



State of Missouri

John Ashcroft, Governor

Department of Economic Development


Carl M. Koupal, Jr., Director

Division of Insurance
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Lewis E. Melahn
Director

Bulletin 90-15

To: All Companies Writing Credit Life and Credit Accident and Sickness Insurance in Missouri

From: Lewis E. Melahn, Director 

Re: Calculation of Single Premium Credit Insurance Rates

Date: December 5, 1990

It has come to the attention of the Missouri Division of Insurance that several insurers have engaged in the practice of using monthly outstanding balance conversion formulas resulting in a single premium greater than that which is filed and approved with the Division of Insurance. Currently, Missouri statutes and regulations do not recognize any premium conversion formulas.

If a company is charging the prima facie rate for credit life insurance, the single premium shall be calculated as sixty cents per \$100 of initial outstanding indebtedness per annum. For example, the credit life single premium for \$10,000 net indebtedness with a repayment period of five years would be \$300.00 ($(\$0.60/\$100.00) \times 5 \times \$10,000$). Any conversion from a monthly outstanding balance rate to a total single premium rate is unacceptable if it results in a premium greater than that developed from the company's approved rate per one hundred dollars of initial outstanding indebtedness per annum.

If after review of collected premiums it is found that the company is manipulating rates in order to receive a greater premium, the company will be subject to a targeted market conduct exam in addition to fines, suspension, and/or revocation of its' certificate of authority.

All insurers charging a single premium rate should complete the enclosed sample rating exhibit for each credit life and credit accident and sickness policy form approved for use in Missouri and return it to the attention of the Statistical Section by December 28, 1990.

Enclosure



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Amended Bulletin 90-15

To: All Companies Writing Credit Life Insurance in Missouri

From: Lewis E. Melahn, Director

A handwritten signature in black ink, appearing to read "L. Melahn".

Re: Correction of Bulletin 90-15

Date: January 7, 1991

After further review of the original Bulletin 90-15 dated December 5, 1990, we have discovered that the rating example provided in the second paragraph contained editorial errors.

RESCINDED AND INOPERATIVE

The sentence containing the example should have read as follows:

For example, the unfinanced credit life single premium for \$10,000 of gross initial indebtedness with repayment period of five years would be \$300.00 ($(\$0.60/\$100.00) * 5 * \$10,000$).

We apologize for any confusion that the editorial error might have caused.

MISSOURI CREDIT RATING EXAMPLES

Example 1
Single
Premium

Example 2
Single
Premium

Credit Life

Single Life/Decreasing/Net Payoff
Single Life/Decreasing/Gross Payoff
Single Life/Level
Joint Life/Decreasing/Gross Payoff

Credit Accident & Health

Retroactive
7-day
14-day
30-day
Non-Retroactive
7-day
14-day
30-day

RESCINDED AND INOPERATIVE

Example 1 - \$50,000 Principal, 11% effective interest rate, 120 monthly loan payments
Single Premium Rate, Not Underwritten, Coverage provided for full term

Example 2 - \$3,000 Principal, 18% effective interest rate, 36 monthly loan payments,
Single Premium Rate, Not Underwritten, Coverage provided for full term

*Only give rating examples of those coverages listed above that are actually offered under the policy form number described. Each policy form requires a separate exhibit to be completed unless identical in rate and coverage. If the above rating examples are different than those offered by your company, please note that the exhibit is "not applicable" and explain why.

Policy Form Number: _____

Is this form completed using Prima Facie Rates? Yes No

If a rate other than prima facie is being used, please identify the approved rate? _____

Company Name: _____

NAIC Company Code: _____

Contact Person: _____

Phone Number: _____

Mail To: Statistical Section
Missouri Division of Insurance
301 West High, Room 630
Jefferson City, MO 65102

Due December 28, 1990