

**RULES  
OF  
THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE  
INSURANCE DIVISION**

**CHAPTER 0780-01-04  
CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE**

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**0780-01-04-.01 DEFINITIONS.**

(1) For the purpose of this Chapter:

- (a) "Credit insurance" means credit life insurance and/or credit accident and health insurance;
- (b) "Credit life insurance" means insurance on the life of a debtor in connection with a specific loan or other credit transaction of five years' duration or less to provide payment to a creditor in the event of the death of a debtor;
- (c) "Credit accident and health insurance" means insurance on a debtor in connection with a specific loan or other credit transaction of five years' duration or less to provide indemnity to the creditor for installment payments on the indebtedness becoming due while the debtor is disabled as defined in the policy, or to provide for extinguishment of the indebtedness upon the debtor's becoming disabled as provided in the policy;
- (d) "Creditor" means the lender of money or vendor or lessor of goods, services, or property, rights, or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title, or interest of any such lender, vendor, or lessor, or an affiliate, associates 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 them;
- (e) "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;
- (f) "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction;
- (g) "Commissioner" means the Commissioner of Insurance and Banking;
- (h) "Insurer" means an insurance company licensed to write credit insurance;
- (i) "Identifiable charge" means the amount a creditor charges a debtor or collects from him for credit insurance in addition to any other stated charges, including interest or discount, permitted by law. A differential in interest rates between insured and uninsured loans is an identifiable charge.

(Rule 0780-01-04-.01, continued)

- (j) "Joint life coverage" means credit life insurance covering two or more lives the entire sum insured being payable upon the death of the first insured debtor to die while the insurance is in force.
  - (k) "Joint accident and health coverage" means credit accident and health insurance covering two or more debtors' lives, the benefits being payable while any covered debtor is disabled as defined in the policy or upon any debtor becoming disabled as defined in the policy.
- (2) The following technical terms have the indicated meanings:
- (a) "Claims" means benefits payable on death or disability, excluding loss adjustment expense, claims settlement costs, or other additions of any kind;
  - (b) "Claims incurred" means claims actually paid during the reporting year plus the estimated reserves at the end of the year for reported claims in the process of settlement and for unreported claims, less the corresponding estimated reserves at the end of the preceding year. All reserves are to be determined in a consistent manner from year to year;
  - (c) "Premiums earned" means the total gross premiums which become due the insurer, without reduction of any kind, except the premiums refunded or adjusted on account of termination of coverage, appropriately adjusted for changes in gross unearned premiums in force upon a pro rata basis or a "Sum of the Digits" basis, where applicable. Where premiums are payable monthly on the basis of outstanding insured balances, "premiums using the reporting year plus premiums due the insurer but unpaid at the end of that year, less premiums due the insurer but unpaid at the end of the previous year. As defined under either system, premiums are without reduction of any kind except for those refunded or adjusted because of termination of coverage. This definition does not relate to the preparation of financial statements, but shall be used when this regulation or the experience reporting forms specifically refer to "premium earned";
  - (d) "Credibility period" means as of any point of time the period of at least one (1), but not more than three (3) years, immediately prior thereto.

**Authority:** T.C.A. §§ 56-2-301, 56-7-901, and 56-7-908. **Administrative History:** Original rule certified June 10, 1974. Amendment filed March 31, 1995; effective June 6, 1995.

**0780-01-04-.02 EXISTING INSURANCE-CHOICE OF INSURER.**

- (1) When life insurance or accident and health insurance is requested by a creditor, the debtor shall have the option, upon notice to the creditor, of furnishing existing policies of insurance, or procuring and furnishing new policies of insurance, owned or controlled by him and issued by any insurer authorized to transact an insurance business in this state for an amount not less than the indebtedness, and for the term and type of insurance coverage requested by the creditor. Any such policy furnished by the debtor shall not be subject to this chapter, unless procured through or administered by the creditor or an agent or broker designated by or associated with the creditor.
- (2) Insurers writing credit insurance shall be responsible for establishment of procedures by which creditors are furnished a sufficient number of printed notices informing their debtors of said option. Creditors shall prominently display such notices.

(Rule 0780-01-04-.02, continued)

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

**0780-01-04-.03 FORMS OF CREDIT INSURANCE.**

- (1) Credit life insurance and credit accident and health insurance policies which provide benefits differing in kind or character from those set forth in this section, shall be deemed not to conform with T.C.A. § 56-1159.
  - (a) Individual policies of credit life insurance issued to debtors on the term plan.
  - (b) Group policies of credit life insurance issued to creditors providing insurance upon the lives of debtors on the term plan.
  - (c) Individual policies of credit accident and health insurance issued to debtors and group policies of credit accident and health insurance issued to creditors, or disability benefit provisions in credit life insurance policies to provide such coverage in any case on a term plan providing:
    1. Benefits payable on any one of the following plans:
      - (i) After the seventh day of disability due to sickness or accident and retroactive to the first day of such disability, or
      - (ii) After the fourteenth day of disability due to sickness or accident and retroactive to the first day of such disability, or
      - (iii) After the fourteenth day of disability due to sickness or accident, or
      - (iv) After the thirtieth day of disability due to sickness or accident and retroactive to the first day of such disability, or
      - (v) After the thirtieth day of disability due to sickness or accident, or
    2. Under any other plan approved by the Commissioner, benefit payable after such other waiting periods or upon such conditions as he shall approve as provided in Rule 0780-1-1-.06.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

