



## Ohio Administrative Code

### Rule 3901-1-14 Credit life and credit accident health insurance.

Effective: November 16, 2023

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#### (A) Purpose

The purpose of this rule is to protect the interests of debtors and the public in Ohio by providing a framework for the transaction of credit life and credit accident and health insurance that ensures a complicated product is carefully and thoughtfully constructed and administered.

#### (B) Authority

This rule is promulgated pursuant to the authority vested in the superintendent under section 3901.041 of the Revised Code.

#### (C) Applicability

This rule is issued pursuant to Chapter 3918. of the Revised Code regulating credit life insurance and credit accident and health insurance and is applicable to all policies, riders, applications for insurance, notices of proposed insurance, certificates of insurance and endorsements providing credit life insurance and credit accident and health insurance issued or renewed on or after November 1, 1983 in the state of Ohio.

Certificates, notices of proposed insurance and premium rates applicable in connection with existing group policies of credit insurance are to be conformed to the requirements of this rule not later than the anniversary date of the group policy next following the effective date of this rule.

No existing group credit life or group credit accident and health policy presently in force in Ohio will be rewritten or redated so as to delay or avoid the effect of this rule.

Any policy issued to replace an existing policy of credit insurance or any amendment to any existing policy of credit insurance is to be ignored for the purpose of determining the anniversary if such



change is made after July 1, 1983.

(D) Filing and approval, disclosure

Section 3918.07 of the Revised Code provides that all policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders providing coverage on residents of Ohio are to be filed with the superintendent of insurance and that the superintendent may disapprove any such form.

(1) No individual or group policy of credit life insurance or credit accident and health insurance including no application, binder, endorsement, rider, certificate of group insurance, notice of proposed insurance, or other form pertaining to credit life insurance or credit accident and health insurance under such policy are to be issued for delivery or used in this state, on or after the effective date of this rule unless such forms and the premium rates and refund formulas therefore have been filed with the superintendent of insurance and approved prior to such issuance or use and have not been subsequently disapproved in accordance with division (B) of section 3918.07 of the Revised Code.

(2) If a group policy of credit life insurance or credit accident and health insurance:

(a) Has been delivered in this state before the effective date of this rule, or

(b) Delivered in another state before or after the effective date of this rule-

The insurer is required to file only the group certificate and notice of proposed insurance as specified in divisions (B) and (D) of section 3918.06 of the Revised Code and such forms are to be approved by the superintendent if they conform with the requirements of Chapter 3918. of the Revised Code and this rule, and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the standards set forth in this rule. Provided, however, the premium rate in effect on existing group policies may be continued until the first policy anniversary date following the effective date of this rule.

(3) Division (D) of section 3918.06 of the Revised Code provides that the copy of the application for,



or notice of, proposed insurance is separate and apart from the credit instrument unless the information required "is prominently set forth therein." The copy of the application for, or notice of, proposed insurance is deemed to be prominently set forth in the credit instrument if set forth in a separate provision on the face or reverse in type at least equal in size and prominence to the type used for the other provisions; provided that if the same is set forth on the reverse of the credit instrument, reference is to be made on the face of the instrument and provided further that the name of the debtor proposed for insurance, any figures relating to the amount and term of coverage, and the rate of amount of payment for insurance by the debtor need not be contained in a separate provision of the instrument, but may be set forth elsewhere in the instrument.

(4)

(a) The disclosure required by paragraph (D)(3) of this rule is to be made to the debtor at the time of the debtor's application for credit life or credit accident and health insurance (excluding non-contributory insurance) in connection with a credit transaction, and before the debtor becomes obligated to purchase such insurance.

(b) The form(s) containing the disclosure are to be filed with the superintendent of insurance and the disclosure language is subject to disapproval pursuant to section 3918.07 of the Revised Code.

(c) Additional disclosure is to be made using the exact form set forth in appendix I to this rule.

(5) If a creditor makes available to the debtors, more than one plan of credit life insurance or more than one plan of credit accident and health insurance, all debtors must be informed of all such plans applicable to the type of loan.

