

Title 210 - NEBRASKA DEPARTMENT OF INSURANCE

Chapter 22 - CREDIT LIFE, ACCIDENT AND HEALTH INSURANCE

001. Statutory authority. Pursuant to the authority granted in Neb.Rev.Stat. §44-101.01, the Credit Life and Credit Health and Accident Insurance Act, §§44-1701 through 44-1713, §44-1601 §44-1603 and §44-1607, the following Departmental Rule is adopted.

002. Definitions. For the purpose of this Rule:

"The Act" means the Credit Life and Credit Health and Accident Insurance Act, Neb.Rev.Stat. §§44-1701 through 44-1713.

"Premium" means the total amount of money paid for insurance coverage subject to the Act upon the person of any individual debtor.

"Identifiable charge" means the total amount of money paid by the individual debtor for insurance coverage subject to the Act.

The definitions set forth in Section 2 of the Act are adopted as full and completely as if set forth herein.

003. Existing insurance - choice of insurer. When credit life insurance or credit accident and health insurance is required by a creditor, the debtor shall have the option, upon notice to the creditor, of furnishing existing policies of insurance, or procuring and furnishing new policies of insurance, owned or controlled by him and issued by any insurer authorized to transact business in this state for an amount no less than the indebtedness, and for the term and type of insurance coverage required. Insurers writing credit life insurance and credit accident and health insurance shall be responsible for establishment of procedures whereby debtors are furnished a prominent written notice informing them of said option.

004. Provisions of policies of insurance, certificates of insurance, applications for insurance and notices of proposed group credit insurance-, disclosure to debtors.

004.01 As required by the Act, all credit life insurance and credit accident and health insurance subject to the Act shall be evidenced by an individual policy or, in the case of group insurance, by a certificate of group insurance.

004.02 In order to insure that the provisions of the forms required by this Act to be filed with the Department of Insurance are not unjust, unfair, inequitable, misleading or deceptive and to insure that such provisions do not encourage misrepresentation of the coverage, the following are adopted as basic guides for forms submitted to the Director of Insurance for approval:

004.02A Each such policy or certificate of group insurance shall set forth, in addition to the matters required by the Act and in addition to other requirements of law, a provision for refund as set forth in Section 005 hereof.

004.02B Application for individual policies of insurance and notices of proposed group insurance, required by the Act in those situations in which the individual policy or certificate of group insurance is not delivered to the debtor at the time the indebtedness is incurred, shall contain, in addition to the matters required by the Act and in addition to other requirements of law, a statement that if the insurance is declined by the insurer or for some other reason does not become effective, any premium or identifiable charge will be refunded to the debtor pursuant to the provisions of Section 005 of this Rule.

004.02C Each policy of credit accident and health insurance shall contain a provision that no claim for disability shall be reduced or denied on the ground that diseases or conditions arose from a condition which had existed prior to the effective date of the policy, or the effective date of the coverage under a group certificate, unless such exclusion or coverage for disability arising from preexisting conditions shall be prominently and explicitly set forth on the face of the policy or certificate, delivered to the debtor, by overprinting such exclusions diagonally across the face of such policy or certificate in at least 18 point contrasting color type.

004.02D No policy of credit accident and health insurance shall contain any provision which excludes or restricts liability in the event of disability caused in a certain specified manner except provisions excluding or restricting coverage in the event of disability as a result of pre-existing conditions excluded in accordance with subsection 004.02C, pregnancy, mental or nervous disease or disorder, intentionally self-inflicted injuries, foreign travel or residence, travel in non-scheduled aircraft, war, or military service. Any such excluding or restricting provision must be prominently and explicitly set forth in the policy or certificate delivered to the debtor.

004.02E No policy of credit life insurance or credit accident and health insurance subject to the Act will be approved unless the benefits provided bear a reasonable relationship to the rates to be used in conjunction therewith. The reasonableness of such

relationship will be determined on the basis of studies made by the Department of Insurance and after considering all factors involved.