**0780-01-04-.04 PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE: DISCLOSURE TO DEBTORS.**

- (1) When credit insurance is effected on a debtor it shall be evidenced by an individual policy or, in the case of group insurance, which policy or certificate shall be delivered to the debtor at the time the indebtedness is incurred or within thirty days after the debtor becomes insured with respect to his indebtedness.
- (2) Each such individual policy, or certificate of group insurance shall, in addition to other requirements of law, set forth:
  - (a) The name and home office address of the insurer, and

(Rule 0780-01-04-.04, continued)

- (b) The identity of the debtor by name or otherwise and his age at issue or his date of birth, if the age is material to claim payment, premium calculation or reserve calculation; and
  - (c) The amount and term of the coverage, if possible, otherwise a clear description of the means of determining the amount and time of expiry, and
  - (d) The amount of premium or identifiable charge, if any, separately in connection with credit life insurance and credit accident and health insurance unless in the case of group insurance such premium or identifiable charge has been disclosed to the debtor as hereinafter provided in paragraph (3). A copy of the document bearing this information shall be forwarded to the insurer or retained by the creditor in a manner which will facilitate the good faith examination required in rule 0780-01-04-.07, and
  - (e) The circumstances and formula under which refunds of premiums or identifiable charges are payable pursuant to the provisions of Rule 0780-01-04-.07 and
  - (f) A description of the insurance coverage including any exceptions, limitations or restrictions, and in addition, shall state that the benefits shall be paid to the creditor to reduce or extinguish any unpaid indebtedness to the creditor. Where the amount of insurance exceeds any unpaid indebtedness that any such excess shall be payable to the debtor or to his designated beneficiary, other than the creditor, or, if he has designated none, to the estate of the debtor or under the provision of a facility of payment clause.
- (3) If said individual policy, or certificate of group insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed group insurance, signed by the debtor and the creditor/agent shall be delivered to the debtor at the time such indebtedness is incurred. Such application or notice shall set forth the following:
- (a) The name and home office address of the insurer, and
  - (b) The identity of the debtor, by name or otherwise, and
  - (c) The amounts or rates of premium or identifiable charge to the debtor, if any, separately in connection with credit life insurance and credit accident and health insurance, and
  - (d) The amount and term of the coverage provided, or description as provided in (2)(c) above, and
  - (e) A brief description of the coverage provided.

However, where no identifiable charge is made to the debtor, the notice of proposed group insurance need not be signed by the debtor nor set forth his name. Such application for an individual policy or notice of proposed group insurance shall include a statement that, if the insurance is declined by the insurer or otherwise does not become effective, any premium or identifiable charge will be refunded or credited to the debtor pursuant to the provisions of Rule 0780-01-04-.07. The copy of the application for an individual policy and the notice of proposed group insurance shall refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement unless set forth therein in a separate provision with an appropriate and prominent caption on the face or reverse thereof in type at least equal in size to the type used for the other provisions thereof. The insurer shall be responsible for establishment of procedures for delivery of the individual policy or certificate of group insurance to the debtor as provided in paragraph

(Rule 0780-01-04-.04, continued)

(1). Said application or notice of proposed group insurance shall provide that, upon acceptance by the insurer, the insurance coverage provided shall become effective as specified in paragraph (3) of Rule 0780-01-04-.05.

- (4) No policy of credit accident and health insurance may contain a provision excluding or denying a claim resulting from a contingency caused by or contributed to by pre-existing conditions which provision is more restrictive than the following:

"No insurance is provided hereunder if disability results from a disease, injury or condition of health for which the insured was hospitalized or received medical or surgical treatment or advise within the lesser of six months at the original term of the coverage immediately preceding the effective date of the coverage, if said death or disability occurs within the lesser of six months or the original term of the coverage immediately following such date, unless this policy (certificate) is issued in connection with a refinanced indebtedness, in which case, the effective date of the coverage shall be deemed to be the first date on which the insured became insured with respect to the indebtedness which was refinanced."

No such provision shall apply to credit life insurance.

This provision shall not be interpreted to preclude defense of a claim because of misrepresentation of facts in any evidence of insurability.

