

(c) An actively at work test which requires that the debtor be employed more than 30 hours per week.

(d) Age restrictions, other than age restrictions that make debtors who are 66 years of age or older ineligible for initial or continued coverage. However, such policies shall contain a daily benefit equal in amount to 1/30 of the monthly benefit payable under the policy for the indebtedness and shall contain a definition of "disability" that 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 or her occupation at the time the disability occurred and, thereafter, the principal duties of any occupation for which the insured is reasonably suited by education, training, or experience. This requirement regarding the definition of "disability" shall not apply to lump sum accident and health coverage.

(3) Any underwriting decision shall be made within 60 days of the application for insurance. An insurer shall not engage in post-claim underwriting.

(4) If a policy does not contain a provision excluding or denying a claim for disability resulting from preexisting conditions, the premium rates corresponding to those in subrule (1)(a) of this rule shall be as contained in appendix C or appendix D of R 550.119 or R 550.120, and additional rates shall be consistent with the relationship between the premium rates contained in appendix D of R 550.120 and the premium rates contained in appendix B of R 550.118.

History: 1987 AACs; 1995 AACs.

Editor's note: The rules of the Insurance Bureau, Department of Commerce, entitled "Credit Insurance Rates, Forms, and Standards," being R 550.101 to R 550.121 and appearing in Issue No. 6 of the 1987 Michigan Register, are renumbered R 550.201 to R 550.221.

R 550.213 Refund formulas.

Rule 13. (1) Refund formulas which any insurer desires to use shall be filed with, and approved by, the commissioner before use. The following methods are deemed appropriate for the plans described:

(a) The pro rata unearned gross premium method shall 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.

(b) The "Rule of 78" or "sum of the digits" unearned premium method shall be used for insurance coverage which reduces in equal amounts per month and for which the premiums are collected on a single premium basis.

(c) 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.

(2) For other modes of premium payment and for other patterns of insurance, each insurer shall file for approval and include in the policy appropriate formulas or factors for refund or reference to such formulas or factors that are on file with the commissioner.

(3) In the event of termination, a charge for credit insurance shall not 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.

(4) The requirements that refund formulas be filed with the commissioner shall be considered fulfilled if the refund formulas are set forth in the individual policy or group certificate filed with the commissioner. If the appropriate refund formula is the "sum of the digits" formula, commonly known as the "Rule of 78," it shall be sufficient to refer to such formula by either phrase.

(5) If the total of all refunds due a debtor or joint debtors is \$1.00 or less, no refund need be made.

(6) Refunds required to be made shall be paid or credited promptly to the person entitled thereto.

History: 1987 AACCS.

R 550.214 Deviation procedures.

Rule 14. (1) As used in this rule:

(a) "Account" means the coverage for a single plan of benefits offered by 1 creditor. Single life and joint life together is 1 plan of benefits; however, the various elimination and retroactive terms on accident and health create separate plans of benefits. The definition of "account" includes coverage which is written on a group or individual policy basis.

(b) "Adjusted actual loss ratio (AALR)," for a case, means the ratio of actual incurred claims to actual earned premium adjusted to prima facie as described in subdivision (f) of this subrule.

(c) "Average number of life years" means the average number of group certificates or individual policies in force during the experience period, without regard to multiple coverage, times the number of years in the experience period, or some equivalent calculation.

(d) "Case" means a single account case, a multiple account case, or a pooled account case as follows:

(i) "Single account case" means an account that has a credibility factor of not less than .65 for the experience period, excluding all of these accounts which have been included in multiple account cases.

(ii) "Multiple account case" means, with the approval of the commissioner, that 2 or more accounts of the same insurer having similar underwriting characteristics are combined by the insurer for premium rating purposes, excluding all cases defined in paragraph (i) of this subdivision and which, when combined, have a credibility factor of not less than .65 for the experience period.

(iii) "Pooled account case" means a combination of all the insurer's accounts of the same plan of insurance and class of business, which combination has experience in this state, excluding all cases defined in paragraphs (i) and (ii) of this subdivision.

(e) "Credibility measure" means 1 of the following, chosen by the insurance company:

(i) Number of claims.

