

**CHAPTER 73. CREDIT LIFE INSURANCE AND CREDIT ACCIDENT
AND HEALTH INSURANCE**

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Authority

The provisions of these §§ 73.101—73.143 issued under sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P. S. §§ 66, 186, 411 and 412); section 12 of the Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance (40 P. S. § 1007.12); and section 649 of The Insurance Department Act of 1921 (40 P. S. § 289), unless otherwise noted.

Source

The provisions of these §§ 73.101—73.143 adopted March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401, unless otherwise noted.

Cross References

This chapter cited at 31 Pa. Code § 84a.2 (relating to applicability and scope).

§ 73.1. [Reserved].**Source**

The provisions of this § 73.1 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended April 14, 1978, effective April 15, 1978, 8 Pa.B. 1104; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240436) to (240437).

Notes of Decisions*Age*

Carriers may impose age restrictions which may not be used to terminate coverage or deny claims, they may challenge age misstatements during the contestable period, and they must terminate coverage within 60 days from the date of the loan where an ineligible debtor correctly states his age. *Security of America Life Insurance Company v Insurance Department*, 372 A.2d 54 (Pa. Cmwlth. 1977).

Contestable Period

The provisions requiring that termination or denial may be made within the two-year contestable period and not thereafter is not contrary to the equitable adjustment requirement of the act of May 11, 1949 (P. L. 1210, No. 367) (40 P. S. §§ 532.1—532.9). *Security of America Life Insurance Company v. Insurance Department*, 372 A.2d 54 (Pa. Cmwlth. 1977).

The provision forbidding forms to refer to an aggregate maximum insurance is irreconcilable with the establishment of an aggregate maximum by the act of May 11, 1949 (P. L. 1210, No. 367) (40 P. S. §§ 532.1—532.9). *Security of America Life Insurance Co. v. Insurance Department*, 372 A.2d 54 (Pa. Cmwlth. 1977).

§ 73.2. [Reserved].**Source**

The provisions of this § 73.2 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240437) to (240438).

§ 73.3. [Reserved].**Source**

The provisions of this § 73.3 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended through October 19, 1979, effective September 15, 1979, 9 Pa.B. 3516; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240438) to (240439).

§ 73.4. [Reserved].**Source**

The provisions of this § 73.4 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240439) to (240440).

§ 73.5. [Reserved].**Source**

The provisions of this § 73.5 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended August 4, 1978, effective August 5, 1978, 8 Pa.B. 2166; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240440).

§ 73.11. [Reserved].**Source**

The provisions of this § 73.11 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended through April 14, 1978, effective April 15, 1978, 8 Pa.B. 1104; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240440) to (240442).

§ 73.12. [Reserved].**Source**

The provisions of this § 73.12 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240442).

§ 73.13. [Reserved].**Source**

The provisions of this § 73.13 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended August 4, 1978, effective August 5, 1978, 8 Pa.B. 2166; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240442) to (240444).

§ 73.21. [Reserved].**Source**

The provisions of this § 73.21 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240444) to (240447).

Notes of Decisions

The Department's interpretation of the term "experience period" as the most recent year or years in which sufficient premium volume is produced was held to be neither plainly erroneous nor inconsistent with either the Model Act or the regulation. *Consumers Life Insurance Co. v. Insurance Department*, 483 A.2d 1055 (Pa. Cmwlth. 1984).

§ 73.22. [Reserved].**Source**

The provisions of this § 73.22 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended August 4, 1978, effective August 5, 1978, 8 Pa.B. 2166; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240447).

Notes of Decisions

The procedure for determining an insurer's Basic Loss Ratio is set forth in this section. *Consumers Life Insurance Co. v. Insurance Department*, 483 A.2d 1055 (Pa. Cmwlth. 1984).

§ 73.23. [Reserved].**Source**

The provisions of this § 73.23 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended through October 26, 1979, effective September 15, 1979, 9 Pa.B. 3980; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240447) to (240449).

Notes of Decisions*Experience Period*

In upholding the disapproval of a proposed schedule of premium rates for having been calculated contrary to this section, the court held the Department's interpretation of the term "experience period" as the most recent year or years in which sufficient premium volume is produced to be neither plainly erroneous nor inconsistent with either the Model Act or the regulation at 31 Pa. Code § 73.21. *Consumers Life Insurance Co. v. Insurance Department*, 483 A.2d 1055 (Pa. Cmwlth. 1984).

§ 73.24. [Reserved].**Source**

The provisions of this § 73.24 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended August 4, 1978, effective August 5, 1978, 8 Pa.B. 2166; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240449).

§ 73.25. [Reserved].**Source**

The provisions of this § 73.25 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended December 23, 1976, effective December 24, 1976, 6 Pa.B. 3149; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240449) to (240450).

Notes of Decisions

For purposes of determining the actual case ratio, the Department's interpretation of the term "experience period" as the most recent year or years in which sufficient premium volume is produced was held to be neither plainly erroneous nor inconsistent with either the Model Act or the regulation at 31 Pa. Code § 73.21. *Consumers Life Insurance Co. v. Insurance Department*, 483 A.2d 1055 (Pa. Cmwlth. 1984).

§ 73.26. [Reserved].**Source**

The provisions of this § 73.26 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended April 14, 1978, effective April 15, 1978, 8 Pa.B. 1104; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240450).

§ 73.27. [Reserved].**Source**

The provisions of this § 73.27 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended through August 31, 1979, effective April 15, 1978, 8 Pa.B. 2934; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240451).

§ 73.28. [Reserved].**Source**

The provisions of this § 73.28 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended August 4, 1978, effective August 5, 1978, 8 Pa.B. 2166; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240451) to (240453).

§ 73.29. [Reserved].**Source**

The provisions of this § 73.29 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended through August 4, 1978, effective August 5, 1978, 8 Pa.B. 2166; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240453) to (240462).

§ 73.31. [Reserved].**Source**

The provisions of this § 73.31 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended December 23, 1976, effective December 24, 1976, 6 Pa.B. 3149; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240462) to (240463).

§ 73.32. [Reserved].**Source**

The provisions of this § 73.32 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended through November 3, 1978, effective November 4, 1978, 8 Pa.B. 3202; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240463) to (240464).

§§ 73.33 and 73.34. [Reserved].**Source**

The provisions of these §§ 73.33 and 73.34 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240464) to (240465).

§ 73.35. [Reserved].**Source**

The provisions of this § 73.35 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended December 23, 1976, effective December 24, 1976, 6 Pa.B. 3149; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240465).

§§ 73.36 and 73.37. [Reserved].**Source**

The provisions of these §§ 73.36 and 73.37 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240465) to (240467).

§ 73.38. [Reserved].**Source**

The provisions of this § 73.38 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended December 23, 1976, effective December 24, 1976, 6 Pa.B. 3149; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240467) to (240468).

§§ 73.39—73.41. [Reserved].**Source**

The provisions of these §§ 73.39—73.41 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240468) to (240469).

§ 73.42. [Reserved].**Source**

The provisions of this § 73.42 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; amended December 23, 1976, effective December 24, 1976, 6 Pa.B. 3149; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240469) to (240470).

§ 73.43. [Reserved].**Source**

The provisions of this § 73.43 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240470).

§ 73.51. [Reserved].**Source**

The provisions of this § 73.51 adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240470) to (240471).

§ 73.101. Purpose.

The purpose of this chapter is to interpret and implement the act and section 641 of The Insurance Department Act of 1921 (40 P. S. § 281). This chapter is intended to protect the interests of debtors and the public in this Commonwealth by providing a system of rate, contract form and operating standards for the transaction of credit life, credit accident and health and credit unemployment insurance. This chapter is not intended to prohibit or discourage reasonable competition.

§ 73.102. Applicability.

This chapter applies to the following:

- (1) An individual or group credit insurance policy.
- (2) Certificates issued under a group credit insurance policy and applications or other forms used in connection with the policy or certificate.
- (3) A premium rate charged for credit insurance.
- (4) Practices followed in providing credit insurance.

§ 73.103. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

A and H—Accident and health insurance.

Account—The coverage for a single line of insurance offered to a single type of business by one creditor. The term includes coverage written on a group or individual policy.

Act—The Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance (40 P. S. §§ 1007.1—1007.15).

Agent—A person defined in section 601 of The Insurance Department Act of 1921 (40 P. S. § 231).

Amount financed—The amount on which interest charges are calculated.

Amount of level lease insurance—In connection with a lease transaction, the amount of death benefit equal to the residual payment, plus any applicable taxes on the residual payment.

Balloon amount—The excess of the final payment on a balloon loan over the amount of one periodic installment payment.

Balloon loan—A loan which provides for periodic installment payments of a stated amount during the term of the indebtedness and for a final payment at the end of the term of the indebtedness which is substantially more than the amount of one periodic installment payment and less than the initial net unpaid indebtedness.

Broker—A person defined in section 621 of The Insurance Department Act of 1921 (40 P. S. § 251).

Closed end loan—Indebtedness which is not an open end loan or a lease.

Commissioner—The Insurance Commissioner of the Commonwealth.

Composite term period—The installment periods for which composite term premium rates will be charged.

Composite term premium rate—Premium rates which do not vary based on the number of monthly installments and which meet the requirements of § 73.120 (relating to composite term premium rate).

Contributory insurance—Insurance for which the debtor is charged an identifiable charge.

Credit accident and health insurance—Insurance as defined in section 2(b)(2) of the act (40 P. S. § 1007.2(b)(2)).

Credit instrument—A loan or sales instrument or agreement.

Credit insurance—Insurance subject to the act and section 641 of The Insurance Department Act of 1921 (40 P. S. § 281).

Credit involuntary unemployment insurance—Credit unemployment insurance paid in the event of the debtor's unemployment due to no choice of the debtor.

Credit life insurance—Insurance as defined in section 2(b)(1) of the act.

Credit life insurance with TPD—Insurance on the life of a debtor paid under or in connection with a specific loan or other credit transaction in the event of the debtor's death or total and permanent disability.

Credit unemployment insurance—Insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is unemployed as defined in the group certificate or individual policy.

Credit voluntary unemployment insurance—Credit unemployment insurance paid in the event of the debtor's unemployment due to a choice made by the debtor.

Creditor—As defined in section 2(b)(3) of the act.

Debtor—As defined in section 2(b)(4) of the act.

Decreasing term lease insurance amount—The amount required to liquidate the lease obligation excluding the amount of any monthly lease payments paid at the beginning of a lease and excluding the residual value.

Department—The Insurance Department of the Commonwealth.

Electronic rate book—An electronic data system programmed and used solely for the calculation and computation of installment loans and calculation and computation of insurance amount, premium rates and refunds.

Excess benefits—The portion of the insurance benefit that exceeds the outstanding indebtedness.

Fixed residual value financing—The manner of financing a motor vehicle purchase whereby a buyer, who is listed as the owner on the title of a motor vehicle, agrees to select and perform one of the following options, at the conclusion of a predetermined schedule of installment payments made in substantially equal periods and in substantially equal amounts:

- (i) Satisfying the balance of the contractual amount owing.
- (ii) Refinancing any balance owing on the terms previously agreed upon at the original execution of the installment sales contract.
- (iii) Surrendering the motor vehicle as agreed upon at the original execution of the installment sale contract.

Full benefit period coverage—Insurance coverage which provides protection for a benefit period equal to the shorter of the duration of disability or unemployment minus any elimination period and the full term of coverage remaining when the disability or unemployment benefits first become payable.

Full term insurance coverage—Insurance coverage for a benefit period equal to the term of the indebtedness remaining at the time coverage is elected.

Grace period—The period during which a premium may be paid after the premium due date.

Identifiable charge—The amount a creditor charges a debtor specifically for credit insurance. A differential in finance, interest, service or similar charges made to debtors who are in like circumstances, except for their insured or non-insured status, is considered an identifiable charge.

Indebtedness—The total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

(i) *Actual gross unpaid indebtedness.* The scheduled gross unpaid indebtedness plus any past-due installment payments and minus any prepaid installment payments.

(ii) *Actual net unpaid indebtedness.* The amount necessary to liquidate the actual unpaid indebtedness in a single sum excluding unearned interest, but including any prepayment penalty.

(iii) *Initial insured indebtedness.*

(A) If coverage is provided on a gross indebtedness basis, the sum of the installment payments under the contract of indebtedness as of the date the indebtedness is incurred, subject to any maximum dollar amount of coverage specified in the group policy and group certificate or individual policy.

(B) If coverage is provided on a net indebtedness basis, the amount of the indebtedness excluding the unearned interest under the contract of indebtedness as of the date the indebtedness is incurred, subject to any maximum dollar amount of coverage specified in the group policy and group certificate or individual policy.

(iv) *Scheduled gross unpaid indebtedness.* The sum of the scheduled remaining installment payments under the contract of indebtedness, including unearned interest.

(v) *Scheduled net unpaid indebtedness.* The amount necessary to liquidate the scheduled unpaid indebtedness in a single sum excluding unearned interest but including any prepayment penalty.

