

MARYLAND REGISTER

## Proposed Action on Regulations

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| <b>Transmittal Sheet</b><br><br><b>PROPOSED<br/>OR REPROPOSED</b><br><br><b>Actions on Regulations</b> | <b>Date Filed with AELR<br/>Committee</b> | <b>TO BE COMPLETED BY<br/>DSD</b>              |
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2. COMAR Codification

**Title Subtitle Chapter Regulation**

31 13 01 15

3. Name of Promulgating Authority

Maryland Insurance Administration

4. Name of Regulations Coordinator

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**Title 31**  
**MARYLAND INSURANCE ADMINISTRATION**  
**Subtitle 13 CREDIT LIFE AND CREDIT HEALTH INSURANCE**  
**31.13.01 Standards for Credit Life and Credit Health Insurance Contracts**  
Authority: See attached.

**Notice of Proposed Action**

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The Insurance Commissioner proposes to amend the enabling authority and Regulation .15 under COMAR 31.13.01 Standards for Credit Life and Credit Health Insurance Contracts.

**Statement of Purpose**

The purpose of this action is to update the enabling authority to provide a specific statutory reference, correct a typographical error in Regulation .15, and to implement a proposed prima facie rate reduction for monthly premium credit health insurance as a result of a 2014 study performed by the Commissioner of the credit insurance loss ratios. The prima facie rates established within this regulation are developed by the Commissioner to ensure that the premiums charged are reasonable in relation to the benefits under the policies. As required by §13-111(e) of the Insurance Article, Annotated Code of Maryland, every two years the prima facie premium rates for credit insurance are revised if necessary based on experience for each class of business reported by the carriers. Prima facie rates for credit health insurance have not been revised since 2001. The 2014 study by the Commissioner recommended a reduction in the prima facie rates for credit health insurance on a monthly outstanding balance basis.

**Comparison to Federal Standards**

There is no corresponding federal standard to this proposed action.

**Estimate of Economic Impact**

**I. Summary of Economic Impact.**

The amendments to this Chapter will have an unknown economic impact on insurers writing monthly premium credit health insurance in Maryland.

| <b>II. Types of Economic Impact.</b> | Revenue (R+/R-)     | Magnitude |
|--------------------------------------|---------------------|-----------|
|                                      | Expenditure (E+/E-) |           |
| A. On issuing agency:                | NONE                |           |
| B. On other State agencies:          | NONE                |           |

C. On local governments: NONE

| Benefit (+)<br>Cost (-) | Magnitude |
|-------------------------|-----------|
|-------------------------|-----------|

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D. On regulated industries or trade groups:

|                             |     |         |
|-----------------------------|-----|---------|
| Economic Impact on Insurers | (-) | UNKNOWN |
|-----------------------------|-----|---------|

E. On other industries or trade groups: NONE

F. Direct and indirect effects on public:

|                |     |         |
|----------------|-----|---------|
| Rate Reduction | (+) | UNKNOWN |
|----------------|-----|---------|

**III. Assumptions.** (Identified by Impact Letter and Number from Section II.)

D. The proposed amendments will have an impact of unknown cost on insurers that write monthly premium credit health insurance in Maryland on or after the effective date of the amended regulation. It is not possible to quantify the cost of the impact on affected carriers because the majority of prima facie earned premiums are derived from case-rated accounts. Case rated accounts are assigned a maximum premium based on their loss ratio, that is, the ratio of incurred claims to prima facie earned premium (earned premium at prima facie rates). Carriers with significant non-case business would be primarily affected, due to the 33% reduction in prima facie rates, whereas carriers with mostly case business would be less affected due to the experience rating on their accounts.

F. The members of the public affected by this regulation would be certificate-holder debtors who would see their monthly premiums for credit health insurance decrease. The positive benefit to the public is also unquantifiable, largely due to the reasons stated above. Debtors of non-case-rated creditors who are paying prima facie rates for monthly premium credit health insurance would receive the benefit of a 33% reduction in their premiums. Debtors of case-rated creditors may not recognize a benefit since their premiums are regulated based on the experience of the account. It is expected that the benefit to the public will outweigh the cost to regulated industry since the premiums charged for this line of insurance will be more reasonable in relation to the benefits provided.

**Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

**Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

**Opportunity for Public Comment**

Comments may be sent to Catherine Grason, Director of Regulatory Affairs, Maryland Insurance Administration, 200 St. Paul Place, Ste. 2700, Baltimore, Maryland 21202, or call 410-468-2201, or email to [insuranceregreview.mia@maryland.gov](mailto:insuranceregreview.mia@maryland.gov), or fax to 410-468-2020. Comments will be accepted through January 27, 2016. A public hearing has not been scheduled.

### **Economic Impact Statement Part C**

A. Fiscal Year in which regulations will become effective: FY 16

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

No

C. If 'yes', state whether general, special (exact name), or federal funds will be used:

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

No additional funds are required to implement amendments to this chapter.

E. If these regulations have no economic impact under Part A, indicate reason briefly:

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

The only businesses which may be impacted are insurers writing credit health insurance in Maryland. There are no insurers who qualify as small businesses that would be affected by these proposed amendments.

