

The Commonwealth of Massachusetts



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE
280 FRIEND STREET, BOSTON 02114
(617) 727-7189

TIMOTHY H. GAILEY
COMMISSIONER OF INSURANCE

HAND DELIVER

September 29, 1989

Robert E. MacQueen
Clerk of the House of Representatives
State House
Boston, MA 02133

Re: Report on Credit Life Insurance and Credit Accident
and Health Insurance
Summary of insurance claims experience and loss ratio
data

Dear Mr. MacQueen:

Pursuant to section 4 F. of Chapter 303 of the Acts of
1988, I am enclosing a Report on Credit Life Insurance and
Credit Accident and Health Insurance for you to forward to the
Joint Committee on Insurance.

I will also distribute to each member of the committee a
copy of that report.

Sincerely,

Timothy H. Gailey
Timothy H. Gailey
Commissioner of Insurance



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TIMOTHY H. GAILEY
 COMMISSIONER OF INSURANCE

September 29, 1989

TO: Robert E. MacQueen
 Clerk of the House of Representatives

FROM: Timothy H. Gailey *T.H.G.*
 Commissioner of Insurance

RE: Report on Credit Life Insurance and Credit Accident
 and Health Insurance
Summary of insurance claims experience and loss ratio
 data

This report is submitted to you pursuant to section 4 F. of Chapter 303 of the Acts of 1988. That statute requires each insurer writing credit life insurance and credit accident and health insurance to report to the commissioner its claims experience and loss ratio data, separately for motor vehicle dealers and for all classes of business combined on the credit insurance supplement form as specified by the National Association of Insurance Commissioners.

Pursuant to that statute I am required to summarize the insurance claims experience and loss ratio data furnished by these insurers and submit the summary experience and loss ratio data to you for forwarding to the joint committee on insurance not later than the thirtieth day of September each year.

The Division issued two bulletins to insurers writing credit life and credit accident and health insurance explaining these reporting requirements (Exhibits A and B hereto). Despite the Division's attempts to obtain the data necessary to make the Commissioner's report complete, many of the insurers failed to report their data to the Division in time for inclusion in this report. Only 30 of the 52 companies writing this class of business responded to our bulletin, and of those, only 20 companies reported any experience classwide, and only 10 companies reported any motor vehicle dealer business experience. The resulting data, set out in Exhibit C hereto, produce a very low credibility level to the loss ratio experience, not only for the motor vehicle class of business, but for all classes combined.

Exhibit C contains a separate summary of claims experience and loss ratio data for the motor vehicle dealer class of business, and a summary of claims experience and loss ratio data for all classes of credit insurance, and recommend that:

1. The statutory prima facie rates be continued for 1990 for the motor vehicle class of business.
2. The Division of Insurance develop further guidelines for annual reporting requirements.

I would be happy to respond to any questions you may have concerning this report.



ROGER M. SINGER
COMMISSIONER OF INSURANCE

THE COMMONWEALTH OF MASSACHUSETTS EXHIBIT A
EXECUTIVE OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE
280 FRIEND STREET BOSTON 02114
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BULLETIN SRB 89-03

TO: All Companies Writing Credit Life and Credit Disability Insurance
FROM: Roger M. Singer *RMS*
DATE: May 19, 1989

SUBJECT: Filing Guidelines and Requirements

1. Reporting requirements. Companies should submit the NAIC credit insurance exhibit to the State Rating Bureau by July 1, 1989, separating their experience by year and auto dealer/non-auto dealer business. The nominal rates for life (\$.69/1000) and for health (\$.70/100 for years 1-4) should be used for the prima facie rate calculations.

2. Effective date of new law on existing business. As stated in a notice going out to companies at the time of an approval of a policy, the effective date is the renewal date or anniversary date of a policy for new forms and rates, as set forth by Chapter 303 of the Acts of 1988. Companies do not have the option to implement the new forms and rates before an anniversary or renewal date of a policy.

3. Filing of Rates. Companies should identify in their cover letter whether a submission applies to auto-dealer, non-auto dealer business, or both. For non-auto dealer business only, companies must submit loss experience to justify the use of nominal rates; if their loss experience does not meet the minimum loss ratio test, they must file downward deviations. Auto-dealer business can use the nominal rates without the submission of loss experience.