Initial amount of decreasing lease insurance—The excess of the amount of death benefit payable in the event of death of the lessee during the first month of the lease, over the amount of level lease insurance, as defined in this section. The term does not include the amount of the monthly lease payment paid at the beginning of the lease.

Joint coverage—Credit insurance coverage on any two or more persons who are jointly liable for repayment of an indebtedness or fulfillment of a lease obligation.

Limited benefit period coverage—Insurance coverage which provides protection for a benefit period equal to the shorter of the duration of disability or unemployment minus any elimination period and a period less than the full term of coverage remaining when the disability or unemployment benefits first become payable.

Limited term insurance coverage—Insurance coverage for a benefit period less than the term of the indebtedness remaining at the time coverage is elected. Insurance coverage terminates at the insured debtor's attained age as set forth in the group certificate or individual policy or when the truncated coverage terminates.

Lockout—The discharge of employes by their employer due to a labor dispute, including discharge as a result of an employer's dislike of employes'

activities as a union, or the temporary closing of the place of employment by an employer without formally discharging the employees in an effort to discourage union activities, gain acceptance of the employer's view or effect a labor compromise which is more favorable to the employer in comparison to the demands made by the employees.

Loss ratio—The incurred claims during the experience period divided by the actual earned premium during the experience period.

Open end loan—A credit plan which may be drawn upon by a debtor without renegotiating with the creditor.

Physician—A medical doctor, chiropractor or doctor of osteopathy.

Prima facie premium rates—The premium rates established by the Department and published in the *Pennsylvania Bulletin*. Prima facie premium rates shall be published in the *Pennsylvania Bulletin* by June 19, 1998, and thereafter as established by and referenced in §§ 73.106, 73.109 and 73.112 (relating to life insurance rate standards; A & H insurance rate standards; and involuntary unemployment insurance rate standards).

Producer—An agent or broker.

Prominent type—Font or formatting techniques which differentiate selected text from other text. The term includes, for example, capital letters, contrasting color and underscoring.

Residual payment—The amount that shall be paid by the lessee at the end of the lease term if the lessee elects to purchase the property that is the subject of the lease.

Single coverage—Credit insurance coverage on one person who is liable for repayment of an indebtedness or fulfillment of a lease obligation.

TPD—Total and permanent disability.

Term of insurance coverage—The period during which a group certificate or individual policy is effective.

2001 CSO Male Composite Ultimate Mortality Table—The ultimate version of the mortality table, consisting of separate rates of mortality for male lives that do not distinguish between smokers and nonsmokers, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the National Association of Insurance Commissioners in December 2002. The table includes both the age-nearest birthday and age-last birthday version.

Truncated coverage—Credit insurance coverage as defined in this section that meets the requirements in §§ 73.106(11), 73.109(10) and 73.112(10), and provides a term of insurance coverage for a period that is shorter than the full term of the indebtedness remaining at the time the insurance coverage is elected. The term does not include credit insurance coverage which terminates on attainment of a specific age.

Variable interest loan—A loan which has an interest rate that may change during the term of the loan which causes a change in either the amount of the installment payment or the term of the loan.

Source

The provisions of this § 73.103 amended July 14, 2006, effective January 1, 2007, 36 Pa.B. 3665. Immediately preceding text appears at serial pages (242923) to (242927).

Cross References

This section cited in 31 Pa. Code § 73.106 (relating to life insurance rate standards); 31 Pa. Code § 73.109 (relating to A and H insurance rate standards); 31 Pa. Code § 73.110 (relating to involuntary unemployment insurance benefits); and 31 Pa. Code § 73.141 (relating to credit insurance on lease transactions).

§ 73.104. Life insurance and life insurance with TPD benefit.

(a) *Life benefit plan.* The prima facie premium rate standards referenced in § 73.106 (relating to life insurance rate standards) apply to a plan of credit life insurance benefits, if the plan provides the features in paragraphs (1)—(3) and, if applicable, paragraph (4). This plan shall be described in a group policy and group certificate or in an individual policy.

(1) Single life coverage or joint life coverage for all eligible debtors.

(2) A benefit payable upon death or upon TPD, if TPD coverage applies, subject to any maximum dollar amount of coverage specified in the group policy and group certificate or individual policy, equal to any of the following:

(i) The actual gross or net unpaid indebtedness at the time of death or commencement of TPD, in the case of a closed end loan for a group policy of credit life insurance or credit life insurance with a TPD benefit.

(ii) The greater of the scheduled gross or net unpaid indebtedness, or the actual gross or net unpaid indebtedness, at the time of death or commencement of TPD, in the case of a closed end loan for an individual policy of credit life insurance or credit life insurance with a TPD benefit.

(iii) The actual net unpaid indebtedness at the time of death or commencement of TPD, in the case of an open end loan .

(3) A coverage period equal to the lesser of the following:

(i) The term of the indebtedness remaining at the time coverage is elected.

(ii) The term of the indebtedness remaining at the time coverage is elected to the time the insured debtor attains an age at which the group policy and group certificate or individual policy provides for coverage to terminate.

(iii) The term of the indebtedness remaining at the time coverage is elected until truncated coverage terminates.

(4) If TPD coverage is provided, a definition of TPD requiring that the debtor be totally and permanently and continuously unable to engage in any occupation, employment or activity for compensation or profit, for which the

debtor is suited by education, training or experience, according to the certification of a physician or podiatrist. The physician or podiatrist's certification may be waived by the insurer if the debtor has suffered the permanent loss of sight of both eyes, or the severance of both hands, both feet or of one hand and one foot.

(b) *Alternate benefit plans.* Insurers may offer credit life insurance benefit plans and credit life insurance with TPD benefit plans that differ from the plan described in subsection (a). An alternate plan shall be described in a group policy and group certificate, or in an individual policy, and shall conform to the standards of section 7(b) of the act (40 P. S. § 1007.7(b)) and the applicable standards of section 6 of the Group Life Insurance Law (40 P. S. § 532.6). The premium rate standards of § 73.106 apply to alternate benefit plans.

Cross References

This section cited in 31 Pa. Code § 73.106 (relating to life insurance rate standards); 31 Pa. Code § 73.114 (relating to insurability requirements); 31 Pa. Code § 73.115 (relating to benefit exclusions); and 31 Pa. Code § 73.116 (relating to age requirements).

§ 73.105. Life insurance and life insurance with TPD benefit requirements.

A plan of credit life insurance or credit life insurance with TPD benefit and a group policy and group certificate or an individual policy describing the plan, shall comply with the following:

(1) *Joint coverage.*

(i) If joint life coverage with or without TPD benefit is provided, a group certificate or individual policy providing joint life coverage with or without TPD coverage shall be issued. Insurers shall not issue two single life coverage group certificates or two single life individual policies.

(ii) The benefit payable in the case of simultaneous death or TPD of both insureds shall not exceed the benefit that would be payable if coverage were provided on only one debtor.

(iii) The group policy and group certificate or individual policy shall make provision for whom any excess benefit will be paid in the event of the simultaneous death of the joint insureds.

(2) *Continuation of coverage.* If joint life coverage with or without TPD benefit is provided, and coverage on one of the insured debtors is terminated or voided, or a death claim is denied, for any reason other than for the termination of the indebtedness, any remaining eligible debtor's coverage shall continue and an equitable adjustment of premium shall be made. The remaining eligible debtor's coverage shall continue under a single life coverage group certificate or individual policy.

(3) *Voiding coverage for ineligible age.* If a debtor exceeds the eligibility age for coverage and has correctly stated age information in an application signed by the debtor, and if a group certificate or individual policy is issued, the insurer has the right during the debtor's lifetime to void coverage on the debtor, but only within 60 days from the date of issue of the group certificate or individual policy.

(4) *Terminating coverage for ineligible age.* When premiums are payable monthly based on the actual monthly outstanding balance, if a debtor who exceeds the age at which coverage is to terminate under a group certificate or individual policy has correctly stated age information in an application signed by the debtor, and premiums continue to be erroneously charged to the debtor, the insurer has the right to terminate coverage as of the next billing date.

(5) *Reducing excess coverage.* If an identifiable charge is erroneously made to a debtor for an amount of coverage that exceeds the maximum dollar amount of coverage specified in the group policy and group certificate or indi-

vidual policy, the insurer has the right to reduce the amount of coverage to the appropriate amount specified in the group policy and group certificate or individual policy during the debtor's lifetime but only within 60 days from the date the identifiable charge is made to the debtor. If coverage is reduced, a refund shall be made of the difference between the actual amount charged and the appropriate amount that should have been charged.

(6) *Contestability.* A contestability provision may not be more restrictive than to provide that coverage on a debtor shall be incontestable after the group certificate or individual policy has been in force during the lifetime of the debtor for 2 years from the date of issue. Coverage shall be contested based only upon information contained in an insurance application signed by the debtor, a copy of which is furnished, not later than when coverage is contested, to the debtor, a secondary beneficiary or other claimant.

(7) *Equitable premium or benefit adjustment.* A provision specifying an adjustment of premiums or of benefits, or both, to be made if information relating to the age of a debtor has been fraudulently misstated shall be considered to be equitable if it places the debtor and the insurer in the position they would have been in had the age information been correctly stated. Adjustment may not be made unless the age information is contained in an application signed by the debtor, a copy of which is furnished, not later than the time the adjustment is made, to the debtor, a secondary beneficiary or other claimant.

(8) *Premium payment basis.*

(i) Premiums shall be payable by the debtor either on a monthly outstanding balance basis or on a single premium basis at issue. Single premium coverage may be written on closed end loans only if at least one of the following conditions applies:

(A) The term of the coverage is 75 months or less. However coverage written on lease transactions may exceed 75 months.

(B) The coverage is provided on a net unpaid indebtedness basis.

(ii) A group certificate or individual policy providing credit life insurance or credit life insurance with TPD benefit on a single premium net unpaid indebtedness basis shall contain a disclosure of the annual percentage rate used in the calculation of the insured indebtedness.

(9) *Renewal or refinancing.* With respect to the renewal or refinancing of an existing insured indebtedness, the effective date of coverage on the renewed or refinanced indebtedness shall be the date on which the insurer originally insured the debtor with respect to the indebtedness that is renewed or refinanced, to the extent of the amount and term of the indebtedness outstanding at the time of renewal or refinancing.

(10) *Truncated life coverage.*

(i) Truncated credit life insurance and truncated credit life insurance with TPD benefit may be provided only in connection with loans or credit transactions that are for a term greater than 60 months.

(ii) The truncated coverage period shall be at least 60 months.

(iii) If truncated coverage is elected by a debtor, at the time of election of the insurance coverage, the debtor shall be informed in writing of the term of the insurance coverage and that the coverage will terminate prior to the scheduled maturity date of the indebtedness.

(iv) A group certificate or individual policy providing truncated credit insurance coverage shall disclose both the term of the truncated insurance coverage and that the term of insurance coverage will terminate prior to the scheduled maturity date of the indebtedness. The termination disclosure shall appear in prominent print on the first page of the group certificate or individual policy.

(11) *Preexisting exclusion disclosure.* A group certificate or individual policy providing for a preexisting condition exclusion shall disclose the exclusion and its effects upon benefit payments. The preexisting condition exclusion disclosure shall appear in prominent type on the first page of the group certificate or individual policy.

Cross References

This section cited in 31 Pa. Code § 73.116 (relating to age requirements).

§ 73.106. Life insurance rate standards.

(a) *Prima facie rates.* Premium rates for credit life insurance and credit life insurance with TPD benefit, as described in § 73.104(a) (relating to life insurance and life insurance with TPD benefit), may not exceed the prima facie premium rates referenced in this section and published in the *Pennsylvania Bulletin*, unless higher premium rates are approved under § 73.122 (relating to deviated rates). Premium rates for benefits that differ from those benefits described in § 73.104(a) may not exceed premium rates that are actuarially consistent with the prima facie premium rates referenced in this section and published in the *Pennsylvania Bulletin*.

(b) *Symbols.* The symbols used in this section shall have the following meanings.

(1) E_t = amount at risk in month t per \$1 of initial insured indebtedness.

(2) i = 4.5%, consisting of an interest discount of 4% and a mortality discount of .5%.

(3) LSP_n = single premium prima facie premium rate per \$100 of a level amount of insured indebtedness.

(4) n = coverage period in months.

(5) O_p = monthly outstanding balance prima facie premium rate per \$1,000 of outstanding balance.

(6) SP_n = single premium prima facie premium rate per \$100 of initial insured gross indebtedness, as defined in § 73.103 (relating to definitions), repayable in n equal monthly installments.

(7) NSP_n = single premium prima facie premium rate per \$100 of initial insured net indebtedness, as defined in § 73.103, repayable in n equal monthly installments.

(c) *Debtor insurance charge.* The amount charged a debtor by a creditor for credit life insurance or credit life with TPD benefit may not exceed the premium amount charged by the insurer, as computed at the time the charge to the debtor is determined.