- (5) Except as set forth in paragraph (4), no policy of credit accident and health insurance shall contain any provision which excludes or restricts liability in the event of disability by reason of conditions other than pregnancy, intentionally self-inflicted injuries, foreign travel or residence, travel in non-scheduled aircraft, war, or special hazards to which a person in military service is exposed in the line of duty and such other exclusions which have been shown to the satisfaction of the Commissioner not to be contrary to the standards prescribed in §§ 56-26-108 through 56-26-114.

Excepting in the case of insurance sold in connection with a refinanced indebtedness, credit accident and health insurance shall not be issued to a debtor who is not gainfully employed on the effective date of the policy or certificate.

- (6) A credit insurance policy may exclude from those persons eligible for insurance, classes debtors determined by age and provide for the cessation of insurance or reduction in the amount of insurance upon attainment of specified ages. In the event of misstatement of age, where age is material to the acceptance or rejection of the risk, the insurer may provide for rescission of the policy and a refund of all premiums paid by the debtor.
- (7) A group credit insurance policy under which premiums are paid to the insurer monthly on outstanding balances shall contain a provision that, in the event of termination of such policy by the insurer or creditor, thirty-one days' notice of such termination shall be given to each debtor insured under the policy by the creditor, unless there is immediate replacement of the coverage by the same or another insurer.
- (8) A group credit insurance policy shall contain in substance the following provisions:
- (a) A provision that the policyholder is entitled to a grace period of thirty-one days for the payment of any premium except the first, during which grace period the coverage shall continue in force, unless the policyholder shall have given the insurer written notice of termination in advance of the date of termination and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro-rata premium for the time the policy was in force during such grace period.

(Rule 0780-01-04-.04, continued)

- (b) A provision that the validity of the policy shall not be contested, except for non-payment of premiums, after it has been in force for two years from its date of issue; and that no statement made by or on behalf of any person insured under the policy relating to his age or insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two years during such person's lifetime, unless it is contained in a written instrument and such written instrument is signed by him. Such instrument shall not be in such form as to encourage misrepresentation or discourage disclosure of relevant facts.
  - (c) A provision that a copy of the application of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or to his beneficiary.
  - (d) A provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as to a part or all of his coverage.
  - (e) A provision specifying an equitable adjustment of premiums or of benefits or of both in the event the age of a person insured has been misstated, and such misstatement would have affected the premium or amount of benefit, such provision to contain a clear statement of the method of adjustment to be used.
- (9) If credit accident and health insurance is included as a separate policy, the policy shall in addition, include such of the provisions required by T.C.A. § 56-26-108, as are not inconsistent with the coverage provided. Disability, provisions in credit life insurance policies shall be so worded as to the payment of benefits that they are at least as favorable to the debtor as policies containing such provisions.
  - (10) Individual policies of credit life insurance shall include, in addition to the provisions set forth herein, such of the provisions of T.C.A. § 56-7-301, as are not inconsistent with the coverage.
  - (11) No policy or certificate of credit insurance shall be delivered or issued for delivery to any person in this state, unless the style, arrangement and overall appearance of the policy give no undue prominence to any portion of the text, and unless every printed portion of the text of the policy and of any endorsements or attached papers is plainly printed in light-face type of a style in general use, the size of which shall be uniform and not less than ten point with a lower case unspaced alphabet length not less than one hundred and twenty point (the, "text" shall include all printed matter except the name and address of the insurer, name or title of the policy, a brief description if any, captions and subcaptions, and any overprint or statement of Limitation of risk required by this or any other state to be more prominently displayed).
  - (12) Dividends on participating individual policies of credit insurance shall be payable to the individual insureds. Payment of such dividends may be deferred until such time as the policy is terminated. Dividends (or retrospective rate credits in the case of non-participating group policies) on group policies may be paid or credited to the creditor policyholder, subject to the restrictions hereinafter contained. Such policies may provide that dividends or retrospective rate credits which are in excess of the contribution of the creditor may be paid or credited to the individual debtors or applied in some manner for the sole benefit of debtors generally. Attention is called to T.C.A. §§ 56-8-104(7), 56-8-201, and 56-8-202, with respect to calculation of dividends and rate credits. Insurers shall be prepared to demonstrate to the

(Rule 0780-01-04-.04, continued)

Commissioner that such dividends or retrospective rate credits are in fact equitably determined.

Dividends or retrospective rate credits shall be based on earned gross premiums and incurred claims as defined herein. Payment of dividends or retrospective rate credits based on any other assumption shall not be allowed.

Non-participating individual policies of credit insurance shall not be the subject of experience rating and no agent or creditor shall receive retrospective commissions or other compensation, direct or indirect, based on the experience of policies sold through him or on the lives of his debtors excepting as provided in this section.

For the purposes of T.C.A. § 56-4-204, retrospective rate credits shall be treated in the same manner as dividends in the computation of tax on gross premiums.