005. Refunds.

005.01 Each individual policy of credit life insurance and credit accident and health insurance on which the premium is paid by the debtor and each group certificate for which an identifiable charge is made to the debtor shall provide that, in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of premium or identifiable charge due shall be paid or credited promptly to the debtor. If a creditor requires a debtor to pay the premium or an identifiable charge for credit life insurance or credit accident and health insurance and such insurance is declined by the insurer or otherwise does not become effective, the insurer, creditor or licensed agent shall promptly arrange for a refund or credit to the debtor of any premium or identifiable charge paid by him for such insurance.

005.02 An insurer shall promptly refund to an individual policyholder and refund or credit to a group policyholder any refund of premium due on termination of insurance prior to the scheduled maturity date of the indebtedness, and a group policyholder or creditor shall promptly refund or credit to the debtor any refund due pursuant to this Section 005. Insurer shall be responsible for establishment of procedures by which such refunds or credits are made.

005.03 The following formulas for computing refunds of credit insurance premiums are hereby declared acceptable to the Director for the kinds of coverage specified.

005.03A Pro rata method. The pro rata unearned gross premium method for level term credit life insurance, credit accident and health insurance coverages under which premiums are collected from the consumer on a basis other than single premium basis.

005.03B Sum of the digits method. The "rule of 78" or "sum of the digits" unearned premium method for coverages other than those in Subsection 005.03A.

005.04 At the option of the insurer but consistent with subsection 005.03: no charge for credit insurance may be made for the first fifteen (15) days of a loan month and a full month may be charged for sixteen (16) days or more of a loan month; or a refund may be made on a pro rata basis for each day within the loan month. If the appropriate refund formula is the "sum of the digits" formula, commonly known as the "rule of 78", it shall be sufficient to refer to it by either

phrase. No insurance refund need be made to the consumer if all refunds and credits due him amount to less than one dollar (\$1).

006. Refinancing or consolidation. In any refinancing or consolidation of an indebtedness, no policy provision covering the new indebtedness shall operate to deny benefits which would have been payable had the refinancing or consolidation not taken place.

The provisions of Section 006 shall be applicable to all claims submitted following the effective date of the amendment. Nothing within Section 006 shall be interpreted as requiring the refiling of current policies but any future filings should include the language adopted and contained in Section 006 of Rule 22.

007. Experience statistics -- (earned and accrued basis). Each insurer writing insurance subject to the Act shall maintain the following statistics with respect to such insurance business on either a calendar-year or policy-year basis: (a) gross premium 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 (c) and (f), (i) commissions, (j) fees and allowances, (k) dividends and experience rating refunds, (l) mean amount of life insurance in force, and (m) mean number of individual policies in force during the calendar year. Such statistics shall be subject to call by the Director of Insurance from time to time and shall be maintained in a manner which will facilitate the demonstration of each statistical item with respect to:

007.01 each distinctive type or plan of group insurance coverage;

007.02 each distinctive type or plan of individual insurance coverage;

007.03 reinsurance assumed in connection with coverages described in 007.01 and 007.02;

007.04 classifications 007.01, 007.02, and 007.03 restricted to risks residing in Nebraska;

007.05 classifications 007.01, 007.02, and 007.03 encompassing all risks wherever they may reside.

008. Annual report. Each company shall prepare a report on a form or forms prescribed by the Department of Insurance which shall be filed in conjunction with the Credit Life and Accident and Health Exhibit setting forth such information as may be required by the Director of Insurance.

009. Rate schedules. The rate schedules for each policy form of credit life or credit accident and health insurance shall be submitted with such forms in quadruplicate with a separate rate sheet for each form. In cases of combination filings (policy forms containing both life and accident and

health) the rate schedules shall be filed separately. In addition each rate sheet shall state the form number of the policy with which it is to be used.

010. Sevarability Severability provision. If any provision of this regulation or the application thereof to any person or circumstances is held unconstitutional, the remainder of the regulation and the application of such provision to other persons or circumstances shall not be affected thereby.