(d) *Monthly outstanding balance rates.* If premiums are payable on a monthly outstanding balance basis, the monthly prima facie premium rate for credit life insurance on a single life shall be \$.705 per \$1,000 of outstanding balance, and shall be \$.844 per \$1,000 of outstanding balance for credit life insurance with TPD benefit on a single life.

(e) *Gross single premium rates for full term coverage period.*

(1) If premiums for decreasing insurance on the gross unpaid indebtedness for a full term coverage period are payable on a single premium basis, the single premium prima facie premium rates for credit life insurance on a single life and for credit life insurance with TPD benefit on a single life shall be calculated, except as provided in subsection (i), in accordance with the following formula:

$$SP_n = \frac{n + 1}{20 \left(1 + \frac{.032n}{24} \right)} Op$$

(2) Gross single premium rates for full term coverage period calculated in accordance with the formula in paragraph (1) are published in the *Pennsylvania Bulletin*, for single life coverage and for single life coverage with TPD benefit.

(f) *Gross single premium rates for limited term coverage period.* If premiums for decreasing insurance on the gross unpaid indebtedness for a limited term coverage period are payable on a single premium basis, the single premium rates for credit life insurance on a single life and for credit life insurance with TPD benefit on a single life may not exceed premium rates that are actuarially consistent with the single premium prima facie premium rates published in the *Pennsylvania Bulletin*, except as provided in subsection (i).

(g) *Net single premium rates.* If premiums for decreasing insurance on the net unpaid indebtedness for a full term or limited period coverage period are payable on a single premium basis, the single premium prima facie premium rates for credit life insurance on a single life and for credit life insurance with TPD benefit on a single life shall be calculated, except as provided in subsection (i), in accordance with the following formula:

$$\text{NSP}_n = \frac{1}{10 \left(1 + \frac{.032n}{24} \right)} \text{Op} \sum_{t=1}^n E_t$$

(h) *Level single premium rates.* If premiums are payable on a single premium basis for level term insurance, the single premium prima facie premium rates for credit life insurance on a single life shall be calculated, except as provided in subsection (i), in accordance with the following formula:

$$\text{LSP}_n = \frac{n}{10 \left(1 + \frac{.048n}{24} \right)} \text{Op}$$

(i) *Alternative single premium formula.* Prima facie premium rates may be calculated for credit life insurance and credit life insurance with TPD benefit in accordance with the following formula:

$$\text{SP}_n = \text{Op}(1/10) \sum_{t=1}^{t=n} \left(\frac{1.0}{1 + \frac{i}{12}} \right)^{t-1} (E_t)$$

(j) *Joint rates.* Prima facie premium rates for credit life insurance on a joint life with or without TPD benefit shall equal 175% of the prima facie premium rates for a single life benefit plan which is identical to the joint life benefit plan.

(k) *Actuarially consistent rates.* For credit life insurance or credit life insurance with TPD benefit offered on any other basis, prima facie premium rates shall be actuarially consistent with the rate standards of subsections (d)—(i).

(l) *The adjustment of prima facie rates and loss ratio standards.* By June 19, 2001, and at least every 3 years thereafter, the Department will review the appropriateness of the prima facie premium rates referenced in this section based upon Commonwealth experience data for the preceding 3-calendar years. The nonclaim element of the prima facie premium rates will not be adjusted unless an adjustment is necessary under subsection (m). An adjustment to the prima facie premium rates will not be made if the change in prima facie premium rates so determined would be less than 5%. If an adjustment to the prima facie premium rates is indicated, the Department will publish the new prima facie premium rates in the *Pennsylvania Bulletin*. If an adjustment to the loss ratio standards is indicated, the Department will propose regulatory amendment to § 73.123 (relating to loss ratio standards) to reflect the change.

(m) *Review of non-claim elements.* By June 19, 2007, and at least every 9 years thereafter, the Department will review the changes in the average term and

amount of coverage, the changes in the fixed and variable expenses and the reasonable profit margin for insurance companies writing credit life insurance in this Commonwealth. If this review indicates that a change in the nonclaim elements of the premium rates is necessary, the Department will propose a regulatory amendment to the loss ratio standards in § 73.123 and thereafter publish new prima facie premium rates in the *Pennsylvania Bulletin*.

Cross References

This section cited in 31 Pa. Code § 73.103 (relating to definitions); 31 Pa. Code § 73.104 (relating to life insurance and life insurance with TPD benefit); 31 Pa. Code § 73.134 (relating to compensation of producers and creditors); 31 Pa. Code § 73.136 (relating to filing of forms and rates); and 31 Pa. Code § 73.134 (relating to compensation of producers and creditors).

§ 73.107. Accident and health insurance benefits.

(a) *A and H benefit plans.* The prima facie premium rate standards referenced in § 73.109 (relating to A and H insurance rate standards) apply to a plan of credit A and H insurance benefits, if the plan provides the features listed in paragraphs (1)—(7). This plan shall be described in a group policy and group certificate or in an individual policy.

(1) Single A and H coverage or joint A and H coverage for all eligible debtors.

(2) A monthly benefit payable upon the debtor's disability, subject to any maximum dollar amount of coverage specified in the group policy and group certificate or individual policy, equal to any of the following:

(i) The monthly installment payment required under the contract of indebtedness, for closed end loans.

(ii) The benefit amount provided in § 73.139(f) (relating to credit insurance on open end loans), for open end loans.

(iii) The benefit amount provided in § 73.140(d) (relating to credit insurance on closed end variable interest loans), for closed end variable interest loans.

(iv) The benefit amount as provided in § 73.141(f) (relating to credit insurance on lease transactions), for lease transactions.

(3) A coverage period equal to the lesser of the following:

(i) The term of the indebtedness remaining at the time coverage is elected.

(ii) The term of the indebtedness remaining at the time coverage is elected to the time the insured debtor attains an age at which the group policy and group certificate or individual policy provides for coverage to terminate.

(iii) The term of the indebtedness remaining at the time coverage is elected until truncated coverage terminates.

(4) An elimination period as provided by the policy or certificate of either 14 days or 30 days following the commencement of disability, with benefits becoming payable on either a retroactive or nonretroactive basis.

(5) A requirement for proof of disability in the form of one or both of the following:

(i) During the first 12 months of disability, proof that the insured debtor is unable to perform all of the important or significant occupational duties at the time the disability commences. After 12 months of disability, proof that the debtor is unable to perform the duties required of any gainful occupation for which the debtor is reasonably suited by education, training or experience.

(ii) A medical determination of the insured debtor's total disability.

(6) A preexisting condition exclusion for disability that commences within 6 months after the effective date of coverage and is the result of an illness, disease or physical condition for which the debtor received medical advice, consultation or treatment within 6 months prior to the effective date of coverage. The effective date of coverage for each portion of the insurance attributable to a different advance under an open end loan is the date on which the advance occurs, or the date on which coverage is elected, if later.

(7) The payment of an A and H benefit shall cease at the scheduled expiration date of the group certificate or individual policy, or when the indebtedness is prepaid.

(b) *Alternate benefit plans.* Insurers may offer credit A and H insurance benefit plans that differ from the plan described in subsection (a). An alternate plan shall be described in a group policy and group certificate, or in an individual policy, and shall conform to the standards of section 7(b) of the act (40 P. S. § 1007.7(b)) and the applicable standards of section 618 of The Insurance Company Law of 1929 (40 P. S. § 753). The premium rate standards of § 73.109 apply to alternate benefit plans.

Cross References

This section cited in 31 Pa. Code § 73.109 (relating to A and H insurance rate standards); 31 Pa. Code § 73.114 (relating to insurability requirements); 31 Pa. Code § 73.115 (relating to benefit exclusions); 31 Pa. Code § 73.116 (relating to age requirements); and 31 Pa. Code § 73.117 (relating to employment eligibility requirements).

§ 73.108. A and H insurance requirements.

A plan of credit A and H insurance and a group policy and group certificate or an individual policy describing such plan, shall comply with the following:

(1) *Joint coverage basis.* If joint A and H coverage is provided, it shall be provided either on the basis of each debtor being insured for 100% of the monthly disability payment, or on the basis of each debtor being insured for a

specified portion of the amount of the monthly disability payment, with the total of the portions equal to 100% of the monthly disability payment.

(2) *Joint contract.*

(i) If joint A and H coverage is provided, a group certificate or individual policy providing joint A and H coverage shall be issued. Insurers may not issue two single A and H coverage group certificates or two single individual policies.

(ii) The benefit payable in the case of simultaneous disability of both insureds may not exceed the benefit that would be payable if coverage were provided on only one debtor.

(3) *Continuation of coverage.* If joint A and H coverage is provided, and coverage on one of the insured debtors is terminated or voided for any reason other than for termination of the indebtedness, any remaining eligible debtor's coverage shall continue and an equitable adjustment of premium shall be made. The remaining eligible debtor's coverage shall continue under a single A and H coverage group certificate or individual policy.

(4) *Voiding coverage for ineligible employment.* If a gainful employment requirement is applicable, and a debtor who is not gainfully employed correctly stated employment status information in an application signed by the debtor, and if a group certificate or individual policy is issued, the insurer has the right to void coverage on the debtor, but only within 60 days from the date of issue of the group certificate or individual policy. This action shall be without prejudice to any claim for a disability that commenced before the termination date.

(5) *Voiding coverage for ineligible age.* If a debtor exceeds the eligibility age for coverage and has correctly stated age information in an application signed by the debtor, and if a group certificate or individual policy is issued, the insurer has the right to void coverage on the debtor, but only within 60 days from the date of issue of the group certificate or individual policy. This action shall be without prejudice to any claim for a disability that commenced before the termination date.

(6) *Terminating coverage for ineligible age.* When premiums are payable monthly based on the actual gross unpaid indebtedness, if a debtor who exceeds the age at which coverage is to terminate under a group certificate or individual policy has correctly stated age information in an application signed by the debtor, and premiums continue to be erroneously charged to the debtor, the insurer has the right to terminate coverage as of the next billing date. This action shall be without prejudice to any claim for a disability that commenced before the termination date.

(7) *Reducing excess coverage.* If an identifiable charge is erroneously made to a debtor for an amount of coverage that exceeds the maximum dollar amount of coverage specified in the group policy and group certificate or individual policy, the insurer has the right to reduce the amount of coverage to the appropriate amount specified in the group policy and group certificate or indi-

vidual policy, but only within 60 days from the date the identifiable charge is made to the debtor. If coverage is reduced, a refund shall be made of the difference between the actual amount charged and the appropriate amount that should have been charged.

(8) *Contestability.* A contestability provision may not be more restrictive than to provide that coverage on a debtor shall be incontestable after the group certificate or individual policy has been in force during the lifetime of the debtor for 2 years from the date of issue. Coverage shall be contested only based upon information contained in an insurance application signed by the debtor, a copy of which is furnished, not later than when coverage is contested, to the debtor, a secondary beneficiary or other claimant.

(9) *Equitable premium or benefit adjustment.* A provision specifying an adjustment of premiums or of benefits, or both, to be made if information relating to the age of a debtor has been fraudulently misstated shall be considered to be equitable if it places the debtor and the insurer in the position they would have been in had the age information been correctly stated. An adjustment may not be made unless the age information is contained in an application signed by the debtor, a copy of which is furnished, not later than the time the adjustment is made, to the debtor, a secondary beneficiary or other claimant.

(10) *Renewal or refinancing.* With respect to the renewal or refinancing of an existing insured indebtedness, the effective date of coverage on the renewed or refinanced indebtedness shall be the date on which the insurer originally insured the debtor with respect to the indebtedness that is renewed or refinanced, to the extent of the amount and term of the indebtedness outstanding at the time of renewal or refinancing.

(11) *Truncated A and H coverage.*

(i) Truncated credit A and H insurance may be provided only in connection with loans or credit transactions that are for a term greater than 60 months.

(ii) The truncated coverage period shall be at least 60 months.

(iii) If truncated coverage is elected by a debtor, at the time of the election of the insurance coverage, the debtor shall be informed in writing of the term of the insurance coverage and that the coverage will terminate prior to the scheduled maturity date of the indebtedness.

(iv) A group certificate or individual policy providing truncated credit insurance coverage shall disclose both the term of the truncated insurance coverage and that the term of insurance coverage will terminate prior to the scheduled maturity date of the indebtedness. The termination disclosure shall appear in prominent type on the first page of the group certificate or individual policy.

(12) *Preexisting exclusion disclosure.* A group certificate or individual policy providing for a preexisting condition exclusion shall disclose the exclu-

sion and its effects upon benefit payments. The preexisting condition exclusion disclosure shall appear in prominent type on the first page of the group certificate or individual policy.

Cross References

This section cited in 31 Pa. Code § 73.116 (relating to age requirements).

§ 73.109. A and H insurance rate standards.

(a) *Prima facie A&H rates.* Premium rates for credit A and H insurance benefits, as described in § 73.107(a) (relating to accident and health insurance benefits), may not exceed the prima facie premium rates referenced in this section and published in the *Pennsylvania Bulletin*, unless higher premium rates are approved under § 73.122 (relating to deviated rates). Premium rates for benefits that differ from those benefits described in § 73.107(a) may not exceed premium rates that are actuarially consistent with the prima facie premiums rates referenced in this section and published in the *Pennsylvania Bulletin*.