(E) Premium rate and coverage standards

Where rate filings are made in accordance with the premium rate standards outlined in this paragraph of this rule, the filed rates equivalent to prima facie are deemed not to be excessive in relation to the benefits provided.

(1) Standards for premium rates for credit life insurance



(a) Monthly premium rate:

It is presumed that the premium rate for credit life insurance, for which premiums are paid monthly on outstanding balances, is not excessive in relation to the benefits provided if the monthly premium rate for such coverage does not exceed 0.846 dollars per one thousand dollars of outstanding balance of insured indebtedness.

(b) Prima facie single premium rate for decreasing term credit life insurance:

It is presumed that the single premium rate for decreasing term credit life insurance for which premiums are paid in one sum for the entire duration of indebtedness, is not excessive in relation to the benefits provided if the single premium rate for such insurance does not exceed a rate of fifty-five cents per one hundred dollars repayable in twelve substantially equal monthly installments and, for other repayment periods, the equivalent single premium rates calculated according to the formula  $SP_n = (n + 1)/20$  times the monthly outstanding balance premium rate standard from paragraph (E)(1)(a) of this rule, where "n" is equal to the number of monthly payments, and "SP<sub>n</sub>" is the single premium rate per one hundred dollars repayable in "n" monthly installments.

(c) As an alternative to the standards set forth above, an insurer may, where age data applicable to the insured persons are available, determine premium rates based on such age data and computed in a manner consistent herewith, subject to approval pursuant to section 3918.07 of the Revised Code.

(d) Standards for premium rates for indebtedness repayable in installments other than as indicated in paragraph (E)(1) of this rule are to be the equivalent of these standards.

(e) Other additional benefits to policyholders and their debtors, (i.e. dismemberment, partial disability, total and permanent disability, and suicide) may be provided by the insurance carriers if they so desire, but in no event may the charge for such coverage be passed on to the debtor so as to increase the total rate to exceed the rate established by this rule. If a suicide exclusion is utilized, such exclusion cannot be effective for more than six months following the effective date of coverage for that insured person.



(f) The foregoing rate standards may be used for credit life insurance with or without age limitations. If an age limitation is provided, it may not be more restrictive than to exclude from coverage any debtor who has attained age sixty-five at incurral of indebtedness, or who will have attained age sixty-six at maturity of the indebtedness.

(g) A policy provision that restricts coverage based on age in accordance with paragraph (E)(1)(c) or (E)(1)(f) of this rule, in the absence of misstatement, is valid only for the first sixty days of coverage. During the first sixty days of coverage the insurer has the right to cancel or restructure coverage that would otherwise provide benefits in excess of policy age restrictions.

(h) These standards are applicable to the type of decreasing term credit life insurance contract customarily offered for sale protecting credit obligations repayable in substantially equal installments. Standards for premium rates in the case of forms which vary in any material respect from this standard type of credit insurance contract may reflect such variations to the extent that there is a measurable difference in the claims cost of the coverage provided and must receive approval pursuant to section 3918.07 of the Revised Code on a case basis.

(i) Premium rates for joint credit life insurance are not to exceed one and three-quarters times the applicable single credit life rate.

(j) Amount of credit life insurance:

(i) In connection with loans or other credit transactions of sixty months or less, the amount of credit life insurance is not to exceed the scheduled or actual amount of indebtedness, whichever is greater.

(ii) For loans or other credit transactions exceeding sixty months the amount of credit life insurance is not to exceed the net indebtedness, exclusive of unearned finance charges.

(k) The foregoing standards for premium rates are those to become effective November 1, 1983. Effective May 1, 1985, the monthly outstanding balance premium rate is not to exceed eighty cents per one thousand dollars outstanding balance of insured indebtedness and the single premium rate for decreasing term credit life insurance for which premiums are paid in one sum for the entire duration of indebtedness is not to exceed fifty-two cents per one hundred dollars repayable in twelve



substantially equal monthly installments. The superintendent is to use the experience data reported on the national association of insurance commissioners (NAIC) annual statement credit insurance experience exhibit to adjust the prima facie rates for credit life insurance on an industry-wide basis as necessary to establish and maintain a fifty per cent loss ratio. Prima facie rates are first to be adjusted in like manner effective November 1, 1986, based on the data reported the previous year, and adjusted in like manner effective November first of every year after 1986. However, after the November 1, 2013 adjustment, prima facie rates are to be adjusted in like manner effective January 1, 2017, based on the data reported for the previous three years, and be adjusted in like manner effective January first of every third year after two-thousand fourteen.