**Authority:** T.C.A. §§ 45-5-405, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

#### **0780-01-04-.05 AMOUNT AND TERM OF CREDIT INSURANCE.**

- (1) The initial amount of credit life insurance issued in connection with a specific loan or other credit transaction shall not exceed the total amount repayable under the contract of indebtedness, which amount repayable under an agriculture or educational loan may include the amount of the loan commitment.
- (2) The amount of credit life insurance issued as joint life coverage shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.
- (3) The initial amount of indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness, and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments. The term of any credit insurance shall, subject to acceptance by the insurer, if required, and unless otherwise permitted pursuant to paragraph (3) of Rule 0780-01-04-.04, commence on the date when the debtor becomes obligated to the creditor. Where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness, unless otherwise expressly authorized by the Commissioner, shall commence on the effective date of the policy. The term of an individual policy of credit insurance shall not extend more than fifteen (15) days beyond the scheduled maturity date of the indebtedness unless extended at no cost to the debtor. If insurance on the life of a debtor is provided under a group policy, the term of such insurance shall not be continued for a period greater than the duration of the indebtedness. Where evidence of insurability is required and such evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event shall be an appropriate refund or adjustment of any charge to the debtor for insurance.
- (4) If the indebtedness is discharged due to prepayment, the insurance in force shall be terminated. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in Rule 0780-01-04-.07.

(Rule 0780-01-04-.05, continued)

- (5) An individual policy of credit and health insurance by its terms shall not be cancellable by the insurer, except for nonpayment of premium, misrepresentation in any evidence of insurability under paragraph (4) of Rule 0780-01-04-.04 and misstatement of age under paragraph (6) of Rule 0780-01-04-.04 prior to (1) the scheduled maturity date of the indebtedness, or (2) the date on which the indebtedness is discharged due to prepayment, refinancing, or renewal, whichever is the earlier.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

**0780-01-04-.06 PREMIUMS AND IDENTIFIABLE CHARGES.**

- (1) The Commissioner shall disapprove rates or forms if the benefits are not reasonable in relation to the premium charged. The basic prospective test of the reasonableness of this relationship is that an anticipated loss ratio of not less than 50% will be developed on all but joint life coverages, for which a loss ratio of not less than 66 2/3% will be considered reasonable. Rates will be tested retrospectively using the reporting forms which are required to be filed annually.
- (2) A creditor may remit and an insurer may collect premiums on either a single premium basis or on a monthly outstanding balance basis. If the creditor adds identifiable insurance charges for credit insurance to the total amount of indebtedness, the creditor has loaned the premium or insurance charge to the debtor and the premium on the insurance charge is deemed collected for the insurer as soon as it is added to the indebtedness. In that event the creditor must remit and the insurer must collect on a single premium basis only. A creditor may remit and an insurer may collect on the monthly basis if the insurance charge or premium is not added to the amount of the loan and does not constitute part of the outstanding indebtedness, or if no direct or indirect finance, carrying, credit or service charge is made to the debtor in connection with the insurance charge or premium.
- (3) It shall be presumed that the benefits are not reasonable in relation to the premium charged if the premium rates as filed with the Commissioner exceed the following:
  - (a) Credit Life Insurance
    1. The credit life insurance rates filed with the Commissioner shall be considered reasonable by the Commissioner if the single premium rate for single life decreasing term credit life insurance does not exceed seventy-five cents (75 cents) per annum per one hundred dollars (\$100) of initial insured indebtedness, and the single premium rate for single life level term credit life insurance does not exceed a single premium rate of one dollar and thirty-eight cents (\$1.38) per annum per one hundred dollars (\$100) of insured indebtedness.
    2. From and after May 1, 1973 a single premium rate of 97.5 cent per annum (\$.0813 per month) per \$100 of initial insured indebtedness for joint life (2 lives) decreasing term credit life insurance or a premium payable monthly at the rate of \$1.50 per \$1,000 of outstanding indebtedness insured on joint (2 lives) basis.
    3. A minimum premium of fifty cents (50 cents) shall be considered reasonable on any policy of credit life insurance. In the event any premium is unearned and to be returned to the insured, no returned premium calculated at less than one dollar (\$1.00) need to be refunded.
    4. On and after January 1, 1970, such premium rates as may be promulgated from time to time by the Commissioner.



(Rule 0780-01-04-.06, continued)

(b) Credit Accident and Health Insurance.

1. From April 15, 1969, through December 31, 1969, the rates shown in Table III, appended hereto.
2. On and after January 1, 1970, such premium rates as may be promulgated from time to time by the Commissioner.
3. The premium rates for joint credit accident and health insurance shall be no greater than 1.9 times the rates for single coverage.