(b) *Symbols.* The symbols used in this section shall have the following meanings:

(1) n = coverage period in months.

(2) Op_n = monthly prima facie premium rate per \$1,000 of gross unpaid indebtedness.

(3) SP_n = single premium prima facie premium rate per \$100 of initial insured gross indebtedness, as defined in § 73.103 (relating to definitions), repayable in n equal monthly installments.

(c) *Debtor insurance charge.* The amount charged a debtor by a creditor for credit A and H insurance may not exceed the premium amount charged by the insurer, as computed at the time the charge to the debtor is determined.

(d) *Single premium rates for full benefit and full term periods.* If premiums are payable on a single premium basis for insurance with a full benefit period and a full term coverage period, the single premium prima facie premium rates for credit A and H insurance on a single life shall be as published in the *Pennsylvania Bulletin*.

(e) *Single premium rates for limited benefit and limited term periods.* If premiums are payable on a single premium basis for insurance with a limited term coverage period and a benefit period equal to the limited term coverage period, the prima facie premium rates shall be as published in the *Pennsylvania Bulletin*, for an installment period equal to the number of monthly installment payments in the limited term coverage period. The premium shall be determined by multiplying the prima facie premium rate by the monthly installment payment, by the number of months in the limited term coverage period, divided by 100.

(f) *Single premium rates for limited benefit and full or limited term periods.* If premiums are payable on a single premium basis for insurance with a limited benefit period for a full term or limited term coverage period, the single premium

rates for credit A and H insurance on a single life may not exceed premium rates that are actuarially consistent with the single premium prima facie premium rates published in the *Pennsylvania Bulletin*.

(g) *Monthly premium rates for full benefit and full term periods.* If premiums are payable on a monthly basis for insurance with a full balance benefit period for a full term coverage period, the monthly prima facie premium rates for credit A and H insurance on a single life shall be as published in the *Pennsylvania Bulletin*. The monthly prima facie premium rates shall be calculated in accordance with the following formula:

$$Op_n = \frac{20 \left(1 + \frac{.032n}{24} \right) SP_n}{n + 1}$$

(h) *Monthly premium rates for limited benefit period and limited term periods.* If premiums are payable on a monthly basis for insurance with a limited term coverage period and a benefit period equal to the limited term coverage period, the monthly prima facie premium rates shall be as published in the *Pennsylvania Bulletin* for an installment period equal to the number of monthly installment payments in the limited term coverage period. The monthly premium shall be determined by multiplying the prima facie premium rate by the monthly loan payment, by the remaining number of months in the limited term coverage period, divided by 1,000.

(i) *Monthly premium rates for limited benefit and full or limited term periods.* If premiums are payable on a monthly basis for insurance with a limited benefit period for a full term or limited term coverage period, the monthly premium rates for credit A and H insurance on a single life may not exceed premium rates that are actuarially consistent with the monthly prima facie premium rates published in the *Pennsylvania Bulletin*

(j) *Joint rates.*

(1) When each debtor is insured for 100% of the monthly A and H payment, the prima facie premium rates for joint credit A and H insurance shall equal 180% of the prima facie premium rates for single A and H coverage.

(2) When each debtor is insured for a specific portion of the monthly disability payment, the prima facie premium rates for joint credit A and H insurance shall equal 100% of the prima facie premium rates for single A and H coverage.

(k) *Actuarially consistent rates.* For credit A and H insurance offered on any other basis, prima facie premium rates shall be actuarially consistent with the rate standards of subsections (d)—(i).

(l) *Adjustment of prima facie rates and loss ratio standards.* By June 19, 2001, and at least every 3 years thereafter, the Department will review the appropriateness of the prima facie premium rates referenced in this section based upon

Commonwealth experience data for the preceding 3-calendar years. The nonclaim element of the prima facie premium rates may not be adjusted unless an adjustment is necessary under subsection (m). An adjustment to the prima facie premium rates will not be made if the change in prima facie premium rates so determined would be less than 5%. If an adjustment to the prima facie premium rates is indicated, the Department will publish the new prima facie premium rates in the *Pennsylvania Bulletin*. If an adjustment to the loss ratio standards is indicated, the Department will propose a regulatory amendment to § 73.123 (relating to loss ratio standards) to reflect the change.

(m) *Review of nonclaim elements.* By June 19, 2007, and at least every 9 years thereafter, the Department will review the changes in the average term and amount of coverage, the changes in fixed and variable expenses and the reasonable profit margin for insurance companies writing credit A and H insurance in this Commonwealth. If this review indicates that a change in the nonclaim elements of the premium rates is necessary, the Department will propose a regulatory amendment to the loss ratio standards in § 73.123 and thereafter publish new prima facie premium rates in the *Pennsylvania Bulletin*.

Cross References

This section cited in 31 Pa. Code § 73.103 (relating to definitions); 31 Pa. Code § 73.107 (relating to accident and health insurance benefits); 31 Pa. Code § 73.134 (relating to compensation of producers and creditors); and 31 Pa. Code § 173.136 (relating to filing of forms and rates).

§ 73.110. Involuntary unemployment insurance benefits.

(a) *Involuntary unemployment benefits plans.* The prima facie premium rate standards referenced in § 73.112 (relating to involuntary unemployment insurance rate standards) apply to a plan of credit involuntary unemployment insurance benefits, if the plan provides the features of paragraphs (1)—(6). This plan shall be described in a group policy and group certificate or in an individual policy.

- (1) Single involuntary unemployment coverage or joint involuntary unemployment coverage for all eligible debtors.
- (2) A monthly benefit payable upon involuntary unemployment, subject to any maximum dollar amount of coverage specified in the group policy and group certificate or individual policy, equal to any of the following:
 - (i) The monthly installment payments required under the contract of indebtedness, for closed end loans.
 - (ii) The benefit amount as provided in § 73.139(f) (relating to credit insurance on open end loans), for open end loans.
 - (iii) The benefit amount as provided in § 73.140(d) (relating to credit insurance on closed end variable interest loans), for closed end variable interest loans.

(iv) The benefit amount as provided in § 73.141(f) (relating to credit insurance on lease transactions), for lease transactions.

(3) A coverage period equal to the lesser of the following:

(i) The term of the indebtedness remaining at the time coverage is elected.

(ii) The term of the indebtedness remaining at the time coverage is elected to the time the insured debtor attains an age at which the group policy or group certificate or individual policy provides for coverage to terminate.

(iii) The term of the indebtedness remaining at the time coverage is elected until truncated coverage terminates.

(4) An elimination period as provided by the policy or certificate of 30 days following the commencement of involuntary unemployment, with benefits becoming payable on either a retroactive or nonretroactive basis.

(5) A definition of involuntary unemployment requiring that the debtor be unemployed as a result of nonvoluntary termination from a single job at which the debtor worked for a salary or wages for 30 or more hours a week for at least the 12 months prior to the effective date of insurance coverage. Unemployment due to a lockout as defined in § 73.103 (relating to definitions) will be considered to be involuntary unemployment.

(6) A requirement that the payment of an involuntary unemployment benefit shall cease at the scheduled expiration date of the group certificate or individual policy, or at such time as the indebtedness is prepaid.

(b) *Alternate benefit plans.* Insurers may offer credit involuntary unemployment insurance benefit plans that differ from the plan described in subsection (a). Any alternate plan shall be described in a group policy and group certificate, or in an individual policy, and shall conform to the standards of section 7(b) of the act (40 P. S. § 1007.7(b)). The premium rate standards of § 73.112 apply to alternate benefit plans.

Cross References

This section cited in 31 Pa. Code § 73.112 (relating to involuntary unemployment insurance rate standards); 31 Pa. Code § 73.114 (relating to insurability requirements); 31 Pa. Code § 73.115 (relating to benefit exclusions); 31 Pa. Code § 73.116 (relating to age requirements); and 31 Pa. Code § 73.118 (relating to initial eligibility requirements).

§ 73.111. Involuntary and voluntary unemployment insurance requirements.

A plan of credit involuntary unemployment insurance and a group policy and group certificate or an individual policy describing the plan shall comply with the following:

(1) *Joint coverage basis.* If joint unemployment coverage is provided, it shall be provided either on the basis of each debtor being insured for 100% of the monthly unemployment payment or on the basis of each debtor being

insured for a specified portion of the monthly unemployment payment, with the total of these portions equal to 100% of the monthly unemployment payment.

(2) *Joint contract.*

(i) If joint unemployment coverage is provided, a group certificate or individual policy providing joint unemployment coverage shall be issued. Insurers may not issue two single unemployment coverage group certificates or two single individual policies.

(ii) The benefit payable in the case of simultaneous unemployment of both insureds may not exceed the benefit that would be payable if coverage were provided on only one debtor.

(3) *Continuation of coverage.* If joint unemployment coverage is provided and coverage on one of the insured debtors is terminated or voided for any reason other than for termination of the indebtedness, any remaining eligible debtor's coverage shall continue and an equitable adjustment of premium shall be made. The remaining eligible debtor's coverage shall continue under a single unemployment coverage group certificate or individual policy.

(4) *Voiding coverage for ineligible employment.* If a debtor who is not gainfully employed correctly stated employment status information in an application signed by the debtor, and if a group certificate or individual policy is issued, the insurer has the right to void coverage on the debtor, but only within 60 days from the date of issue of the group certificate or individual policy. This action shall be without prejudice to any claim for unemployment that commenced before the termination date.

(5) *Voiding coverage for ineligible age.* If a debtor exceeds the eligibility age for coverage and has correctly stated age information in an application signed by the debtor, and if a group certificate or individual policy is issued, the insurer has the right to void coverage on the debtor, but only within 60 days from the date of issue of the group certificate or individual policy. This action shall be without prejudice to any claim for unemployment that commenced before the termination date.

(6) *Terminating coverage for ineligible age.* When premiums are payable monthly based on the actual gross unpaid indebtedness, if a debtor who exceeds the age at which coverage is to terminate under a group certificate or individual policy has correctly stated age information in an application signed by the debtor, and premiums continue to be erroneously charged to the debtor, the insurer has the right to terminate coverage as of the next billing date. This action shall be without prejudice to any claim for unemployment that commenced before the termination date.

(7) *Reducing excess coverage.* If an identifiable charge is erroneously made to a debtor for an amount of coverage that exceeds the maximum dollar amount of coverage specified in the group policy and group certificate or individual policy, the insurer has the right to reduce the amount of coverage to the appropriate amount specified in the group policy and group certificate or indi-

vidual policy, but only within 60 days from the date the identifiable charge is made to the debtor. If coverage is reduced, a refund shall be made of the difference between the actual amount charged and the appropriate amount that should have been charged.

(8) *Contestability.* A contestability provision may not be more restrictive than to provide that coverage on a debtor shall be incontestable after the group certificate or individual policy has been in force during the lifetime of the debtor for 2 years from the date of issue. Coverage shall be contested only based upon information contained in an insurance application signed by the debtor, a copy of which is furnished, not later than when coverage is contested, to the debtor, a secondary beneficiary or other claimant.

(9) *Equitable premium or benefit adjustment.* A provision specifying an adjustment of premiums or of benefits, or both, to be made if information relating to the age of a debtor has been fraudulently misstated shall be considered to be equitable if it places the debtor and the insurer in the position they would have been in had the age information been correctly stated. An adjustment may not be made unless the age information is contained in an application signed by the debtor, a copy of which is furnished, not later than the time the adjustment is made, to the debtor, a secondary beneficiary or other claimant.

(10) *Renewal or refinancing.* With respect to the renewal or refinancing of an existing insured indebtedness, the effective date of coverage on the renewed or refinanced indebtedness shall be the date on which the insurer originally insured the debtor with respect to the indebtedness that is renewed or refinanced, to the extent of the amount and term of the indebtedness outstanding at the time of renewal or refinancing.

(11) *Truncated unemployment coverage.*

(i) Truncated credit unemployment insurance may be provided only in connection with loans or credit transactions that are for a term greater than 60 months.

(ii) The truncated coverage period shall be at least 60 months.

(iii) If truncated coverage is elected by a debtor, at the time of the election of the insurance coverage, the debtor shall be informed in writing of the term of the insurance coverage and that the coverage will terminate prior to the scheduled maturity date of the indebtedness.

(iv) A group certificate or individual policy providing truncated credit insurance coverage shall disclose both the term of the truncated insurance coverage and that the term of insurance coverage will terminate prior to the scheduled maturity date of the indebtedness. The termination disclosure shall appear in prominent type on the first page of the group certificate or individual policy.

(12) *Cancellation notice.* A group certificate or individual policy providing involuntary unemployment or voluntary unemployment insurance shall contain

a disclosure that the benefit provided by the group certificate or individual policy is related to unemployment and that if the insured debtor retires or no longer plans to work, the insured debtor has the right to contact the insurer or creditor to cancel the insurance coverage. This disclosure shall appear in prominent type on the first page of the group certificate or individual policy.