(2) Standards for premium rates for credit accident and health insurance

(a) If premiums are paid in one sum for the entire duration of the indebtedness the following rates per one hundred dollars of initial indebtedness repayable in the indicated number of equal monthly installments are applicable:

Duration	Prima facie single premium rate/\$100 14-day retroactive plan	Prima facie single premium rate/\$100 14-day nonretroactive plan
6	\$1.87	\$1.50
12	2.40	2.10
18	2.76	2.44
24	3.03	2.71
30	3.25	2.95
36	3.46	3.16
42	3.65	3.34
48	3.82	3.51
54	3.98	3.67
60	4.14	3.82
66	4.31	3.97
72	4.45	4.11
78	4.58	4.24
84	4.71	4.37
90	4.84	4.50



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96	4.95	4.62
102	5.07	4.74
108	5.18	4.85
114	5.23	4.96
120	5.41	5.07

Duration	30-day retroactive plan	30-day nonretroactive plan
6	\$1.28	\$ .74
12	1.81	1.27
18	2.04	1.62
24	2.20	1.82
30	2.34	1.96
36	2.47	2.08
42	2.57	2.19
48	2.67	2.28
54	2.77	2.38
60	2.85	2.47
66	2.95	2.55
72	3.04	2.63
78	3.11	2.70
84	3.19	2.78
90	3.26	2.85
96	3.33	2.92
102	3.39	2.98
108	3.46	3.06
114	3.52	3.11
120	3.59	3.18

Effective May 1, 1985, the one sum premium per one hundred dollars of initial indebtedness is to be one hundred three per cent of the rates listed in this paragraph of this rule. The superintendent is to use the experience data reported on the national association of insurance commissioners (NAIC) annual statement credit insurance experience exhibit to adjust the prima facie rates for credit accident and health insurance on an industry-wide basis as necessary to establish and maintain a sixty per cent



loss ratio. Prima facie rates are to first be adjusted in like manner effective November 1, 1986, based on data reported the previous year, and are to be adjusted in like manner effective November first, of every year after 1986. However, after the November 1, 2013 adjustment, prima facie rates are to be adjusted in like manner effective January 1, 2017, based on the data reported for the previous three years, and adjusted in like manner effective January first of every third year after two-thousand fourteen.

The above shows rates only for credit transactions repayable in a total number of installments which is a multiple of six. For transactions repayable in numbers of installments not set forth above; either the actuarial equivalent or straight-line interpolation may be utilized. The rate standards set forth above are to be applicable for such contracts which contain a provision excluding or denying claim for disability resulting from pre-existing illness, disease or physical condition (whether or not by name or specific description) which totally disabled the debtor at any time during the six-month period immediately preceding the effective date of the debtor's coverage, or provisions which exclude coverage for pre-existing conditions for which the insured debtor received medical advice, diagnosis, or treatment within six months preceding the effective date of the debtor's coverage, and which caused loss within the six months following the effective date of coverage, but contain no other provision which excludes or restricts liability in the event of disability. The rate standards set forth herein may be increased ten per cent for such contracts that do not contain a provision excluding or denying a claim for disability resulting from pre-existing conditions.

Any contract to which the above rates apply may contain provisions excluding or restricting coverage in the event of pregnancy, intentionally self-inflicted injuries, foreign travel or residence, or flight in non-scheduled aircraft, war or military service.

Any contract may also provide an age limitation, which limitation may not be more restrictive than to exclude from coverage any debtor who has attained age sixty-five at incurral of indebtedness, or who will have attained age sixty-six at maturity of the indebtedness.

No contract is to provide for an actively-at-work test that requires the debtor to be employed more than thirty hours per week.