If premiums or identifiable charges are paid monthly on outstanding balances, the monthly premiums shall be related to single premiums or identifiable charges by using the following formula:

$$MP = \frac{20SP}{n+1}$$

Where MP – Monthly premium of \$1,000 of outstanding indebtedness

SP – Single premium per \$100 of initial insured indebtedness

n – Term in months of the original loan

- (c) In the promulgation of rates for 1970 and subsequent years, the Commissioner shall be guided by the claim costs and loss ratios demonstrated on Tennessee business and reported on the forms prescribed, but may also use the results of any national mortality or morbidity investigation. The premium rates specified are considered reasonable for policies which:
  1. May condition coverage on the debtor's being in active employment at the time the indebtedness is incurred.
  2. Extend coverage to all debtors regardless of age or to all debtors not older than a specified limit, which shall be not less than age 65 at the time the insurance becomes effective.
  3. May except from coverage suicide committed, while sane or insane, within two years from the most recent date of issue of the policy or certificate.
- (4) An insurer may receive approval of a different premium rate or schedule of premium rates to be used in connection with a particular policy form, or a class or classes of the debtors of a creditor, if the insurer demonstrates to the satisfaction of the Commissioner that the mortality or morbidity experience which may reasonably be anticipated will develop a loss ratio in excess of 50% if the applicable rate standards hereinabove prescribed are used. This may be accomplished by use of either of two methods:
  - (a) Development of a life insurance rate based on the actual ages and amounts of insurance of those insured, and based on the mortality and interest assumptions used for valuation, with evidence that the age distribution is representative of the composition of the group and can reasonably be expected to remain at the level so determined. If this method is used, the life insurance rate must be redetermined and

(Rule 0780-01-04-.06, continued)

refiled annually, or at any time the policy provisions are changed in such a manner as to affect the rate.

- (b) When experience is available, the following method may be used:

Let P = Premiums earned (one to three years)  
C = Claims expected (one to three years) = kP  
D = Claims incurred (one to three years)  
r = premium rate to be determined  
s = standard premium for coverage  
z = constant from Table I appended hereto  
k = expected claim ratio from Table II appended hereto

$$\text{Then } r = \frac{s}{C} [zD + (1-z)C]$$

If this method is used, approval will not be given for a period longer than the credibility period utilized in the filing.

- (5) If when based on the experience of the most recent three years as reported on the forms prescribed by the Commissioner, a company's claim experience is such that

$$\frac{1}{C} [zD + (1-z)C] \leq .75,$$

the company shall not use prima facie rates provided above but shall file rates based upon one of the methods in paragraph (4).

- (6) If a company proposes to write any type of coverage other than those described herein, it may request a public hearing to determine if a public needs exists for such coverage, and to determine, through credible statistics the initial rate to be employed, except that no hearing will be required to establish the need for lump-sum disability benefits or 7-day non-retroactive accident and health coverages.
- (7) If, after study and hearing, the Commissioner determines that prescribed rates as provided in paragraph (2) do not accomplish the purposes of this section, he may prescribe that all rates be calculated in conformity with the methods described in paragraph (3) or in any other appropriate manner.
- (8) The ultimate objective of these regulations is that premiums shall be such as to produce single life loss ratios of at least 50%. Since premiums must include margins for taxes and expenses of insurance companies, compensation agreements with creditors which approach or exceed 50% of earned premiums cannot contemplate such loss ratio. Compensation as used herein means commissions, dividends, retrospective rate credits, service fees, expense allowances or reimbursement, gifts or any other form of compensation.

No insurer shall pay or propose to pay, directly or indirectly, to any creditor as compensation for that creditor, total compensation as defined above in excess of 40% of premiums earned excepting that if provision is made for refund of unearned commissions in the event of termination of coverage, commissions may be paid in one sum at the time the single premium policy or certificate is written.

- (9) Where an identifiable charge for group credit insurance is made to insured borrowers or purchasers such charge shall not exceed the premium provided for in the group policy issued to the creditor at the date of issue of the certificate.

(Rule 0780-01-04-.06, continued)

TABLE I

If C is	z	l-z
less than \$10,000	.1414	.8586
\$10,000 but less than \$20,000	.2458	.7542
\$20,000 but less than \$30,000	.3162	.6838
\$30,000 but less than \$40,000	.3741	.6259
\$40,000 but less than \$50,000	.4243	.5757
\$50,000 but less than \$60,000	.4690	.5310
\$60,000 but less than \$70,000	.5100	.4900
\$70,000 but less than \$80,000	.5477	.4523
\$80,000 but less than \$90,000	.5831	.4169
\$90,000 but less than \$100,000	.6165	.3835
\$100,000 but less than \$150,000	.7071	.2929
\$150,000 but less than \$200,000	.8367	.1633
\$200,000 but less than \$250,000	.9487	.0513
\$250,000 and over	1.0000	.0000

TABLE II

Coverage	Premium	k
Life:		
S.P. Reducing	.75	.405
S.P. Level	1.38	.414
Outstanding Balance	1.17	.407
Accident and Health:		
7 day retroactive		.430
all others		.500