(13) *Proof of unemployment.* For involuntary unemployment coverage, proof of involuntary unemployment may not be limited to eligibility for unemployment compensation benefits.

Cross References

This section cited in 31 Pa. Code § 73.116 (relating to age requirements).

§ 73.112. Involuntary unemployment insurance rate standards.

(a) *Prima facie involuntary unemployment rates.* Premium rates for credit involuntary unemployment insurance benefits, as described in § 73.110(a) (relating to involuntary unemployment insurance benefits), may not exceed the prima facie premium rates referenced in this section and published in the *Pennsylvania Bulletin*, unless higher premium rates are approved under § 73.122 (relating to deviated rates). Premium rates for benefits that differ from those benefits described in § 73.110(a) may not exceed premium rates that are actuarially consistent with the prima facie premium rates referenced in this section and published in the *Pennsylvania Bulletin*.

(b) *Debtor insurance charge.* The amount charged a debtor by a creditor for credit involuntary unemployment insurance may not exceed the premium amount charged by the insurer, as computed at the time the charge to the debtor is determined.

(c) *Single premium rates for a 12-month benefit period and a full term coverage period.* If premiums are payable on a single premium basis for insurance with a 12-month benefit period for a full term coverage period, the single premium prima facie premium rates for credit involuntary unemployment insurance on a single life shall be as published in the *Pennsylvania Bulletin*.

(d) *Single premium rates for a 12-month benefit period and a limited term coverage period.* For insurance with a limited term coverage period and a 12-month benefit period, the single premium prima facie premium rates shall be the prima facie premium rates published in the *Pennsylvania Bulletin*, for an installment period equal to the number of monthly installment payments in the limited term coverage period. The single premium shall be determined by multiplying the prima facie rate by the monthly installment payment, by the number of months in the limited term coverage period, divided by 1,000.

(e) *Monthly premium rates for a 12-month benefit period and a full term coverage period.* If premiums are payable on a monthly basis for insurance with a 12-month benefit period for a full term coverage period, the monthly prima

facie premium rates for credit involuntary unemployment insurance on a single life shall be as published in the *Pennsylvania Bulletin*.

(f) *Monthly premium rates for a 12-month benefit period and a limited term coverage period.* For insurance with a limited term coverage period and a 12-month benefit period, the monthly prima facie premium rates shall be as published in the *Pennsylvania Bulletin*, for an installment period equal to the number of monthly installment payments in the limited term coverage period. The monthly premium shall be determined by multiplying the prima facie rate by the monthly installment payment, by the remaining number of months in the limited term period, divided by 1,000.

(g) *Joint rates.*

(1) When each debtor is insured for 100% of the monthly unemployment payment, the prima facie premium rates for joint credit involuntary unemployment insurance shall equal 180% of the prima facie premium rates for single involuntary unemployment coverage.

(2) When each debtor is insured for a specific portion of the monthly unemployment payment, the prima facie premium rates for joint credit involuntary unemployment insurance shall equal 100% of the prima facie premium rates for single involuntary unemployment coverage.

(h) *Actuarially consistent rates.* For credit involuntary unemployment insurance on any other basis, prima facie premium rates shall be actuarially consistent with the rate standards of subsections (c)—(f).

(i) *Adjustment of prima facie rates and loss ratio standards.* By June 19, 2001, and at least every 3 years thereafter, the Department will review the appropriateness of the prima facie premium rates referenced in this section based upon Commonwealth experience data for the preceding 3-calendar years. The nonclaim element of the prima facie premium rates may not be adjusted unless an adjustment is necessary under subsection (j). No adjustment to the prima facie premium rates will be made if the change in prima facie premium rates so determined would be less than 5%. If an adjustment to the prima facie premium rates is indicated, the Department will publish the new prima facie premium rates in the *Pennsylvania Bulletin*. If an adjustment to the loss ratio standards is indicated, the Department will propose a regulatory amendment to § 73.123 (relating to loss ratio standards) to reflect the change.

(j) *Review of nonclaim elements.* By June 19, 2007, and at least every 9 years thereafter, the Department will review the changes in the average term and amount of coverage, the changes in fixed and variable expenses, and the reasonable profit margin for insurance companies writing credit involuntary unemployment insurance in this Commonwealth. If this review indicates that a change in the nonclaim elements of the premium rates is necessary, the Department will propose a regulatory amendment to the loss ratio standards in § 73.123 and thereafter publish new prima facie premium rates in the *Pennsylvania Bulletin*.

Cross References

This section cited in 31 Pa. Code § 73.103 (relating to definitions); 31 Pa. Code § 73.110 (relating to involuntary unemployment insurance benefits); 31 Pa. Code § 73.134 (relating to compensation of producers and creditors); and 31 Pa. Code § 73.136 (relating to filing of forms and rates).

§ 73.113. Voluntary unemployment insurance rate standards.

(a) *Debtor insurance charge.* The amount charged a debtor by a creditor for credit voluntary unemployment insurance may not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(b) *Premium rates based on loss ratio.* The premium rates shall be based on a loss ratio not less than the loss ratio standard in § 73.123 (relating to loss ratio standards).

(c) *Actuarial memorandum filing.* The insurer shall include, with the rate filing made under § 73.136(a) (relating to filing of forms and rates), an actuarial memorandum which contains the basis of the claim costs used in computing the premium rates.

(d) *Joint rates.*

(1) When each debtor is insured for 100% of the monthly unemployment benefit, the premium rates for joint credit voluntary unemployment insurance shall equal 180% of the premium rates for single voluntary unemployment coverage.

(2) When each debtor is insured for a specific portion of the monthly unemployment benefit, the premium rates for joint credit voluntary unemployment insurance shall equal 100% of the premium rates for single voluntary unemployment coverage.

(e) *Adoption of prima facie rates.* If, in the opinion of the Commissioner, there is sufficient credit voluntary unemployment insurance experience data in this Commonwealth, the Commissioner may establish and adopt prima facie premium rates for voluntary unemployment and procedures for adjusting the prima facie premium rates.

(f) *Review of nonclaim elements.* By June 19, 1997, and at least every 9 years thereafter, the Department will review the changes in the average term and amount of coverage, changes in fixed and variable expenses, and the reasonable profit margin for insurers writing credit voluntary unemployment insurance in this Commonwealth. If this review indicates that a change in the loss ratio standard is necessary, the Department will propose an appropriate regulatory amendment to § 73.123 to reflect the change.

Cross References

This section cited in 31 Pa. Code § 73.136 (relating to filing of forms and rates).

§ 73.114. Insurability requirements.

Plans of credit insurance as provided in §§ 73.104(a), 73.107(a) and 73.110(a) (relating to life insurance and life insurance with TPD benefit; accident and health insurance benefits; and involuntary unemployment insurance benefits) may provide for either:

- (1) An evidence of insurability requirement.
- (2) No evidence of insurability requirement.

§ 73.115. Benefit exclusions.

Exclusions may be contained in a credit insurance plan as provided in §§ 73.104(a), 73.107(a) and 73.110(a) (relating to life insurance and life insurance with TPD benefit; accident and health insurance benefits; and involuntary unemployment insurance benefits).

(1) The following exclusions may also be contained in a life insurance plan or a life insurance with TPD benefit plan:

- (i) Death due to suicide within 1 year of the effective date of coverage.
- (ii) TPD due to intentionally self-inflicted injury.
- (iii) A preexisting conditions exclusion due to a condition for which the insured debtor received medical advice, consultation, diagnosis or treatment from a physician or podiatrist within 6 months before the effective date of coverage and due to which death occurs or TPD commences within 6 months after the effective date of coverage. This exclusion applies only if and to the extent that the total amount of all insurance that would otherwise be subject to the preexisting conditions exclusion exceeds \$1,000.

(iv) For the application of the exclusions contained in subparagraphs (i)—(iii), the effective date of coverage for each portion of the insurance attributable to a different advance under an open end loan, is the date on which the advance or charge occurs, or if later, the date on which coverage is elected.

(2) The following exclusions may also be contained in an A and H insurance plan:

- (i) Normal pregnancy.
- (ii) Intentionally self-inflicted injury.
- (iii) Nonscheduled aircraft flight.

(3) The following exclusions may also be contained in an involuntary unemployment insurance plan:

- (i) Voluntary resignation of employment.
- (ii) Voluntary leave of absence.
- (iii) Voluntary forfeiture of salary, wages or income.
- (iv) Retirement.
- (v) Injury or disease.
- (vi) Disability.

- (vii) Strike or unionized labor dispute.
- (viii) Discharge by employer for cause.
- (ix) Involuntary unemployment for which severance pay is received by the debtor.

§ 73.116. Age requirements.

(a) *Debtor age provisions.* Plans of credit insurance as provided in §§ 73.104(a), 73.107(a) and 73.110(a) (relating to life insurance and life insurance with TPD benefit; A and H insurance benefits; involuntary unemployment insurance benefits) may provide for debtor age provisions not less favorable than any of the following:

(1) An age restriction making the debtor ineligible for coverage when one of the following applies:

- (i) The debtor will have attained 65 years of age at the time the indebtedness is incurred.
- (ii) The debtor will have attained 66 years of age on the scheduled maturity date of the indebtedness.

(2) A provision for coverage to terminate when the debtor attains a specified age not less than 66 years. If coverage is written on a single premium basis, the term of the insurance coverage on which the premium is based may not extend beyond the termination age.

(i) A debtor electing coverage that terminates when a specified age is attained shall be provided, at the time of election of insurance coverage, with a written disclosure specifying the age of the debtor at which the insurance will terminate.

(ii) A group certificate or individual policy providing coverage that terminates when a specified age is attained shall disclose the age of the debtor at which the insurance will terminate. The termination disclosure shall appear in prominent print on the first page of the group certificate or individual policy.

(b) *Eligibility determination using age.* An age restriction shall be used only to determine initial eligibility for coverage and may not be used as a basis for denying claims or terminating existing coverage, except as provided in subsection (a)(2) and in § 73.105 (3) and (4), § 73.108 (5) and (6) or § 73.111 (5) and (6).

§ 73.117. Employment eligibility requirements.

Plans of credit accident and health insurance as provided in § 73.107(a) (relating to accident and health insurance benefits) may provide for either:

- (1) Any evidence of gainful employment requirement.
- (2) No evidence of gainful employment requirement.

§ 73.118. Initial eligibility requirements.

Plans of credit involuntary unemployment insurance as provided in § 73.110 (a) (relating to involuntary unemployment insurance benefits) may provide for initial eligibility requirements, whereby an insurer may choose to exclude from credit involuntary unemployment coverage, one or more of the following:

- (1) Unemployed individuals.
- (2) Self-employed individuals.
- (3) Military personnel.
- (4) Workers in seasonal or temporary jobs which are designed to last 6 consecutive months or less.
- (5) Debtors who have been notified of a layoff or of employment termination occurring within 60 days of the termination notification.

§ 73.119. Combination coverage rate.

If an insurer combines two or more credit life, Credit A and H or credit unemployment insurance coverages which are provided under separate and distinct policy forms, and if the debtor may purchase only a package of these insurance coverages, the premium rate for the package shall be the sum of the separate approved premium rates for the applicable insurance coverages less a discount of 5% of the sum of the separate approved premium rates.

Cross References

This section cited in 31 Pa. Code § 73.130 (relating to election of coverage and disclosure requirements).

§ 73.120. Composite term premium rate.

Composite term premium rates may be used under the following conditions:

- (1) The insurer shall include in the filing of the composite term premium rates a demonstration that the expected total premium to be collected by the insurer will not exceed the total premium that would be collected if term specific rates were charged.
- (2) The composite term premium rates may not exceed by more than 10% any term specific rates within the composite term period.

Cross References

This section cited in 31 Pa. Code § 73.103 (relating to definitions).

§ 73.121. Maximum rates.

An insurer may use a rate for an account that is lower than the filed rate applicable to that account without notice to the Department.

§ 73.122. Deviated rates

An insurer may file for approval of and upon approval may use rates that are higher than the prima facie premium rates if the use of the higher rates will result in a loss ratio which is not less than the loss ratio standard in § 73.123 (relating to loss ratio standards). If rates higher than the prima facie rates are filed, the filing shall specify the account to which the rates apply. These rates may be:

- (1) Applied uniformly to all accounts of the insurer.
- (2) Applied on an equitable basis to only one or more accounts of the insurer for which the actual prima facie loss ratio was higher than the applicable loss ratio standard.
- (3) Applied on an equitable basis in accordance with an account rating procedure. The account rating procedure shall be filed with and approved by the Department prior to use.

Cross References

This section cited in 31 Pa. Code § 73.106 (relating to life insurance rate standards); 31 Pa. Code § 73.109 (relating to A and H insurance rate standards); and 31 Pa. Code § 73.112 (relating to involuntary unemployment insurance rate standards).

§ 73.123. Loss ratio standards.