(ii) Average number of life years.

(iii) Earned premium. The same measure shall be used for life and accident and health and for the entire state. An insurer shall notify the commissioner in advance of which method it will use to measure the credibility of all its cases in this state and shall not change its method without the prior approval of the commissioner.

(f) "Earned premium" means premiums earned at the level of the prima facie rates. If the rates applicable to an account are not at the prima facie level or at a level percentage of the prima facie rates, the amount of premium which would have been earned at the prima facie rates may be calculated using reasonable approximations.

(g) "Experience period" means the most recent 3 experience years or a lower number of full years, if full credibility is reached (credibility factor equals 1.00), for that case as shown in the credibility table. The same period shall be used for determining credibility and upward deviations.

(h) "Experience year," for a group policy, means a 12-month period ending on the policy anniversary or renewal date or on a calendar year end. Experience year for individual policies or a case means a calendar year. Experience for a given case shall be reported consistently from year to year.

(i) "Incurred claim count" means the number of claims incurred for the case during the experience period. This means the total number of claims reported during the experience period, whether paid or in the process of payment, plus an incurred but not reported (IBNR) at the end of the experience period, less the number of claims incurred but not reported at the beginning of the experience period. If a debtor has been issued more than 1 certificate for the same plan of insurance, only 1 claim is counted. If a debtor receives disability benefits, only the initial claim payment for that period of disability is counted.

(j) "Incurred claims" means total claims paid during the experience period, adjusted for the change in the claim reserve.

(k) "Minimum loss ratio" (MLR) is .60.

(2) Credibility shall be determined in accordance with appendix E of R 550.221.

(3) Upward rate deviations may be obtained by an insurer under the following circumstances:

(a) For cases where AALR is greater than MLR, the case rate shall be derived using the credible loss ratio (CLR) where $CLR = c(AALR) + (1-c)(MLR)$ and c = credibility factor of the case, according to the upward rate deviation procedure following:

(i) If the case rate applies to a pool of accounts, the case rate will continue to apply to every account which was pooled for determination of the case rate and only to those accounts. If an account which was not pooled becomes insured with a new insurer, the case rate will continue to apply to that account for the duration of the effective period.

(ii) If a pooled account becomes insured with a new insurer, the case rate will continue to apply to the account for the duration of the previous insurer's effective period or to the end of the current insurer's effective period, whichever is later, but in no event later than 1 year.

(b) If the credible loss ratio is greater than the minimum loss ratio the new case rate shall be the prima facie rate times the upward deviation factor f where:

$$f = [1 + 1.25 (CLR-MLR)]$$

(4) A designated officer of the insurer shall sign the deviation request and a certification deemed necessary by the commissioner. An insurer may use a deviation procedure, other than described in subrule (3) of this rule, only with the approval of the commissioner. Such procedure may have alternative definitions and calculations, including basis for credibility and experience period and a definition of "case."

(5) Nothing in this rule shall be construed to prevent the commissioner from accepting for filing a schedule of rates not developed in strict conformance with this rule.

(6) Any insurer that has rates on file which are equal to or lower than prima facie rates may retain on file and use those rates without further proof of their reasonableness, whether or not such rates develop the MLR. An insurer may at any time use a rate for an account that is lower than its filed rate without notice to the commissioner. An upward deviation may be filed with the commissioner for use if an insurer's credible loss ratio is greater than the minimum loss ratio. If the commissioner does not object to the filing of the upward deviation within 30 days after receipt of the filing, rates not higher than the deviation rates which were filed may be placed in effect by the insurer.

History: 1987 AACCS.

R 550.215 Disclosure.

Rule 15. 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. These disclosures may be made in conjunction with any of the following:

(a) The federal truth-in-lending disclosure.

(b) A notice of proposed insurance.

(c) The application for insurance.

History: 1987 AACCS.

R 550.216 Effective date of rules; effect.

Rule 16. (1) These rules shall take effect on September 1, 1987.

(2) All policies, group certificates, and related forms issued or renewed on or after the date upon which these rules become effective shall be in compliance with these rules.