TABLE III

No. of Months	Nonretroactive Benefits			Retroactive Benefits	
in which Indebtness is repayable	14 day Nonretroactive	30 day Nonretroactive	7 day Retroactive	14 day Retroactive	30 day Retroactive
1	\$ .13	\$ ----	\$ .58	\$ .40	\$ ----
2	.42	.13	1.01	.81	.56
3	.68	.35	1.34	1.12	.91
4	.90	.53	1.60	1.36	1.17
5	1.08	.70	1.82	1.55	1.38
6	1.24	.85	2.01	1.71	1.54
7	1.37	.98	2.18	1.86	1.69
8	1.50	1.09	2.32	1.98	1.82
9	1.61	1.20	2.46	2.10	1.94
10	1.71	1.30	2.58	2.20	2.04
11	1.81	1.39	2.69	2.30	2.14
12	1.89	1.48	2.79	2.39	2.23
13	1.97	1.56	2.89	2.47	2.32
14	2.05	1.63	2.98	2.55	2.40
15	1.70	3.06	2.62	2.47	2.32
16	2.19	1.77	3.14	2.69	2.55
17	2.26	1.83	3.25	2.76	2.61

(Rule 0780-01-04-.06, continued)

18	2.32	1.89	3.29	2.82	2.68
19	2.38	1.95	3.36	2.88	2.74
20	2.44	2.01	3.43	2.94	2.80
21	2.49	2.07	3.50	3.00	2.85
22	2.55	2.12	3.56	3.05	3.91
23	2.60	2.17	3.62	3.11	2.96
24	2.65	2.22	3.68	3.16	3.02
25	2.70	2.27	3.74	3.21	3.06
26	5.75	2.32	3.79	3.26	3.12
27	2.80	2.37	3.85	3.31	3.16
28	2.84	2.41	3.90	3.35	3.21
29	2.89	2.46	3.95	3.40	3.56
30	2.93	2.50	4.01	3.44	3.30
31	2.97	2.54	4.06	3.49	3.35
32	3.02	2.59	4.11	3.53	3.39
33	3.06	2.63	4.16	3.57	3.43
34	3.10	2.67	4.21	3.16	3.47
35	3.14	2.71	4.25	3.65	3.51
36	3.18	2.75	4.30	3.69	3.55
37	3.22	2.79	4.35	3.73	3.59
38	3.26	2.83	4.39	3.77	3.63
39	3.30	2.86	4.44	3.81	3.67
40	3.34	2.90	4.48	3.85	3.71
41	3.37	2.94	4.52	3.89	3.75
42	3.41	2.98	4.57	3.92	3.78
43	3.45	3.01	4.61	3.96	3.82
44	3.48	3.05	4.65	3.99	3.85
45	3.52	3.08	4.69	4.03	3.89
46	3.55	3.12	4.73	4.06	3.93
47	3.59	3.15	4.77	4.10	3.96
48	3.62	3.18	4.81	4.13	4.00
49	3.65	3.22	4.85	4.17	4.03
50	3.69	3.25	4.89	4.20	4.06
51	3.72	3.28	4.93	4.23	4.10
52	3.75	3.32	4.97	4.27	4.13
53	3.79	3.35	5.00	4.30	4.16
54	3.82	3.38	5.04	4.33	4.19
55	3.85	3.32	5.08	4.36	4.22
56	3.88	3.44	5.11	4.39	4.25
57	3.91	3.47	5.15	4.42	4.29
58	3.94	3.50	5.18	4.45	4.32
59	3.97	3.54	5.22	4.49	4.35
60	4.00	3.57	5.26	4.52	4.38

**Authority:** T.C.A. §§ 45-5-403, 56-7-901 and 56-8-110. **Administrative History:** Original rule certified June 10, 1974. (3)(a) – Amendment filed January 9, 1975; effective February 8, 1975. Amendment filed March 31, 1995; effective June 16, 1995.

**0780-01-04-.07 PREMIUM REFUNDS.**

- (1) Each individual policy of credit insurance on which the premium is paid by the debtor and each group certificate for which an identifiable charge is made to the debtor shall provide that, in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of Premium or identifiable charge due shall be paid or credited promptly to the debtor. If a debtor has paid a premium or an identifiable charge for credit

(Rule 0780-01-04-.07, continued)

insurance to the creditor and such insurance is declined by the insurer or otherwise does not become effective, the insurer or creditor shall immediately give written notice to such debtor and shall promptly arrange for refund or credit to the debtor of any premium or identifiable charge paid by him for such insurance plus interest and fees charged thereon.