(b) Standards for premium rates for indebtedness repayable in installments other than as indicated in





paragraph (E)(2)(a) of this rule are to be the equivalent of the standards.

(c) If premium rates are payable other than in one sum, an insurer may determine such rates on a basis consistent with the rates set forth in paragraph (E)(2)(a) of this rule.

(d) The standard for premium rates set forth in paragraph (E)(2)(a) of this rule is applicable to the form of credit accident and health insurance described which is illustrative of the kind of coverage that may be issued. This rule, however, does not preclude an insurer from filing other forms of credit accident and health insurance for consideration by the superintendent.

(e) Standards for premium rates for contracts providing benefits on a basis different from those illustrated above are to be the equivalent of the standard.

(f) A policy provision that restricts coverage based on age in accordance with paragraph (E)(2)(a) of this rule, in the absence of misstatement, is to be valid only for the first sixty days of coverage. During the first sixty days of coverage the insurer has the right to cancel or restructure coverage that would otherwise provide benefits in excess of policy restrictions.

### (3) Combination coverage

Standards for premium rates for contracts combining credit life and credit accident and health coverage in one policy are to be consistent with the standards set forth in paragraphs (E)(1) and (E)(2) of this rule, however, such contracts must provide for a refund of the unearned credit accident and health premium, in the event of the debtor's death. Refunds are computed from the date of death. These refunds are also to be provided when the insured debtor is covered by separate contracts providing credit life and credit accident and health coverage.

### (4) Loss ratio adjustments

Notwithstanding any other provision or paragraph of this rule to the contrary, the superintendent of insurance may, after November 1, 1986, establish minimum loss ratio percentage requirements, based upon claim experience and expense factors, that differ from the fifty per cent standard for credit life and sixty per cent standard for credit accident and health coverage set forth in paragraphs



(E)(1), (E)(2), and (E)(8) of this rule.

After November 1, 1986, any insurer desiring to show cause why its premium rates for a case or class of business should not be reduced, as set forth in paragraphs (E)(1) and (E)(8) of this rule, must agree to an examination and audit of its claim experience and expense factors. The examination and audit will be performed by qualified actuaries and accountants selected by the superintendent of insurance. The expense of the examination and audit will be paid for by the insurer and the insurer must agree to accept the findings of the superintendent of insurance which will be based upon the results of the examination and audit.

#### (5) Definitions

As used in connection with credit life or accident and health insurance, the following terms mean:

(a) "Claims" means benefits payable on death or disability and does not include loss adjustment expense, claim settlement expense or any other expense, charge, cost or payment.

(b) "Claims incurred" means claims actually paid during the year, plus any estimated reserves at the end of the year for reported claims in the process of settlement, and reserves for unreported claims, and less any estimated reserves at the end of the preceding year for reported claims in the process of settlement and for unreported claims.

#### (c) Premiums earned

Where premiums are payable monthly based on the outstanding balance of insured indebtedness, "premiums earned" means the total premiums paid the insurer during the reporting year plus premiums due the insurer but unpaid at the end of the preceding year, less the premiums due the insurer but unpaid at the end of the current year.

Where premiums are payable in one sum for the entire duration of indebtedness, "premiums earned" means the one-sum premiums which become due the insurer during the reporting year, plus the reserve at the beginning of the reporting year minus the reserve at the end of the reporting year.



The premiums as defined under either system of premium payments are without reduction of any kind except for premiums refunded or adjusted on account of termination of coverage.

(d) "Class of business" means a grouping of businesses under the following categories, each category being referred to as a class of business:

(i) Credit unions;

(ii) Commercial banks, societies for savings, and savings and loan associations;

(iii) Finance companies (including second mortgage lenders);

(iv) Motor vehicle dealers under retail installment sale contracts;

(v) All other sales finance companies (including dealers under retail installment sale contracts);

(vi) Production credit associations;

(vii) All others.

(6) Life premium rate deviations

Credit life insurance premium rates exceeding the standards in paragraph (E)(1) of this rule may be approved, as not being excessive in relation to the benefits provided, for the insurance covering the debtors of a creditor or a class of business hereinafter called the "case," if the credible loss ratio for the case is more than sixty per cent. For such cases, the permissible premium rate is to be computed as follows, unless otherwise determined by the superintendent.