(3) Rates which exceed the new prima facie rates cannot be used on or after the effective date of these rules, except for a case for which an upward rate deviation may be placed in effect in accordance with R 550.214(3).

(4) Approval of all policies, group certificates, and related forms not in compliance with these rules is hereby withdrawn upon the effective date of these rules. No such form may be issued or renewed on or after the effective date of these rules unless it has been submitted to, and approved by, the commissioner pursuant to these rules or unless an approved rider has been attached bringing such form into compliance with these rules.

History: 1987 AACCS.

R 550.217 Appendix A.

Rule 17. Appendix A reads as follows:

Figure for 550.217

APPENDIX A				
Michigan Prima Facie Credit Accident and Health				
Single Premium Rates				
rates per \$100.00 initial insured indebtedness per year				
Months	14EX	30EX	14RX	30RX
1 - 12	1.50	1.15	2.20	1.50
13 - 24	2.15	1.50	3.00	2.15
25 - 36	2.90	2.05	3.80	2.85
37 - 48	3.25	2.35	4.30	3.20
49 - 60	3.60	2.70	4.70	3.55
61 - 72	3.90	2.85	5.05	3.75
73 - 84	4.20	3.05	5.40	3.95
85 - 96	4.45	3.25	5.70	4.05
97 - 108	4.75	3.45	6.00	4.20
109 - 120	4.95	3.60	6.30	4.35

14EX = 14 day nonretroactive, excluding preexisting conditions

30EX = 30 day nonretroactive, excluding preexisting conditions

14RX = 14 day retroactive, excluding preexisting conditions

30RX = 30 day retroactive, excluding preexisting conditions

History: 1987 AACCS.

R 550.218 Appendix B.

Rule 18. Appendix B reads as follows:

Figure for 550.218 (Part 1 of 3)

APPENDIX B

Michigan Prima Facie Credit Accident and Health Monthly Outstanding Balance Rates

rates per \$1000.00 outstanding balance				
Months	14EX	30EX	14RX	30RX
1	0.88	0.00	3.23	0.00
2	2.15	0.80	4.68	2.45
3	2.63	1.42	4.90	3.00
4	2.78	1.74	4.80	3.10
5	2.80	1.88	4.61	3.05
6	2.76	1.94	4.40	2.94
7	2.69	1.95	4.20	2.83
8	2.61	1.94	4.00	2.71
9	2.53	1.91	3.83	2.59
10	2.46	1.87	3.67	2.49
11	2.38	1.82	3.52	2.39
12	2.31	1.77	3.38	2.31
13	2.24	1.72	3.26	2.23
14	2.17	1.66	3.15	2.16
15	2.11	1.60	3.04	2.09
16	2.05	1.54	2.95	2.04
17	2.00	1.49	2.86	1.98
18	1.95	1.43	2.77	1.93
19	1.90	1.38	2.70	1.89
20	1.86	1.34	2.63	1.85
21	1.82	1.29	2.56	1.81
22	1.78	1.26	2.50	1.78
23	1.75	1.23	2.45	1.75
24	1.72	1.20	2.40	1.72
25	1.70	1.18	2.36	1.69
26	1.68	1.16	2.32	1.67
27	1.66	1.15	2.28	1.66
28	1.65	1.14	2.25	1.64
29	1.64	1.14	2.22	1.63
30	1.63	1.13	2.20	1.61
31	1.62	1.13	2.17	1.60
32	1.61	1.13	2.15	1.59
33	1.60	1.13	2.13	1.58
34	1.59	1.12	2.10	1.57
35	1.58	1.12	2.08	1.56
36	1.57	1.11	2.05	1.54
37	1.55	1.10	2.03	1.52
38	1.53	1.09	2.00	1.50
39	1.51	1.07	1.98	1.48
40	1.49	1.06	1.95	1.46
41	1.47	1.05	1.92	1.44
42	1.45	1.03	1.90	1.42
43	1.42	1.02	1.87	1.40
44	1.40	1.00	1.85	1.38
45	1.38	0.99	1.82	1.36
46	1.36	0.98	1.80	1.34
47	1.34	0.97	1.78	1.32
48	1.33	0.96	1.76	1.31
49	1.31	0.95	1.73	1.29
50	1.30	0.94	1.71	1.28
51	1.28	0.94	1.70	1.27
52	1.27	0.93	1.68	1.25
53	1.26	0.93	1.66	1.24
54	1.25	0.92	1.64	1.23
55	1.23	0.92	1.62	1.22