Unless revised loss ratio standards are adopted, the loss ratio standards for the coverages specified shall be as follows:

	<i>Loss Ratio Standard</i>
Credit Life	55%
Credit Life with TPD	55%
Credit Accident and Health	
14-Day Retroactive	65%
14-Day Nonretroactive	65%
30-Day Retroactive	60%
30-Day Nonretroactive	60%
Credit Involuntary Unemployment	
30-Day Retroactive	60%
30-Day Nonretroactive	60%
Credit Voluntary Unemployment	60%

Cross References

This section cited in 31 Pa. Code § 73.106 (relating to life insurance rate standards); 31 Pa. Code § 73.109 (relating to A & H insurance rate standards); 31 Pa. Code § 73.112 (relating to involuntary unemployment insurance rate standards); 31 Pa. Code § 73.113 (relating to voluntary unemployment insurance rate standards); and 31 Pa. Code § 73.122 (relating to deviated rates).

§ 73.124. Duration of deviation.

Deviated rates may not be in effect for a period longer than 3 years. An insurer may file for a new rate before the end of the 3 years, but not more often than once during any 12 month period.

§ 73.125. Portability of rates.

If an account for which a higher (deviated) rate is approved changes insurers, the rate approved for use for that account by the prior insurer shall be the maximum rate that may be used by any succeeding insurer for the remainder of the applicable rate period, applicable to the prior insurer, or until a new rate is filed for use in connection with the account, if sooner.

§ 73.126. Voluntary unemployment experience reports.

The Commissioner may require, with a minimum of 6 months advance notice, that each insurer doing credit voluntary unemployment insurance business in this Commonwealth file a report of credit voluntary unemployment insurance written on a calendar year basis. The report shall follow the format specified for credit unemployment insurance of the Credit Insurance Experience Exhibit as required by the annual statement instructions and shall contain separate specific data for this Commonwealth, rather than an allocation of the company's countrywide experience.

§ 73.127. Refunds.

(a) *Refund provision.* If insurance terminates prior to the scheduled maturity date of the indebtedness, a refund of any unearned premium shall be made as follows:

(1) If the indebtedness is discharged due to prepayment, renewal or refinancing prior to the scheduled maturity date, credit insurance shall be terminated and a refund of the unearned premium shall be made.

(2) A refund of any unearned credit A and H insurance premium, credit involuntary unemployment insurance premium or credit voluntary unemployment insurance premium shall be made if the indebtedness is prepaid by the proceeds of credit life insurance or credit life insurance with TPD benefit. The refund of the unearned credit insurance premium shall be in addition to any credit life insurance or TPD benefit proceeds.

(3) A refund of the total premium charged for credit insurance coverage shall be made if coverage is voided ab initio for any reason other than termination of the indebtedness.

(4) If joint coverage on one of the debtors is voided ab initio, a refund of the difference between the premium actually charged for the joint coverage, and the premium that would have been charged if only single coverage had been provided shall be made.

(b) *Refund time frame.* Refunds of premiums paid by or charged to the debtor shall be remitted to the debtor or credited to the debtor's outstanding indebtedness within 10 working days after the agent or group policyholder receives the refund from the insurer.

(c) *Refund notice.* A refund payment shall be accompanied by an explanation that the payment is a refund of premium. If the refund amount has been deducted from the debtor's outstanding indebtedness, the debtor shall be notified in writing that the refund was applied toward the outstanding indebtedness.

(d) *Refund formulas.* Insurers shall file for approval all refund formulas intended for use. A reference to the Rule of 78 shall be acceptable, in lieu of filing the actual formula.

(1) The refund of premiums on a single premium basis shall be calculated by multiplying the original single premium charged, by the appropriate refund factor.

(i) In determining the refund, if fewer than 15 days of insurance coverage has been provided during the loan month, no charge shall be made for that month. If 15 or more days of coverage have been provided during the loan month, a full month may be charged.

(ii) For gross decreasing credit life insurance with or without TPD benefits, the refund shall be computed based on the Rule of 78.

(iii) For level term credit life insurance with or without TPD benefits, the refund shall be computed based on a pro rata basis.

(iv) For full benefit period credit A and H insurance and full benefit period credit involuntary unemployment insurance, the refund shall be computed based on the Rule of 78.

(v) For any coverage not listed in subparagraphs (ii)—(iv), the refund factor shall equal the sum of remaining insured balances divided by the sum of the original insured balances.

(2) Except as provided in § 73.139 (j) (relating to credit insurance on open end loans), the refund of any unearned premiums calculated and remitted to the insured on a monthly outstanding balance basis shall be equal to the monthly premium charged if fewer than 15 days of insurance coverage has been provided during that loan month. If coverage has been provided for 15 or more days of the loan month, no refund of premium is required.

(e) *Minimum refund.* Insurers need not issue refunds for less than \$10.

(f) *Termination and refund disclosures.* The group policy and group certificate or individual policy issued to provide insurance coverage shall disclose the conditions under which the coverage will terminate and under which a premium refund is required. This refund disclosure shall also describe the method used to calculate the premium refund.

Cross References

This section cited in 31 Pa. Code § 73.139 (relating to credit insurance on open end loans); and 31 Pa. Code § 73.140 (relating to credit insurance on closed end variable interest loans).

§ 73.128. Terminations.

(a) *Individual policy termination.* An individual policy of credit insurance may not be terminated by an insurer, except for nonpayment of premium, prior to the scheduled expiration date of the policy, unless the indebtedness is sooner discharged due to renewal, refinancing or prepayment.

(b) *Continuation of coverage.* If a debtor is insured under a single premium group credit insurance policy, the insurer shall provide that in the event of termination of the policy, insurance coverage with respect to the debtor shall continue with either the original insurer or a new insurer for the entire period for which the single premium has been paid.

(c) *Notice of termination.* If a debtor is insured under a group credit insurance policy providing for the payment of premiums to the insurer on a monthly premium basis, the insurer shall, in the event of termination of the policy, cause a notice of termination to be provided to the insured debtor at least 30 days prior to the effective date of termination. A termination notice is not required if replacement coverage, of at least equal value, takes effect on the effective date of termination. The terminating insurer shall be responsible for assuring that any required termination notice is provided.

(d) *Assumption of coverage.* If an existing group policy is assumed by another insurer, the assuming insurer shall issue to the group policyholder a certificate of assumption for attachment to the group policy. If the entity to which the insured debtor is indebted is other than the group policyholder, the assuming insurer shall make reasonable efforts to notify the entity of the assumption.

§ 73.129. Dividends.

(a) *Dividend payment.* Dividends on participating individual policies of credit insurance may be payable to the owners of the individual policies. Payment of dividends may be deferred until the policy is terminated.

(b) *Nonparticipating policies.* Experience refunds or retrospective premium rate adjustments may not be applied to nonparticipating individual credit insurance policies.

(c) *Dividends or retrospective rate credits as compensation.* Dividends or retrospective rate credits on group policies may be paid or credited to the group policyholder. Dividends or retrospective rate credits, less the policyholder's own contributions, if any, and less any amounts of the dividends or retrospective rate credits paid or credited to the benefit of debtors insured under the group policy, shall be considered compensation for the purpose of § 73.134 (relating to compensation of producers or creditors).

Cross References

This section cited in 31 Pa. Code § 73.134 (relating to compensation of producers and creditors).

§ 73.130. Election of coverage and disclosure requirements.

(a) *Separate purchase of coverages.* If more than one type of credit insurance coverage is offered for purchase in connection with an indebtedness and each coverage is provided under separate and distinct policy forms, the debtor shall be allowed to separately purchase each credit insurance coverage, unless the premium rate for a package policy is provided under § 73.119 (relating to combination coverage rate).

(b) *Election of coverage.* If an identifiable charge is made to the debtor for credit insurance coverage, no coverage may be provided unless the debtor is liable under the credit agreement and the coverage is elected and authorized by the proposed insured debtor in the insurance application. If joint life, joint life with TPD benefit, joint A and H, joint involuntary unemployment or joint voluntary unemployment coverage is offered, and an identifiable charge is made for the joint coverage, each proposed insured debtor shall be liable under the credit agreement, and shall elect the coverage by authorizing the insurance application. An insurer may require that only one of the joint debtors elect the credit insurance coverage if the following exist:

- (1) The insurance application is mailed or electronically transmitted to the debtor and returned to the insurer or creditor by mail or electronically.
- (2) The credit insurance application is completed after the application for the indebtedness is completed.

(c) *Single life designation.* In situations where two debtors are each liable for repayment of an indebtedness and insurance coverage on only one life is offered, both debtors shall be provided with the option to elect the coverage, if there is an identifiable charge to the debtor for the coverage. Only one of the debtors shall be provided with the opportunity to elect the single coverage if the following conditions are met:

- (1) The insurance application is mailed or electronically transmitted to the debtor and returned to the insurer or creditor by mail or electronically.
- (2) The credit insurance election is completed after the application for the indebtedness is completed.

(d) *Notice of proposed insurance.* With respect to section 6(4) of the act (40 P. S. § 1007.6(4)), the application and notice of proposed insurance shall be deemed to be prominently set forth in the financial instrument if set forth in a separate provision on the face or reverse side of the financial instrument in type at least equal in size and prominence to the type used for other provisions of the financial instrument.

§ 73.131. Choice of insurer.

If insurance is required as additional security for an indebtedness, the debtor shall be informed by the creditor prior to completion of an application for credit insurance of the right to provide alternative insurance coverage through existing policies or by procuring and purchasing insurance coverage through an authorized insurer.

§ 73.132. Collection of premiums.

(a) *Collecting premiums as a representative.* If the creditor or its representative collects premiums or an identifiable charge for credit insurance from a debtor, it does so as a representative of the insurer and the moneys so collected shall be deemed received by the insurer for purposes of this chapter.

(b) *Remittance of premiums.* Premiums collected by the creditor from the debtor shall be remitted by the creditor to the insurer on a timely basis. For premiums collected on a single premium basis, premiums shall be remitted not later than 60 days from the last day of the month in which the insurance coverage was purchased. For premiums collected on a monthly outstanding premium basis, premiums shall be remitted not later than 60 days after the last day of the month or billing cycle in which the premiums from the debtor were charged or collected.

Cross References

This section cited in 31 Pa. Code § 73.137 (relating to compensating balances or special deposits).

§ 73.133. Claims and examination procedures.

(a) *Claim procedures.* Every insurer shall be responsible for the settlement, adjustment and payment of all claims and shall establish and maintain adequate claim files.

(b) *Claim reporting.*

(1) Claims shall be promptly reported by the group policyholder or its representatives to the insurer or its designated claim representative, and all claims shall be settled as soon as practical and in accordance with the terms of the insurance contract.

(2) In the case where both A and H insurance benefit and life insurance with TPD benefit coverages are provided in connection with the same indebtedness, the group policyholder shall report the claim to the insurer for the appropriate coverage prior to or at the end of any applicable elimination period, subject to the group policyholder having received appropriate claim information from the insured debtor.

(c) *Payment of claims.* In addition to the payment of a claim by a draft drawn upon the insurer or by a check of the insurer, claims may also be paid by electronic transfer drawn by the insurer to the order of the claimant to whom payment of the claim is due. If the amount of the insurance payable exceeds the balance

which the debtor is obligated to pay to the creditor, the creditor shall pay the excess directly to the beneficiary designated by the debtor or the estate entitled to the excess.

(d) *Settlement of claims.* If a group policyholder has made arrangements with an insurer to draw drafts or checks or make electronic transfers for payment of claims due to the group policyholder, the parties making the draws or electronic transfers may not be directly involved in making loans for the policyholder.

(e) *Creditor examination.* An insurer shall be responsible for conducting a thorough examination of creditors with respect to its credit insurance business during the first policy year and at least annually thereafter to assure compliance with this chapter and other applicable insurance laws and regulations of the Commonwealth. The examination shall verify the accuracy of premiums or other identifiable insurance charges, premium refunds, claim payments which have been reported to the insurer and any other pertinent information necessary for the insurer to determine that debtors are being afforded proper coverage. Examinations performed by an insurer shall be subject to review by the Department. The group policy shall contain a provision explaining that the account will be examined annually.

(f) *Inspection of examination procedures.* Each insurer shall make available for Department inspection upon request its creditor examination procedures.

(g) *Record of examination.* The insurer shall establish and maintain a written record of each creditor examination. This record shall be maintained for at least 3 years from the date of examination or until the conclusion of the next succeeding regular examination by the Department of its domicile, whichever is later.

(h) *Record of coverage.* An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request.

§ 73.134. Compensation of producers and creditors.

(a) *Compensation limits.* Premium rates shall be presumed to be excessive if the compensation for writing and handling credit insurance paid to a creditor, producer or any affiliate, associate, subsidiary, director, officer, employe or other representative of the creditor or producer, exceeds:

(1) For credit life insurance and credit life insurance with TPD benefit, 27% of the prima facie premium rates referenced in § 73.106 (relating to life insurance rate standards) or 27% of the actuarially consistent premium rates for insurance for which prima facie rates are not published in the *Pennsylvania Bulletin*.