(a) Determine the credible monthly claim cost by multiplying the monthly outstanding balance prima facie premium rate of 0.846 dollars per one thousand dollars by the case credible loss ratio obtained in paragraph (E)(6)(e)(iii) of this rule.

(b) The permissible deviated outstanding balance rate is equal to the credible monthly claim cost plus



0.338 dollars per one thousand dollars.

(c) If the case is on the single premium basis, the permissible schedule of single premium rates is obtained using the formula  $SP_n = (n + 1)/20$  times the deviated monthly outstanding balance rate from paragraph (E)(6)(b) of this rule, where:

"n" = the number of equal monthly payments.

"SP<sub>n</sub>" = the single premium rate per one hundred dollars for "n" monthly payments.

(d) The monthly outstanding balance prima facie premium rate of 0.846 dollars per one thousand dollars indicated in paragraph (E)(6)(a) of this rule, will reduce to eighty cents per one thousand dollars on May 1, 1985. The 0.338 dollars per one thousand dollars loading factor indicated in paragraph (E)(6)(b) of this rule, will reduce to thirty-two cents on May 1, 1985. On November 1, 1986 the monthly outstanding balance prima facie premium rate in paragraph (E)(6)(a) of this rule will be the rate required by paragraph (E)(1)(k) of this rule and the loading factor in paragraph (E)(6)(b) of this rule will be forty per cent of the outstanding balance rate.

(e) The credible loss ratio is computed as follows:

(i) Case size and credibility

Credibility of experience depends upon the case size. Case size is measured according to three premium size brackets to reflect the greater credibility of experience resulting from greater size. The premiums in the brackets are the premiums based on the prima facie premium rate standard. The size brackets are:

Case size	Earned premium
1	\$ 50,000 - 200,000
2	200,000 - 500,000
3	500,000 - and over



(ii) Credible experience period

The credible experience period is three years if the case aggregate earned premium based on the prima facie rate, developed during the most recent three-year period is less than five hundred thousand dollars. If the case aggregate earned premium during the most recent three-year period based on the prima facie rate is equal to or greater than five hundred thousand dollars, then the credible experience period is the most recent number of years needed to accumulate five hundred thousand dollars of premium on the prima facie rate. For example, if a case were of sufficient size to generate at least five hundred thousand dollars in one year, the credible experience period would be one year.

The experience used in determining the permissible rate is the experience during the credible experience period, as follows:

(iii) Credible loss ratio

The credible loss ratio is based on the experience of the credible experience period. It is a composite of the case's actual loss ratio (ALR) during the credible experience period and the basic loss ratio (BLR) contemplated by the prima facie rate standards which is fifty per cent for credit life insurance.

The actual loss ratio is the ratio of the incurred claims of the credible experience period divided by the earned premium based on the prima facie rate during the credible experience period.

The compositing of the actual and basic loss ratios takes account of fluctuations about expected experience, and dampens the effect of non-credible fluctuations. The factors used in compositing the loss ratios depend upon case size in accordance with the three size brackets in paragraph (E)(6)(e)(i) of this rule, as follows:

Case size	Credible loss ratio
1	50% of ALR plus 50% of BLR
2	75% of ALR plus 25% of BLR
3	100% of ALR plus 0% of BLR



(7) Accident and health premium rate deviations

Credit accident and health insurance premium rates exceeding the standards in paragraph (E)(2) of this rule may be approved, as not being excessive in relation to the benefits provided, for the insurance covering the debtors of a creditor or a class of business hereinafter called the "case," if the credible loss ratio for the case is more than sixty per cent. For such cases, the permissible premium rate is to be computed as follows, unless otherwise determined by the superintendent.

(a) Determine the credible claim cost by multiplying the prima facie premium rate, by the case credible loss ratio, obtained in paragraph (E)(7)(c)(iii) of this rule.