- (2) (a) The refund of premiums or identifiable charges in the case of level-term credit life insurance and of reducing term credit life insurance on which premiums are payable other than by a single premium shall be equal to the pro-rata unearned gross premium, and in the case of reducing term credit life insurance paid by a single premium shall be equal to the amount computed by the "sum of digits" formula commonly known as the "Rule of 78", however, refunds calculated at less than one dollar (\$1.00) need not be made. If 15 days or less of a loan month has been earned, no charge may be made, but if over 15 days, a full month may be charged.
- (b) Refunds or credits on credit accident and health insurance on which a premium or identifiable charge has been made on the single premium basis shall be at least equal to the amount computed by the "sum of digits" formula known as "Rule of 78", however, refunds calculated at less than one dollar (\$1.00) need not be made.
- (c) The formulas to be used in computing the amount of the return premium shall be filed with and approved by the Commissioner.
- (3) (a) An insurer shall promptly refund to an individual policyholder and refund or credit to a group policyholder any refund of premium due on termination of insurance prior to the scheduled maturity date of the indebtedness, and a group policyholder or creditor shall promptly refund or credit to the debtor any refund due pursuant to this Rule. Insurers shall be responsible for establishment of procedures by which such refunds or credits are made.
- (b) "Termination of insurance" as used herein includes termination of credit accident and health coverage by the payment of the proceeds of credit life coverage and the extinguishment of the indebtedness.
- (4) In the event of termination of insurance by the payment of the proceeds of credit life coverage and the extinguishment of the indebtedness, the insurer shall not be obligated to make any refund developed under the provisions of this section if such refund is less than \$3.00.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

#### **0780-01-04-.08 CLAIMS AND REVIEW PROCEDURE.**

- (1) The insurance company shall be responsible for the settlement, adjustment and payment of all claims and shall establish and maintain adequate claim files, which may be reviewed and examined by the Commissioner. All claims shall be promptly reported to the insurer, or its designated claim representative, and all claims shall be settled as soon as possible and in accordance with the terms of the insurance contract. "Promptly reported" shall mean that adequate proofs of loss are in the possession of the insurer at the time its funds are disbursed in payment of claims. All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to the one specified.
- (2) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in settling or

(Rule 0780-01-04-.08, continued)

adjusting claims; provided, that a group policyholder which employs one or more persons for claims and insurance administration who are not directly involved in making loans may, by arrangement with the group insurer, draw drafts or checks in payments of claims due to the group policyholder subject to audit and review by the insurer. However, nothing herein shall be construed to relieve the insurer of the responsibility for the proper settlement, adjustment and payment of all claims in accordance with the terms of the insurance contract and this regulation.

- (3) It shall be the responsibility of the insurer to make a good faith examination of each lender's account at least annually verifying the accuracy of premiums or other identifiable insurance charges, premium refunds, and claims payments which have been reported to the insurer.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

**0780-01-04-.09 STATISTICAL REQUIREMENTS.** Insurers doing credit life and/or credit accident and health insurance business in this State shall annually file with the Insurance Department a report of its credit life insurance experience and credit accident and health insurance experience on forms prescribed by the Commissioner.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

**0780-01-04-.10 FINANCIAL STATEMENT RESERVES.**

- (1) In order to assume that sufficient funds will be made available to make the refunds as required and to guarantee promised benefits to policyholders, aggregate reserves shall be at least equal to the sum of the following:

(a) For Single Premium Credit Life Insurance:

1. If ages are available, the net single premiums for the remaining benefits, calculated by a seriatim method using the 1960 Commissioner's Standard Group Table and interest of not more than 3½%. It is recommended that companies using this standard accumulate an additional reserve to assure adequacy of funds for refunds and excess claims on terminated group policies or agency agreements. Approximate methods of calculating this reserve liability may be approved by the Commissioner provided:

- (i) The actuarial derivation establishes clearly that the method produces at least the minimum reserve; and
- (ii) The assumptions on which the approximation is based are checked for accuracy and validity against the current business of the insurer at least annually.

Approval of such methods shall be obtained prior to their use and the annual verification of assumptions shall be filed with the Commissioner; or

2. If ages are not available, the gross unearned premium, on the "Rule of 78" or pro-rata basis as specified for refunds, calculated exactly.

(b) For Credit Life Insurance on the outstanding balance plan:

(Rule 0780-01-04-.10, continued)

Reserves shall be equal to the gross unearned premium calculated upon a pro-rata basis.

(c) For Credit Accident and Health Insurance:

Reserves shall be not less than the sum of all gross unearned premiums, calculated as prescribed for premium refunds when the insurance is on the single premium basis, or on a pro-rata basis if on the outstanding balance plan.

(2) If, on December 31, 1969, the reserves maintained on such business by any company are on a lower basis than described above, the Commissioner, upon written request of such company may approve a plan for the systematic accumulation of such reserves. Such plan shall be accomplished within such time as the Commissioner may deem proper.

(3) REPEALED

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule filed January 9, 1975; effective February 8, 1975. Repeal filed June 4, 1975; effective July 4, 1975.