G. Small Business Worksheet:

Attached Document:

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## **Title 31 MARYLAND INSURANCE ADMINISTRATION**

### **Subtitle 13 CREDIT LIFE AND CREDIT HEALTH INSURANCE**

#### **Chapter 01 Standards for Credit Life and Credit Health Insurance**

Authority: Insurance Article, §§2-109, 13-110, 13-111, and 13-112; Commercial Law Article, [Title 12, Subtitle 3] *Section §12-312*; Annotated Code of Maryland

##### **.15 Prima Facie Premium Rates for Credit Health Insurance.**

A. The premiums charged for credit health insurance policies having all policy provisions not less favorable to the insured debtor than those required by Regulation .17 of this chapter may not exceed, on policies of credit health insurance for which a single premium is charged in advance for the entire duration of the insurance and the indebtedness is repayable in equal installments, the amount shown in the table below for each \$100 of the initial amount of insured indebtedness:

| Number of Months in Which the [Indebtedness] <i>Indebtedness</i> Is Insured | Prima Facie Single Premium Rate Per \$100 of Initial Amount of Insured Indebtedness |         |         |                                     |         |         |
|---|---|---------|---------|-------------------------------------|---------|---------|
|   | Benefits Not Retroactive Elimination Period   |         |         | Retroactive Benefits Waiting Period |         |         |
|   | 7 days  | 14 days | 30 days | 7 days                              | 14 days | 30 days |
| 2   | \$0.50  | —       | —       | \$0.92                              | —       | —       |
| 3   | 0.71  | \$0.43  | \$0.21  | 1.28                                | \$0.92  | \$0.64  |
| 6   | 1.06  | 0.71    | 0.28    | 1.77                                | 1.28    | 0.92    |
| 12  | 1.42  | 0.99    | 0.57    | 2.13                                | 1.56    | 1.21    |
| 18  | 1.77  | 1.28    | 0.85    | 2.48                                | 1.84    | 1.49    |
| 24  | 2.13  | 1.56    | 1.13    | 2.84                                | 2.13    | 1.77    |
| 30  | 2.48  | 1.84    | 1.42    | 3.19                                | 2.41    | 2.06    |
| 36  | 2.84  | 2.13    | 1.70    | 3.55                                | 2.69    | 2.34    |
| 42  | 3.12  | 2.34    | 1.91    | 3.83                                | 2.91    | 2.55    |
| 48  | 3.33  | 2.48    | 2.06    | 4.04                                | 3.05    | 2.69    |
| 54  | 3.55  | 2.62    | 2.20    | 4.25                                | 3.19    | 2.84    |
| 60  | 3.76  | 2.77    | 2.34    | 4.47                                | 3.33    | 2.98    |
| 66  | 3.97  | 2.91    | 2.48    | 4.68                                | 3.47    | 3.12    |
| 72  | 4.11  | 2.98    | 2.55    | 4.82                                | 3.55    | 3.19    |
| 78  | 4.25  | 3.05    | 2.62    | 4.96                                | 3.62    | 3.26    |
| 84  | 4.40  | 3.12    | 2.69    | 5.11                                | 3.69    | 3.33    |
| 90  | 4.54  | 3.19    | 2.77    | 5.25                                | 3.76    | 3.40    |
| 96  | 4.68  | 3.24    | 2.84    | 5.39                                | 3.83    | 3.47    |
| 102   | 4.82  | 3.33    | 2.91    | 5.53                                | 3.90    | 3.54    |
| 108   | 4.96  | 3.40    | 2.98    | 5.67                                | 3.97    | 3.61    |
| 114   | 5.10  | 3.47    | 3.06    | 5.81                                | 4.04    | 3.68    |
| 120   | 5.24  | 3.54    | 3.13    | 5.95                                | 4.11    | 3.75    |

Prima facie premium rates for policies of credit health insurance under which the indebtedness is insured for periods other than those shown above but not in excess of 120 months, shall be determined by straight-line interpolation of the above rates with the results rounded to the nearest cent per \$100 of initial amount of insured indebtedness. For purposes of this regulation, the term "initial amount of insured indebtedness" means the originally scheduled total of payments under the loan contract if the loan payments are covered in total, or means the proportionate amount of the originally scheduled total of payments if a pro rata portion of the indebtedness is covered.

B. – D. (text unchanged)

E. On policies of group credit health insurance issued on the outstanding balance, a composite monthly outstanding balance premium rate shall be used instead of the rates referred to in §C of this regulation. The rates under this plan may not exceed those shown in the schedule immediately below, with the rates being based on the amount of insured indebtedness currently being repaid. The composite rate shall be applied to all outstanding balances under the plan each month irrespective of the duration of the loans. Application for a higher rate under this type of plan may be made upon a showing of need for an increased rate on a basis actuarially consistent with Regulation .18D of this regulation.

Schedule of Composite Rates Per \$100 of Insured Indebtedness

14 Day Nonretroactive --- \$[0.12] 0.08  
30 Day Nonretroactive ---- [0.10] \$0.07  
14 Day Retroactive ----- [0.17] \$0.11  
30 Day Retroactive ----- [0.14] \$0.09

F. – G. (text unchanged)