(b) The permissible deviated outstanding balance rate is equal to the credible monthly claim cost plus the loading factor. The loading factor is computed as a percentage of the prima facie rate as adjusted in accordance with the following table:

(i) Effective November 1, 1983 - thirty-five per cent times the prima facie rate set forth in paragraph (E)(2)(a) of this rule;

(ii) Effective May 1, 1985 - thirty-seven per cent times the prima facie rate set forth in paragraph (E)(2)(a) of this rule;

(iii) Effective November 1, 1986 - forty per cent times the prima facie rate set forth in paragraph (E)(2)(a) of this rule.

(c) The credible loss ratio is computed as follows:

(i) Case size and credibility

Credibility of experience depends upon the case size. Case size is measured according to three premium size brackets to reflect the greater credibility of experience resulting from greater size. The premiums in the brackets are the premiums based on the prima facie premium rate standard. The size brackets are:



Case size	Earned premium
1	\$ 50,000 - 200,000
2	200,000 - 500,000
3	500,000 - and over

(ii) Credible experience period

The credible experience period is three years if the case aggregate earned premium based on the prima facie rate, developed during the most recent three-year period is less than five hundred thousand dollars. If the case aggregate earned premium during the most recent three-year period based on the prima facie rate is equal to or greater than five hundred thousand dollars then the credible experience period is the most recent number of years needed to accumulate five hundred thousand dollars of premium on the prima facie rate. For example, if a case were of sufficient size to generate at least five hundred thousand dollars in one year, the credible experience period would be one year.

(iii) Credible loss ratio

The credible loss ratio is based on the experience of the credible experience period. It is a composite of the case's actual loss ratio (ALR) during the credible experience period and the basic loss ratio (BLR) contemplated by the prima facie rate standards which is sixty per cent for credit accident and health insurance.

The actual loss ratio is the ratio of the incurred claims of the credible experience period divided by the earned premium based on the prima facie rate during the credible experience period.

The compositing of the actual and basic loss ratios takes account of fluctuations about expected experience, and dampens the effect of non-credible fluctuations. The factors used in compositing the loss ratios depend upon case size in accordance with the three size brackets in paragraph (E)(7)(c)(i) of this rule, as follows:

Case size	Credible loss ratio
1	50% of ALR plus 50% of BLR



2	75% of ALR plus 25% of BLR
3	100% of ALR plus 0% of BLR

(8) Required downward rate deviations

After November 1, 1986, any insurer which produces, for a case or class of business, as determined by the insurer, a credible loss ratio of less than fifty per cent for life and sixty per cent for accident and health, is required to make appropriate rate reductions or show cause why its premium rates for such case or class of business should not be reduced. When the rate for any case is required to be reduced, such reduction is to continue whether the case remains with the insurer or is transferred to another insurer, until the loss experience demonstrates that the reduction is no longer appropriate.

(9) Cases with no identifiable charge

Where no debtor of a case is paying directly or indirectly any part of the premium, the case rates are such reasonable rates as are approved by the superintendent.

(10) Approved rates

No insurer, commencing with the policy anniversary date on or after the effective date of this rule, is to charge a premium rate for credit life or credit health and accident insurance insuring a debtor under an existing group policy of credit life or accident and health insurance at a rate greater than that approved for the insurer under this rule, or a premium rate under a group policy of credit life or credit accident and health insurance for any renewal year greater than the rate approved pursuant to this rule.

(11) Time limit on deviations

Premium rate deviations as outlined in paragraph (E)(6) of this rule may be utilized for a period of time not to exceed the credible experience period or two years, whichever is less.

All rates in excess of those outlined in this rule are withdrawn as of the effective date of this rule except that any rate provided under a policy of group credit life insurance or group credit accident





and health insurance heretofore approved by the department of insurance in excess of those prescribed herein may be continued until the first anniversary date of such group policy after the effective date of this rule. Such rate may be thereafter continued only if an application for increase in premium rates is approved with respect thereto.