Figure for 550.218 (Part 2 of 3)

56	1.22	0.91	1.61	1.21
57	1.21	0.90	1.59	1.20
58	1.20	0.90	1.57	1.19
59	1.19	0.89	1.56	1.18
60	1.18	0.89	1.54	1.16
61	1.17	0.88	1.53	1.15
62	1.16	0.87	1.51	1.14
63	1.15	0.86	1.50	1.13
64	1.14	0.85	1.48	1.12
65	1.13	0.84	1.47	1.10
66	1.12	0.83	1.46	1.09
67	1.11	0.82	1.44	1.08
68	1.10	0.81	1.43	1.07
69	1.09	0.80	1.42	1.06
70	1.08	0.80	1.41	1.05
71	1.08	0.79	1.39	1.04
72	1.07	0.78	1.38	1.03
73	1.06	0.77	1.37	1.02
74	1.05	0.77	1.36	1.01
75	1.05	0.76	1.35	1.00
76	1.04	0.76	1.34	0.99
77	1.03	0.75	1.33	0.98
78	1.03	0.75	1.32	0.98
79	1.02	0.74	1.31	0.97
80	1.01	0.74	1.31	0.96
81	1.01	0.73	1.30	0.95
82	1.00	0.73	1.29	0.95
83	0.99	0.72	1.28	0.94
84	0.99	0.72	1.27	0.93
85	0.98	0.71	1.26	0.92
86	0.98	0.71	1.25	0.91
87	0.97	0.70	1.25	0.90
88	0.96	0.70	1.24	0.90
89	0.96	0.70	1.23	0.89
90	0.95	0.69	1.22	0.88
91	0.94	0.69	1.21	0.87
92	0.94	0.68	1.20	0.86
93	0.93	0.68	1.20	0.86
94	0.93	0.68	1.19	0.85
95	0.92	0.67	1.18	0.84
96	0.92	0.67	1.18	0.84
97	0.91	0.67	1.17	0.83
98	0.91	0.66	1.16	0.82
99	0.90	0.66	1.15	0.82
100	0.90	0.66	1.15	0.81
101	0.90	0.65	1.14	0.81
102	0.89	0.65	1.14	0.80
103	0.89	0.65	1.13	0.80
104	0.89	0.65	1.12	0.79
105	0.88	0.64	1.12	0.79
106	0.88	0.64	1.11	0.78
107	0.88	0.64	1.11	0.78
108	0.87	0.63	1.10	0.77
109	0.87	0.63	1.10	0.77
110	0.86	0.63	1.09	0.76
111	0.86	0.62	1.08	0.76
112	0.85	0.62	1.08	0.75
113	0.85	0.62	1.07	0.75
114	0.84	0.61	1.07	0.74
115	0.84	0.61	1.06	0.74
116	0.84	0.61	1.06	0.73
117	0.83	0.60	1.06	0.73
118	0.83	0.60	1.05	0.73
119	0.82	0.60	1.05	0.72
120	0.82	0.60	1.04	0.72

Figure for 550.218 (Part 3 of 3)

14EX = 14 day nonretroactive, excluding preexisting conditions
30EX = 30 day nonretroactive, excluding preexisting conditions
14RX = 14 day retroactive, excluding preexisting conditions
30RX = 30 day retroactive, excluding preexisting conditions

History: 1987 AACCS.

R 550.219 Appendix C.