(2) For credit A&H insurance or involuntary unemployment insurance, 21% of the prima facie premium rates referenced in §§ 73.109 and 73.112

(relating to A and H insurance rate standards; and involuntary unemployment insurance rates standards) or 21% of the actuarially consistent premium rates for insurance for which prima facie rates are not published in the *Pennsylvania Bulletin*.

(b) *Additional compensation.* When a licensed producer, general producer, general agency or home office producer, having no direct or indirect affiliation or connection with the creditor, is involved in the solicitation of a credit insurance policy, the compensation of 27% as provided in subsection (a) shall be increased to 30% and the compensation of 21% as provided by subsection (b) shall be increased to 25% provided that the entire amount or any part of additional compensation shall be used solely as commission for the licensed producer, general producer, general agency or home office producer involved in the solicitation. The creditor is prohibited from receiving indirectly or directly all or any portion of the additional 3% or 4% commission.

(c) *Compensation defined.* For purposes of this chapter, “compensation” means money or anything else of value paid or credited to or on behalf of any group policyholder, producer, or general producer or withheld by any group policyholder producer, broker or general producer within or outside this Commonwealth in relation to business produced or to be produced or written or to be written in this Commonwealth and paid or credited by or on behalf of the insurer or by any affiliate of the insurer or by another person. Compensation includes the following:

- (1) Commissions.
- (2) Fees, including administrative fees, service fees, consulting fees and expense fees.
- (3) Electronic data processing equipment used for purposes other than electronic rate books.
- (4) Electronic data processing services other than the programming of existing electronic data processing equipment used in lieu of rate books or charts.
- (5) Supplies, other than forms approved by the Commissioner and usual and customary claims and reporting forms and envelopes.
- (6) Rental equipment of any type provided by an insurer, its agent or any related person without charge of actual cost or at a charge less than the usual cost.
- (7) Advertising provided by an insurer, its agent or a related person without charge of actual cost or at a charge less than the usual cost.
- (8) Communication devices provided by an insurer, its agent or a related person without charge of actual cost or at a charge less than the usual cost.
- (9) Profit sharing plans.
- (10) Experience rating refunds and credits.
- (11) Dividends as provided in § 73.129 (relating to dividends).

(12) Dividends received by a producer of credit insurance business who owns in part or whole a reinsurance company which assumes the credit insurance business from the direct insurer, if any of the following criteria are met:

(i) The dividend payment on each share of stock represents more than a reasonable return on the producer's capital investment.

(ii) The direct insurer has contractually guaranteed to reassume any losses sustained by the reinsurer on the ceded business.

(13) Expense allowances or reimbursement.

(14) Stock plans and bonuses.

(15) Extension of credit.

(16) Reimbursement for expenditures.

Cross References

This section cited in 31 Pa. Code § 73.129 (relating to dividends); 31 Pa. Code § 73.135 (relating to licensed producers).

§ 73.135. Licensed producers.

(a) *Individual policy.* All individual policies of credit life insurance, credit A and H insurance or credit involuntary or voluntary unemployment insurance shall be issued only through a producer licensed in this Commonwealth. A person performing in connection with an individual policy a conduct which would fall within the definition of a producer shall be licensed as a producer.

(b) *Employes of creditor or insurer.* If a group policy is issued to a creditor, bona fide employes of the creditor or insurer may issue certificates and perform functions related to the issuance of certificates and administration of the group policy without being licensed as producers.

(c) *Receipt of compensation without licensing.* If a group policy is issued to a creditor, the creditor may, without being licensed as a producer, receive compensation for the issuance of certificates and performance of functions related to the issuance of certificates, subject to the limitation on compensation as provided in § 73.134 (relating to compensation of producers or creditors).

(d) *Licensed agent.* A licensed agent of the insurer who is not employed by the group policyholder may assist the group policyholder with the enrollment of persons in the program and with the issuance of certificates, but may not receive a commission from the group policyholder.

§ 73.136. Filing of forms and rates.

(a) *Approval of forms and rates.* Individual policies, group policies, group certificates, notices of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this Commonwealth and premium rates and formulas used in this Commonwealth shall be filed with the Commissioner for approval in accordance with section 7 of the act (40 P. S. § 1007.7).

(b) *Identification of filing.* Each filing of an individual or group policy or group certificate shall be accompanied by a filing letter describing the specific type of credit instruments with which the form will be used. If the coverage is equal to the net unpaid indebtedness, the filing letter shall describe the method used to determine how the interest is earned. If an approved form is to be used with a type of credit instrument other than that stated in the original filing letter, or the method for earning interest is other than that as stated in the original filing letter, a new filing letter describing the specific type of loan and the interest charge calculation shall be filed.

(c) *Readability.*

(1) Forms shall be written in understandable language, which is not confusing or misleading to a person of average intelligence. Forms shall contain a definition or explanation of terminology that would not be ordinarily understood by a person of average intelligence.

(2) Forms may not contain inconsistent or contradictory language or provisions.

(3) Policies and group certificates shall accurately and completely explain the coverage and conditions of coverage. Group certificates shall be consistent with the group policies and contain provisions applicable only to insured debtors.

(d) *Combination forms.* Insurers may provide life coverage, life coverage with TPD benefit, A and H coverage (any and all benefit plans), or unemployment coverage (any and all benefit plans) on either a single coverage or joint coverage basis within the same policy or certificate. Every individual policy or group certificate shall provide a means of identifying which debtor is insured under which coverage.

(e) *Identity of insurer.*

(1) Forms shall disclose the identity of the insurer.

(2) If more than one insurer provides credit insurance coverages, a multi-company insurance application, policy or group certificate may be used, as long as the form clearly discloses which insurer provides which coverage.

(f) *Credit instrument application.*

(1) If an insurer relies on the credit insurance election portion of a credit instrument as the application for insurance, the credit insurance election portion shall be filed with the Department for approval. Once approved, the identical credit insurance election portion of the form may be incorporated into other credit instruments without the necessity of refiling the credit insurance election form.

(2) If an insurer relies on the credit election portion of a credit instrument as the application for insurance, the credit insurance election portion shall be clearly differentiated in appearance from the rest of the credit instrument.

(g) *Identification.* No credit insurance rate book, rate chart, rate card, rate table, or refund table may be used or distributed in this Commonwealth, unless the premium payment, gross or net coverage basis and plan of benefits appear therein.

(h) *Out-of-State coverage.* If a group policy of credit insurance has been issued in another state, the insurer shall:

- (1) File for approval the group certificate and notice of proposed insurance to be delivered or issued for delivery in this Commonwealth.
- (2) Certify that the rates to be charged do not exceed the rates of the insurer on file with the Department.
- (3) Identify the applicable rates on file with the Department. If no applicable rates are on file, file for approval the premium rates and formulas in accordance with § 73.106, § 73.109, § 73.112 and § 73.113.
- (4) File the group policy with the Department for information purposes only.

Cross References

This section cited in 31 Pa. Code § 73.113 (relating to voluntary unemployment insurance rate standards); 31 Pa. Code § 73.139 (relating to credit insurance on open end loans); 31 Pa. Code § 73.140 (relating to credit insurance on closed end variable interest loans); 31 Pa. Code § 73.141 (relating to credit insurance on lease transactions); 31 Pa. Code § 73.142 (relating to credit insurance on fixed residential loans); and 31 Pa. Code § 73.143 (relating to credit insurance on balloon loans).

§ 73.137. Compensating balances or special deposits.

(a) *Definition.* Compensating balances or special deposit accounts shall include the following:

- (1) The deposit of premiums or money to the account of the insurer or an affiliate of the insurer when the account is either noninterest bearing or bearing interest at a rate less than the current market rate. The rate of interest will be considered less than usual if a higher rate of interest could be earned by combining the account with one or more other accounts, unless there is a business reason unrelated to the credit insurance program for maintaining separate accounts.
- (2) The remittance of premiums to the insurer after the expiration of the grace period, except as provided in § 73.132(b) (relating to collection of premiums), on a regular basis thereby resulting in an arrearage period which is constant.
- (3) The retention of premiums by a producer to whom the financial institution remits premiums beyond a reasonable period of time needed for the producer to remit premiums to an insurer, if the delay is a continuing practice in the premium paying process.
- (4) Any other practice which unduly delays receipt of premiums by the insurer on a regular basis, or which involves the use of the financial resources of an insurer for the benefit of a financial institution.

(b) *Illegal inducement.* The use of compensating balances or special deposit accounts in connection with a credit insurance program constitutes a violation of section 635 of The Insurance Department Act of 1921 (40 P. S. § 271), section 346 of The Insurance Company Law of 1921 (40 P. S. § 471) and section 5(a)(4) of the Unfair Insurance Practices Act (40 P. S. § 1171.5(a)(4)).

(c) *Premium basis.* The prohibition on compensating balances and special deposits applies regardless of whether premiums are due the insurer on the single premium basis or on the monthly outstanding balance premium basis.

(d) *Nonapplicability.* This section does not prevent an insurer from making deposits in a financial institution which deposits are not related to a credit insurance program.

§ 73.138. Financial statement reserves.

The following reserves for all credit insurance policies shall be maintained by insurers doing credit life insurance or credit A and H insurance business in this Commonwealth:

(1) The reserves for credit life insurance may not be less than the reserves as computed using the Commissioners 1980 Extended Term Mortality Table, using mortality rates applicable to male lives for insurance issued prior to January 1, 2007, with interest at the rate specified in section 301(c) of The Insurance Department Act of 1921 (40 P. S. § 71(c)).

(2) The reserves for credit life insurance may not be less than the reserves as computed using the 2001 CSO Male Composite Ultimate Mortality Table for insurance issued on or after January 1, 2007 with interest at the rate specified in section 301(c) of The Insurance Department Act of 1921.

(3) If the credit life insurance policy or certificate insures two lives, the minimum standard must be twice the mortality in the 2001 CSO Male Composite Ultimate Mortality Table based on the age of the older insured.

(4) Chapter 84c (relating to valuation of life insurance policies) does not apply to credit life insurance.

(5) The reserves for single premium credit TPD benefits may not be less than the mean of the amounts of unearned premium calculated from gross premiums in force on the following bases:

- (i) The pro rata basis.
- (ii) Rule of 78 basis.

(6) The reserves for single premium credit A and H insurance are regulated under Chapter 84a (relating to minimum reserve standards for individual and group health and accident insurance contracts).

(7) The reserves for monthly premium credit A and H insurance and TPD benefits may not be less than the amount of unearned premium calculated from gross premiums in force on the pro rata basis.

(8) The claim reserves for credit A and H insurance shall be calculated using a generally accepted actuarial method or other reasonable method acceptable to the Commissioner.

Source

The provisions of this § 73.138 amended July 14, 2006, effective January 1, 2007, 36 Pa.B. 3665. Immediately preceding text appears at serial page (242961).

§ 73.139. Credit insurance on open end loans.

(a) *General requirements.* Credit insurance may be provided in connection with open end loans. This insurance is provided on the outstanding balance of the indebtedness, subject to any maximum dollar amount of coverage or limited benefit period specified in the group certificate or individual policy. If no indebtedness exists, the insurance amount shall be zero and shall remain so until an advance or charge occurs under the plan. This section supersedes other provisions of this chapter to the extent that the provisions would otherwise relate to credit insurance on open end loans.

(b) *Identification.* A credit insurance program designed for use with open end loans shall be identified as such when filed with the Department in accordance with § 73.136 (relating to filing of forms and rates).

(c) *Symbols.* The symbols used in this section shall have the following meaning:

- (1) i = actual monthly interest rate (APR/12).
- (2) i' = $(i + .0025)$.
- (3) n = $\log(z/(z-i))/\log(1+i)$ rounded up to an integer.
- (4) NFC = gross/net conversion rate for an open end loan with the monthly benefit equal to a minimum monthly payment that is based on a percentage of the current month's balance.
- (5) z = minimum monthly payment expressed as a decimal fraction.

(d) *Life benefit.* The credit life insurance benefit shall be equal to the lesser of:

- (1) The amount of the outstanding balance of the indebtedness at the time of death.
- (2) The maximum dollar amount of coverage specified in the group certificate or individual policy.

(e) *TPD benefit.* The TPD benefit shall be equal to the lesser of:

- (1) The amount of the outstanding balance of the indebtedness at the commencement of the TPD plus the amount any monthly interest accruing on the net unpaid indebtedness from the date TPD commences until the date the TPD benefit is paid.
- (2) The maximum dollar amount of coverage specified in the group certificate or individual policy.

(f) *A and H and involuntary unemployment benefit.* The minimum monthly insurance benefit for A and H insurance and involuntary unemployment insurance shall be equal to the lesser of:

- (1) The minimum loan payment for the month in which disability or unemployment commences, excluding indebtedness incurred after the disability or

unemployment commences and repayments made during the month in which disability or unemployment commences.

(2) The maximum monthly dollar amount of coverage specified in the group certificate or individual policy.