(12) Charges for credit insurance

It will be considered that the debtor is charged a specific amount for insurance if, among other things:

(a) An identifiable amount for insurance is disclosed in the credit or other instrument furnished the debtor which sets out the financial elements of the credit transaction, or

(b) There is a differential in finance, interest, service or other similar charge rates charged to debtors who, except for their insurance status (insured vs. non-insured), are in like circumstances.

(F) Termination of coverage and refunds

(1) If a debtor is covered by a group credit insurance policy providing for the payment of single premiums to the insurer, then provision is to be made by the insurer that in the event of termination of the master policy for any reason, insurance coverage with respect to any debtor insured under such master policy shall be continued for the entire period for which the single premium has been paid, subject to the debtor's right to cancel the insurance at any time by express action.

(2) If a debtor is covered by a group credit insurance policy providing for payment of premiums to the insurer on a monthly outstanding balance basis, then the group policy is to provide that, in the event of termination of the policy for whatever reason, the insured debtor is to be notified that coverage will continue for thirty days from the date of notice, except where replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The notice required in this paragraph is to be given by the insurer or, at the option of the insurer, by the creditor.

(3) Refunds.



(a) Section 3918.08 of the Revised Code requires refund formulas to be filed and approved by the superintendent. This requirement will be considered satisfied if the refund formula to be applied by the insurer is set forth in either the policy if the coverage is written on an individual policy basis, or the certificate if the coverage is written on a group basis pursuant to a master policy; provided further that such forms of policies and certificates have not been disapproved by the superintendent. In the event that the refund formula to be used is the "sum of digits" also commonly known as the "rule of 78" it will be sufficient to state either descriptive name without further explanation in the provisions of the policy or certificate.

(b) The refund of premiums in case of reducing term credit life insurance or credit health and accident insurance on which premiums are payable other than by a single premium and of level-term credit life insurance is to be equal to the pro rata unearned gross premium, and in the case of reducing term credit life insurance paid by a single premium and of credit accident and health insurance is to be equal to the amount computed by the "sum of digits" formula commonly known as the "rule of 78."

(c) The refund of the amount charged to or collected from the debtor for insurance in the case of reducing term credit life insurance or credit accident and health insurance where said amount, if payable other than in a single sum and of level-term credit life insurance, is to be equal to the pro rata unearned gross amount to be collected, and in the case of reducing term credit life insurance where the whole amount thereof is charged to or collected from the debtor in a single sum and of credit accident and health insurance shall be equal to the amount computed by the "sum of digits" formula commonly known as the "rule of 78."

(d) Notwithstanding paragraph (F)(3)(a), (F)(3)(b), or (F)(3)(c) of this rule, the refund of premiums for credit accident and health insurance where the premiums are payable in a single sum, and for credit life insurance where the premiums are payable in a single sum and the amount of life insurance does not exceed the net indebtedness, is to be equal to the single premium that would be charged for the remaining term of the debt for the balance outstanding at the date of refund. This formula is commonly known as the "rule of anticipation."

(e) No refund or credit need be made if the amount is less than one dollar.



(f) In the event of termination, no charge for coverage may be made for the first fifteen days of a loan month, and a full month may be charged for sixteen days or more of a loan month.

(G) Maintenance of statistics

(1) Each insurer writing credit life insurance and credit accident and health insurance is to maintain statistics, on a policy-year basis for group policies, and on a calendar-year basis for individual policies with respect to each plan or type of coverage showing, on an accrual basis, separately for credit life insurance and separately for direct business and reinsurance assumed with respect to the following:

- (a) Gross premiums received.
- (b) Refunds of premiums on terminated insurance.
- (c) Increase in unearned premium reserve.
- (d) Earned premiums.
- (e) Claims paid.
- (f) Increase in claim reserve.
- (g) Claims incurred.
- (h) Reserve increases other than set forth in paragraphs (G)(1)(c) and (G)(1)(f) of this rule.
- (i) Commissions.
- (j) Fees and other allowances.
- (k) Dividends and experience rating refunds.



(l) Mean amount of life insurance in force.

(m) Mean number of individual policies and certificates in force during the calendar year.

(2) With respect to credit accident and health insurance, each insurer is to keep a record for each plan or type of coverage which, in addition to the above statistics, shows the nature of the benefits payable, the applicable waiting period, and the rate at which premiums are charged therefor.