Rule 19. Appendix C reads as follows:

Figure for 550.219

APPENDIX C				
Michigan Prima Facie Credit Accident and Health				
Single Premium Rates				
rates per \$100.00 initial insured indebtedness per year				
Months	14EC	30EC	14RC	30RC
1 - 12	1.65	1.30	2.45	1.65
13 - 24	2.40	1.65	3.35	2.40
25 - 36	3.20	2.30	4.20	3.15
37 - 48	3.60	2.60	4.80	3.55
49 - 60	4.00	3.00	5.20	3.95
61 - 72	4.35	3.15	5.60	4.15
73 - 84	4.65	3.40	6.00	4.40
85 - 96	4.95	3.60	6.35	4.50
97 - 108	5.30	3.85	6.65	4.65
109 - 120	5.50	4.00	7.00	4.85

14EC = 14 day nonretroactive, covering preexisting conditions
30EC = 30 day nonretroactive, covering preexisting conditions
14RC = 14 day retroactive, covering preexisting conditions
30RC = 30 day retroactive, covering preexisting conditions

History: 1987 AACCS.

R 550.220 Appendix D.

Rule 20. Appendix D reads as follows:

Figure for 550.220 (Part 1 of 2)

APPENDIX D

**Michigan Prima Facie Credit Accident and Health
Monthly Outstanding Balance Rates**

rates per \$1000.00 outstanding balance				
Months	14EC	30EC	14RC	30RC
1	0.97	0.00	3.60	0.00
2	2.36	0.90	5.22	2.69
3	2.89	1.61	5.46	3.30
4	3.06	1.97	5.35	3.41
5	3.08	2.13	5.13	3.35
6	3.03	2.20	4.90	3.24
7	2.96	2.21	4.67	3.11
8	2.87	2.20	4.46	2.97
9	2.78	2.16	4.26	2.85
10	2.70	2.11	4.08	2.74
11	2.62	2.06	3.92	2.63
12	2.54	2.00	3.77	2.54
13	2.46	1.94	3.63	2.45
14	2.40	1.87	3.51	2.38
15	2.33	1.80	3.39	2.31
16	2.27	1.73	3.28	2.25
17	2.21	1.66	3.19	2.19
18	2.16	1.59	3.09	2.14
19	2.11	1.53	3.01	2.10
20	2.07	1.48	2.93	2.06
21	2.02	1.43	2.86	2.02
22	1.99	1.39	2.80	1.98
23	1.95	1.35	2.74	1.95
24	1.92	1.32	2.68	1.92
25	1.89	1.30	2.63	1.89
26	1.87	1.28	2.58	1.87
27	1.85	1.27	2.54	1.85
28	1.83	1.26	2.51	1.83
29	1.82	1.26	2.47	1.81
30	1.81	1.26	2.44	1.79
31	1.80	1.26	2.41	1.78
32	1.79	1.26	2.38	1.77
33	1.77	1.26	2.35	1.75
34	1.76	1.26	2.33	1.74
35	1.75	1.25	2.30	1.72
36	1.73	1.24	2.27	1.70
37	1.71	1.23	2.24	1.68
38	1.69	1.22	2.21	1.66
39	1.67	1.20	2.19	1.64
40	1.64	1.19	2.16	1.62
41	1.62	1.17	2.13	1.59
42	1.60	1.15	2.11	1.57
43	1.57	1.13	2.08	1.55
44	1.55	1.12	2.06	1.53
45	1.53	1.10	2.03	1.51
46	1.51	1.09	2.01	1.48
47	1.49	1.07	1.98	1.47
48	1.47	1.06	1.96	1.45
49	1.45	1.05	1.94	1.43
50	1.44	1.04	1.91	1.42
51	1.42	1.04	1.89	1.41
52	1.41	1.03	1.87	1.39
53	1.40	1.03	1.85	1.38
54	1.38	1.02	1.82	1.37
55	1.37	1.01	1.80	1.36
56	1.36	1.01	1.78	1.34
57	1.35	1.00	1.76	1.33
58	1.33	1.00	1.74	1.32
59	1.32	0.99	1.72	1.31

Figure for 550.220 (Part 2 of 2)