#### **0780-01-04-.11 REINSURANCE. REPEALED.**

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974. (3) added by amendment filed January 9, 1975; effective February 8, 1975. Amendment filed June 4, 1975; effective July 4, 1975.

#### **0780-01-04-.12 LICENSED AGENT.**

- (1) All individual policies of credit insurance and all certificates of group credit insurance for which an identifiable charge is made shall be issued through agents who have qualified as agents under Title 56, Chapter 8, Tennessee Code Annotated. Attention is called specifically to the exemption from examination requirements in Section 56-806, which pertains only to persons acting as agents for group credit insurance. At least one person so licensed shall be available in each location where credit insurance is offered.
- (2) All premiums or identifiable charges collected shall be paid the insurer within the terms of an agency contract or group policy. All agency contracts shall be in accordance with these Rules. Each company shall file with the Commissioner a specimen of each of its agency contract forms, accompanied by a certification that no contract or modification of a contract, oral or written, has or will be used other than that on file with the Commissioner.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

#### **0780-01-04-.13 UNFAIR SALES PRACTICES DEFINED.**

- (1) Section 56-1204, Tennessee Code Annotated, reads in part as follows: "Unfair methods of competition – Unfair or deceptive acts or practices – Definitions. – The following are defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance: (4) BOYCOTT, COERCION AND INTIMIDATION. (a) Entering into any agreement to commit, or by any concerted action committing, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of the business of insurance, or (b) by any act of boycott, coercion or intimidation monopolizing or attempting to monopolize any part of the business of insurance..."

(Rule 0780-01-04-.13, continued)

In order to prevent a monopoly from developing in the credit insurance field, this Department declares the use of compensating balances or special deposits when associated with the insurance of credit insurance policies (either directly or indirectly) as an "Unfair Sales Practice" and such practices shall neither be permitted in Tennessee nor involve the policies and/or certificates issued covering financial transactions entered into in Tennessee.

- (2) The extension to the creditor of credit for the remittance of premiums beyond the grace period of a group policy or for more than forty-five days from the effective date of an individual policy is likewise declared to be an "Unfair Sales Practice".

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

#### **0780-01-04-.14 FILING OF FORMS AND RATES.**

- (1) EACH FILING OF FORMS OR RATES SHALL BE SUBMITTED THROUGH THE MAILS. Questions relative to interpretation of these rules shall first be submitted by letter.
- (2) Filings shall be made in the following manner:
  - (a) Letters should be addressed to the "Credit Insurance Division."
  - (b) Each form shall be listed in a covering letter or in an attached list, and all covering letters and lists should be in duplicate.
  - (c) All policies, certificates, riders, applications, statements of proposed insurance and agent's agreements shall be completed in "John Doe" fashion, to cover a hypothetical situation. Forms not so completed will be returned to the insurer.
  - (d) Rate filings shall indicate the expected loss ratio and the basis of its derivation.
  - (e) Each request for a higher rate than those promulgated by the Commissioner herein or by separate action as provided herein, shall contain a certification by a Fellow or Associate of the Society of Actuaries or Member of the American Academy of Actuaries, or other qualified Actuary stating that:
    1. The statements contained in the request are based on investigation by the insurer and are true to the best of its knowledge, and
    2. In the Actuary's opinion, the facts stated clearly justify the rate applied for.
- (3) It is the intention of the Commissioner that each filing will be acknowledged within the time prescribed by law, such acknowledgement to indicate either his approval or disapproval and, where approval is given, the date on which the forms or rate may be used. If acknowledgment has not been received within sixty days, the insurer should make inquiry as to whether the filing has been received.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.

#### **0780-01-04-.15 MISCELLANEOUS.**

- (1) Any company or agent now or hereafter writing credit life or credit accident and health insurance in this State shall subscribe and agree to these Rules and shall be required by law to comply therewith.



(Rule 0780-01-04-.15, continued)

- (2) All credit life and credit accident and health insurance rates and forms, delivered or issued for delivery on and after April 15, 1969, except as hereinafter provided, shall conform to the provisions of this Chapter as of that date. With regard to existing group credit insurance policies, the rates and forms shall be amended to conform to the requirements of this Chapter, or be terminated, not later than the anniversary of the date of issue of the contract next following the effective date of this Chapter. Existing group credit insurance contracts that are renewed, reissued or replaced other than on their normal anniversary date of issue and all group credit insurance contracts newly issued to replace or supplement a creditor's existing insurance program on or after July 1, 1968, shall conform to the requirements of this Chapter on and after April 15, 1969. No replacement or amendment of group policies to postpone the effect of this Chapter will be recognized for the purpose of this Chapter.

**Authority:** T.C.A. §§ 45-5-403, 56-7-901, and 56-8-110. **Administrative History:** Original rule certified June 10, 1974.