(3) Credit insurance data and statistics are to be submitted from time to time as requested by the superintendent of insurance.

(H) Responsibility of insurers with respect to creditors

(1) Each insurer transacting credit insurance is responsible to conduct a thorough review of each creditor with respect to the first year of business with such creditor. The insurer thereafter is to conduct such reviews as reasonably may be necessary to assure compliance with applicable statutes and rules.

(2) Such reviews are to include, but not by way of limitation, verification that:

(a) Premiums and charges to debtors are properly calculated and transmitted to the insurer, based on rates permitted under statutes and the superintendent's rules and on the amounts of indebtedness actually insured; and

(b) Claims and refunds are properly calculated and paid;

(c) Disclosure forms are distributed before the debtor becomes obligated to purchase insurance.

(3) An insurer's responsibilities are not discharged or avoided by the delegation of premium collection or refund calculation or check or draft drawing, and the actions of such delegatee will be considered as the acts of the insurer.



The insurer is to maintain records of such reviews for three years, and such records will be subject to call and review by the superintendent at his discretion.

(I) Reserve basis

(1) Life

(a) For credit insurance written prior to January 1, 2009, in the state of Ohio, all insurers will be required to maintain reserves not less than 1958 "CET Table of Mortality" at four and one-half per cent interest.

(b) For credit insurance written on or after January 1, 2009, in the state of Ohio, all insurers will be required to maintain reserves not less than "2001 Male Composite Ultimate CSO Mortality" at the maximum valuation interest rate for life insurance as defined in section 3903.721 of the Revised Code.

(c) When the credit life insurance policy or certificate insures two lives, the minimum standard is to be twice the mortality in the "2001 CSO Male Composite Ultimate Mortality" table based on the age of the older insured.

(d) In addition to the mortality reserve, the extra liability for refunds is to be established and maintained as part of the total reserve. Any reserve basis which in the aggregate equals or produces a greater reserve not less than this basis will be acceptable to the superintendent. Also, proper rate credit and similar reserves approved by the superintendent are to be carried by the companies on such risks.

(2) Accident and health

(a) For credit insurance written prior to January 1, 2009, the reserve must not be less than a reserve based on the 1964 "Commissioner's disability table" at three per cent annual interest. However, should an insurer, after establishing a credit disability reserve on the 1964 "Commissioner's disability table", develop a disability reserve for such disability policies that is less than the premium that would have been charged for the remaining benefits for the balance of the term, then an



additional reserve must be established so that such aggregate total is not less than the premium that would have been charged for the remaining benefits for the balance of the term, for such disability policies. The mean of the gross unearned premiums calculated on a "rule of 78" and a pro rata basis is deemed to meet the requirements of this provision.

(b) For credit insurance written on or after January 1, 2009, the reserve must not be less than a reserve based on the morbidity assumption as described in paragraph (I)(2)(c) of this rule at the maximum valuation interest rate for ordinary life insurance as defined in section 3903.721 of the Revised Code. However, should an insurer, after establishing a credit disability reserve on the 1985 "CIDA Table", develop a disability reserve for such disability policies that is less than the premium that would have been charged for the remaining benefits for the balance of the term, then an additional reserve must be established so that such aggregate total is not less than the premium that would have been charged for the remaining benefits for the balance of the term, for such disability policies. The mean of the gross unearned premiums calculated on the "rule of 78" and a pro rata basis is deemed to meet the requirements of this provision.

(c) The morbidity assumption for use in determining the minimum standard for valuation of single premium credit disability insurance contract reserves are:

(i) For plans having fewer than a fifteen day elimination period, the "1985 Commissioners Individual Disability Table A" (85CIDA) with claim incidence rates increased by twelve per cent; or

(ii) For plans having greater than a fourteen day elimination period, the 85CIDA for a fourteen-day elimination period with claim incidence rates increased by twelve per cent.

#### (J) Severability

If any portion of this rule or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the rule or related rules which can be given effect without the invalid portion or application, and to this end the provisions of this rule are severable.