60	1.31	0.98	1.70	1.30
61	1.30	0.97	1.69	1.28
62	1.29	0.96	1.67	1.27
63	1.28	0.95	1.66	1.25
64	1.27	0.94	1.64	1.24
65	1.26	0.93	1.63	1.23
66	1.25	0.92	1.61	1.21
67	1.24	0.91	1.60	1.20
68	1.23	0.90	1.58	1.18
69	1.22	0.89	1.57	1.17
70	1.21	0.88	1.56	1.16
71	1.20	0.87	1.55	1.15
72	1.19	0.86	1.53	1.14
73	1.18	0.86	1.52	1.13
74	1.17	0.85	1.51	1.12
75	1.17	0.84	1.50	1.11
76	1.16	0.84	1.49	1.10
77	1.15	0.83	1.48	1.09
78	1.14	0.83	1.47	1.08
79	1.13	0.82	1.46	1.08
80	1.12	0.82	1.45	1.07
81	1.12	0.81	1.44	1.06
82	1.11	0.81	1.43	1.05
83	1.10	0.80	1.42	1.04
84	1.09	0.80	1.41	1.04
85	1.09	0.79	1.40	1.03
86	1.08	0.79	1.39	1.02
87	1.07	0.78	1.38	1.01
88	1.07	0.78	1.38	1.00
89	1.06	0.77	1.37	0.99
90	1.05	0.77	1.36	0.98
91	1.05	0.76	1.35	0.97
92	1.04	0.76	1.34	0.96
93	1.04	0.75	1.33	0.95
94	1.03	0.75	1.33	0.94
95	1.03	0.75	1.32	0.94
96	1.02	0.74	1.31	0.93
97	1.02	0.74	1.30	0.92
98	1.01	0.74	1.29	0.91
99	1.01	0.73	1.29	0.91
100	1.00	0.73	1.28	0.90
101	1.00	0.73	1.27	0.89
102	1.00	0.72	1.26	0.89
103	0.99	0.72	1.25	0.88
104	0.99	0.72	1.25	0.88
105	0.99	0.72	1.24	0.87
106	0.98	0.71	1.23	0.86
107	0.98	0.71	1.23	0.86
108	0.97	0.71	1.22	0.85
109	0.97	0.70	1.21	0.85
110	0.96	0.70	1.21	0.84
111	0.96	0.70	1.20	0.84
112	0.95	0.69	1.20	0.83
113	0.95	0.69	1.19	0.83
114	0.94	0.68	1.19	0.83
115	0.93	0.68	1.18	0.82
116	0.93	0.68	1.18	0.82
117	0.92	0.67	1.17	0.81
118	0.92	0.67	1.17	0.81
119	0.91	0.66	1.16	0.81
120	0.91	0.66	1.16	0.80

14EC = 14 day nonretroactive, covering preexisting conditions
30EC = 30 day nonretroactive, covering preexisting conditions
14RC = 14 day retroactive, covering preexisting conditions
30RC = 30 day retroactive, covering preexisting conditions

History: 1987 AACS.

R 550.221 Appendix E.

Rule 21. Appendix E reads as follows:

Figure for 550.221

APPENDIX E						
CREDIBILITY TABLE						
Credit Life	Average Number of Life Years Credit Disability Plans Waiting Periods		Incurred Claim Count	Life Earned Premium*	Health Earned Premium*	Credibility Factor C
	14 Day	30 Day				
1	1	1	1	0	0	.00
2,000	156	232	10	45,300	10,500	.25
2,400	190	283	12	54,400	12,700	.30
3,000	232	346	15	68,000	15,500	.35
3,600	284	423	18	81,500	19,000	.40
4,400	347	516	22	99,700	23,200	.45
5,400	424	630	27	122,300	28,400	.50
6,600	517	770	33	149,500	34,600	.55
8,100	632	940	40	183,500	42,300	.60
9,900	772	1,149	49	224,200	51,700	.65
12,100	943	1,403	60	274,100	63,200	.70
14,700	1,151	1,714	74	333,000	77,100	.75
18,000	1,406	2,093	90	407,700	94,200	.80
22,000	1,718	2,556	110	498,300	115,100	.85
26,900	2,098	3,122	134	609,300	140,500	.90
32,800	2,562	3,814	164	742,900	171,600	.95
40,000	3,130	4,658	200	906,000	209,600	1.00

* Prima Facie Basis (\$48/100/yr credit life rate and credit health rates in effect April 1, 1986).

The above integral numbers represent the lower end of the bracket for each C factor. The upper end is 1 less than the lower end for the next higher C factor.

History: 1987 AACS.