(g) *A and H and involuntary unemployment premium rates.* If the A and H and involuntary unemployment premium rates are based on the net outstanding balance, the premium rates shall be determined as follows:

(1) If the benefit amount is based on a percentage of the current month's balance and the benefit is paid until the indebtedness existing at the time of disability or involuntary unemployment, including accrued interest, is repaid, the following adjustment shall be made:

(i) The monthly outstanding balance prima facie rates published in the *Pennsylvania Bulletin* shall be converted from rates to be applied to gross

monthly outstanding balance, to rates to be applied to the net monthly outstanding balance. The following formula may be used:

$$NFC = (n/a_{ni}) (Op_n)$$

(ii) Each creditor shall have its A and H and involuntary unemployment rate based on the creditor's minimum repayment schedule and current annual percentage rate. The insurer shall review the minimum monthly installment and annual percentage rate of each creditor at least annually. If there is a change in the minimum repayment percentage or the annual percentage rate, and the resulting premium rate is greater than the current premium rate, the insurer may adjust the rate. If the resulting rate is lower than the current premium rate, the insurer shall adjust the rate if the change results in a rate reduction of greater than 5%.

(iii) Either the actual interest rate used in calculating the loan or interest rate intervals may be used when converting the gross premium prima facie rates published in the *Pennsylvania Bulletin* in accordance with subparagraphs (i) and (ii). When interest intervals are used, the monthly interest rate "i" shall be set equal to the midpoint of the range. The interest rate intervals shall be set so as to include all interest rates that produce the same loan duration for a specified playback percentage. The insurer shall include with the premium rate filing, required by § 73.136, a complete description of the method and formulas used to determine the interest rate intervals.

(2) For a benefit plan that is different than the plan described in paragraph (1), the insurer shall include with the premium rate filing, a description of the method and formulas used to determine the coverage period and benefit period, and a description of the method and formulas used to adjust the gross outstanding balance rates for a full coverage period and a full benefit period to net outstanding balance rates for the appropriate coverage period and benefit period. The insurer shall include the actuarial justification of the method.

(h) *Furnishing of forms.* Forms required to be furnished to a debtor as evidence of coverage need be furnished only once for each open end loan and may remain in force until terminated.

(i) *Assumption of coverage.* If an existing group policy providing insurance coverage in connection with open end loans is assumed by another insurer, the assuming insurer shall issue a replacement certificate to each existing certificate holder.

(j) *Premium refund.* Refund of premiums is not required in the event of termination of the coverage, except with respect to the termination of credit A and H, credit involuntary unemployment or credit voluntary unemployment insurance as provided in § 73.127(a)(2) (relating to refunds).

Cross References

This section cited in 31 Pa. Code § 73.107 (relating to accident and health insurance benefits); 31 Pa. Code § 73.110 (relating to involuntary unemployment insurance benefits); and 31 Pa. Code § 73.127 (relating to refunds).

§ 73.140. Credit insurance on closed end variable interest loans.

(a) *General requirements.* Credit insurance may be provided in connection with closed end variable interest loans. This section supersedes other provisions of this chapter to the extent that the provisions would otherwise relate to credit insurance on closed end variable interest loans.

(b) *Identification.* A credit insurance program designed for use with closed end variable interest loans shall be identified as such when filed with the Department in accordance with § 73.136 (relating to filing of forms and rates).

(c) *Disclosure.* If premiums are payable on a single premium basis and life insurance coverage is provided, the individual policy or group certificate shall contain a disclosure that the insurance benefit may end prior to the maturity date of the loan. If premiums are payable on a single premium basis and A and H, involuntary unemployment or voluntary unemployment insurance coverage is provided, the individual policy or group certificate shall contain a disclosure that the insurance benefits may not be sufficient to pay the entire amount of the periodic loan payment or may end prior to the maturity date of the loan. The disclosure shall appear in prominent type on the first page of the individual policy or group certificate.

(d) *Benefit amount.* Subject to any policy limitations, if premiums are payable on a single premium basis, the monthly A and H insurance benefit and the involuntary unemployment insurance benefit shall equal the amount of the original monthly installment payment. Subject to any policy limitations, if premiums are payable on a monthly outstanding balance basis, the monthly A and H and involuntary unemployment insurance benefits shall equal the amount of the monthly installment payment amount on the day disability or unemployment began.

(e) *Coverage term.* If premiums are payable on a single premium basis, the term of the insurance shall extend until the original scheduled maturity date of the indebtedness, unless coverage terminates earlier in accordance with the policy or certificate provisions. If the term of the insurance extends to the original scheduled maturity date of the indebtedness, it may be extended for an additional 2 months to cover delinquencies or extensions due to increased interest rates. If premiums are payable on a monthly basis, the term of the insurance shall extend until the loan is repaid, unless coverage terminates earlier in accordance with the policy or certificate provisions.

(f) *Refund.* A refund of any unearned premiums shall be made as provided in § 73.127 (relating to refunds) if the indebtedness is prepaid prior to the original scheduled maturity date of the indebtedness as a result of a decline in interest

rates. The refund shall be based on the term and interest rate applicable at the inception of the loan and the actual elapsed term.

(g) *Premium determination.* If premiums are payable on a single premium basis, the premium shall be based on the expected amount and term of coverage, in consideration of the amount financed, the expected loan term and the interest rate applicable to the loan at the time the insurance is elected.

Source

The provisions of this § 73.140 corrected April 24, 1998, effective June 19, 1998, 28 Pa.B. 1941.

Cross References

This section cited in 31 Pa. Code § 73.107 (relating to accident and health insurance benefits); and 31 Pa. Code § 73.110 (relating to involuntary unemployment insurance benefits).

§ 73.141. Credit insurance on lease transactions.

(a) *General requirements.* Credit insurance may be provided in connection with lease transactions. This section supersedes other provisions of this chapter to the extent that the provisions would otherwise relate to credit insurance on lease transactions.

(b) *Identification.* Any credit insurance program designed for use with lease transactions shall be identified as such when filed with the Department in accordance with § 73.136 (relating to filing of forms and rates).

(c) *Lease filing.* Insurers shall file a lease form and lease worksheet for each total monthly lease payment calculation method. An insurer, which has received approval of filed insurance forms, premiums and refund calculations for use with a particular monthly lease payment calculation method, may use the approved forms, premiums and refund calculations with any lease form providing for the same method. Approved insurance forms may be used with a different total monthly lease payment calculation method if the insurer files the lease form and receives approval of premium and refund calculations. The premium and refund calculations shall be consistent with the manner in which the newly filed total monthly lease payment is calculated.

(d) *Lease payment methodology.* Insurers shall include with the premium rate filing the methodology for calculating the actual monthly lease payment, including factors such as taxes, depreciation, interest, insurance premiums and service fees.

(e) *Coverage basis.* The decreasing credit life insurance benefit or credit life insurance with TPD benefit shall equal the decreasing term lease insurance amount, as defined in § 73.103 (relating to definitions). If the residual amount of a lease transaction is insured, the insurance shall be provided on a level term basis.

(f) *Benefit amount.* The monthly A and H insurance benefit and the involuntary unemployment insurance benefit shall equal the amount of each monthly lease payment, subject to any maximum monthly benefit specified in the group policy and group certificate or individual policy. No credit A and H or involuntary unemployment insurance may be provided on the residual amount.

(g) *Payment to beneficiary.* If the credit life or TPD proceeds are applied to continue lease payments, the difference between the sum of the remaining payments plus the amount of level insurance, if applicable, and the sum of the present value of the remaining payments plus the present value of the residual payment, if applicable, shall be paid to the named beneficiary or the estate of the debtor regardless of whether the benefit is paid to the creditor as a lump sum or in installments. The present value shall be calculated using an interest rate not less than 5%.

(h) *Single premium calculation.* If premiums for credit life insurance or credit life insurance with TPD benefit are payable on a single premium basis, the single premium shall equal the sum of the following:

(1) The single premium for decreasing insurance with an amount of initial insured indebtedness equal to the initial amount of decreasing lease insurance, as defined in § 73.103, and with a number of equal monthly installments equal to the number of months in the lease term, less the number of monthly installments paid at the beginning of the lease.

(2) The single premium for level insurance with an amount of insurance equal to the amount of level lease insurance, as defined in § 73.103, and with a number of monthly installments equal to the number of months in the lease term.

(i) *Single premium formula filing.* Every insurer shall submit its formula for calculating the single premiums for the life, life with TPD, A and H, involuntary unemployment and voluntary unemployment insurance coverages consistent with the calculation of the monthly lease payment.

Cross References

This section cited in 31 Pa. Code § 73.107 (relating to accident and health insurance benefits); and 31 Pa. Code § 73.110 (relating to involuntary unemployment insurance benefits).

§ 73.142. Credit insurance on fixed residual loans.

(a) *General requirements.* Credit insurance may be provided in connection with motor vehicle fixed residual value financing. This section supersedes other provisions of this chapter to the extent that the provisions would otherwise relate to credit insurance on fixed residual loans.

(b) *Identification.* A credit insurance program designed for use with fixed residual value financing shall be identified as such when filed with the Department in accordance with § 73.136 (relating to filing of forms and rates).

(c) *Filing requirement.* Every insurer shall file a fixed residual value financing loan form and the formula demonstrating the manner in which the actual installment payment will be calculated for each installment payment calculation method.

(d) *Level life coverage.* If the fixed residual value amount is insured, life insurance coverage shall be provided on a level term basis.

(e) *A and H and involuntary unemployment coverage.* The monthly A and H insurance benefit and the involuntary unemployment insurance benefit may not exceed the amount of each monthly installment payment. No credit A and H or involuntary unemployment insurance may be provided on the residual amount.

(f) *Single premium gross calculation.* If premiums for credit life insurance or credit life insurance with TPD benefit are payable on a single premium basis, when the benefit is the gross unpaid indebtedness, the single premium shall equal the sum of the single premium for decreasing insurance with an amount of initial insured gross unpaid indebtedness equal to the sum of the schedule of installment payments and the single premium for level insurance with an amount of insurance equal to the fixed residual value.

(g) *Single premium net calculation.* If premiums for credit life insurance or credit life insurance with TPD benefit are payable on a single premium basis, when the benefit is the net unpaid indebtedness, the single premium shall equal the sum of the single premium for decreasing insurance based on an initial amount financed minus an amount equal to the fixed residual value, and the single premium for level insurance with an amount of insurance equal to the fixed residual value.

(h) *Payment to beneficiary.* If the insurance benefit is the gross unpaid indebtedness, and if the life insurance or TPD proceeds are applied to continue the installment, the group policy and group certificate or individual policy providing the coverage shall provide that the difference between the sum of the remaining payments plus the amount of level insurance, if applicable, and the sum of the present value of the remaining payments plus the present value of the fixed residual value payment, if applicable, shall be paid to the named beneficiary or the estate of the debtor, regardless of whether the benefit is paid to the creditor as a lump sum or in installments. The present value shall be calculated using an interest rate of at least 5%.

§ 73.143. Credit insurance on balloon loans.

(a) *General requirements.* Credit insurance may be provided in connection with balloon loans. This section supersedes other provisions of this chapter to the extent that the provisions would otherwise relate to credit insurance on balloon loans.

(b) *Identification.* Any credit insurance program designed for use with balloon loans shall be identified as such when filed with the Department in accordance with § 73.136 (relating to filing for forms and rates).

(c) *Disclosure.* Every individual policy or group certificate shall contain a disclosure that neither the A and H nor the involuntary unemployment insurance benefit is provided on the balloon amount of the loan. The disclosure shall appear in prominent type on the first page of the individual policy or group certificate.

(d) *Benefit amount.*

(1) For credit life insurance or credit life insurance with TPD benefit, the balloon amount shall be included in determining the amount of gross unpaid indebtedness or net unpaid indebtedness.

(2) For credit A and H, involuntary unemployment or voluntary unemployment insurance, no monthly benefit may be provided on the balloon amount.

(e) *Life insurance single premium gross calculation.* If premiums for credit life insurance or credit life insurance with TPD benefit are payable on a single premium basis when the benefit is the gross unpaid indebtedness, the single premium shall equal the sum of the single premium for the decreasing insurance with an amount of initial insured gross unpaid indebtedness equal to the actual amount of initial insured gross unpaid indebtedness minus the balloon amount and the single premium for level insurance with an amount of insurance equal to the balloon amount.

(f) *Life insurance single premium net calculation.* If premiums for credit life insurance or credit life insurance with TPD benefit are payable on a single premium basis when the benefit is the net unpaid indebtedness, the single premium shall equal the sum of the single premium for the decreasing insurance based on the initial amount financed minus the balloon amount and the single premium for level insurance with an amount of insurance equal to the balloon amount.

APPENDIX A [Reserved]

Source

The provisions of this Appendix A adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240472) to (240474).

APPENDIX B [Reserved]

Source

The provisions of this Appendix B adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial page (240475).

APPENDIX C [Reserved]

Source

The provisions of this Appendix C adopted October 1, 1971; amended May 9, 1975, effective May 10, 1975, 5 Pa.B. 1211; reserved March 20, 1998, effective June 19, 1998, 28 Pa.B. 1401. Immediately preceding text appears at serial pages (240476) to (240479).

APPENDIX D [Reserved]

Source

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