For single premium business, companies must start from the \$.69/1000 MOB rate. The Division will give companies until the next anniversary date of a policy to bring policies into compliance. Companies should use the Actuary's method or other method explicitly approved by the Commissioner to make the conversion for their single premium business.

The Division will be setting nominal rates this fall (October 1, 1989) for auto dealer business, to become effective January 1, 1990. Companies must submit to us by July 1, 1989 their experience for the portion of their business marketed by auto dealers for the last 4 years, 1985-88.

For non-auto dealer business, companies can use the nominal rates, or a rate deviation or case rate, once justified and approved by the Division, until such time that they are required by law to file for a rate modification.

4. Other Policy Provisions. Companies should be cognizant of changes in maximum policy amounts, and policy periods. For life insurance, gross coverage is no longer allowed. For disability insurance, thirty day non-retroactive waiting periods are required. The policies must also comply with all applicable statutes and regulations, including 211 CMR 35.00.



TIMOTHY H. GAILEY
COMMISSIONER OF INSURANCE

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BULLETIN SRB 89-06

TO: All Companies Writing Credit Life and Credit Disability Insurance
FROM: Timothy Gailey *TGK*
DATE: August 15, 1989

SUBJECT: Reporting Requirements-Annual Report to Legislature

The Division of Insurance is mandated by the Massachusetts legislature to report annually on loss experience of credit insurers for both life and disability insurance. All companies writing credit life and credit disability insurance are required to submit this experience. If you have not already complied with the reporting requirements of Chapter 303 of the Acts of 1988, please do so by September 8, 1989. Please send your experience, explained below, to the attention of Frederick Lonsdale, State Rating Bureau, at the above address.

Reporting requirements. Companies should submit the NAIC credit insurance exhibit to the State Rating Bureau by July 1, 1989, separating their experience by year and auto dealer/non-auto dealer business. The nominal rates for life (\$.69/1000) and for health (\$.70/100 for years 1-4) should be used for the prima facie rate calculations.

EXHIBIT C

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Total number of companies reporting : 10

Of those companies reporting:

Total number of companies writing business in 1988: 10

Total number of companies writing business in 1987: 8

Total number of companies writing business in 1986: 7

Total number of companies writing business in 1985: 7

The following shows the Life Auto Dealer experience for 1985 through 1988.

	1985	1986	1987	1988
1. Earned Premiums:				
A. Gross written premiums . . .	11,494,879	19,862,460	18,457,127	14,527,110
B. Refunds on terminations . . .	244,254	1,483,833	2,643,603	2,278,231
C. Net written premiums				
(A-B)	11,250,625	18,378,627	15,813,524	12,248,879
D. Premium reserves,				
start of period	2,010,893	10,856,535	18,194,643	27,675,326
E. Premium reserves,				
end of period	2,875,292	18,194,743	19,759,570	21,855,659
F. Actual earned premiums				
(C+D-E)	10,386,226	11,040,419	14,248,597	18,068,546
G. Earned premiums at prima				
facie rates	10,388,919	11,042,585	14,250,357	17,409,961
2. Incurred Claims:				
A. Claims paid	1,374,677	2,452,870	3,090,768	4,837,290
B. Unreported claim reserve,				
start of period	100,841	476,323	725,646	1,062,364
C. Unreported claim reserve,				
end of period	186,373	725,646	875,352	870,251
D. Claim reserves,				
start of period	116,198	126,373	159,593	250,747
E. Claim reserves,				
end of period	167,691	159,593	250,746	123,209
F. Incurred claims				
(A-B+C-D+E)	1,511,702	2,735,413	3,331,627	4,517,639
3. Loss Ratio:				
A. Actual loss ratio (2F/1F) . . .	14.55%	24.78%	23.38%	25.00%
B. Loss ratio at prima facie				
rates (2F/1G)	14.55%	24.77%	23.38%	25.95%
4. Mean insurance in force	580,239,167	1,058,147,219	891,518,737	1,779,756,476
5. Losses per \$1,000 mean in				
force (1,000*2F/4)	2.61	2.59	4.07	2.54

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

The following shows the A&H Auto Dealer Experience for 1985 through 1988.

	1985	1986	1987	1988
1. Earned Premiums:				
A. Gross written premiums . . .	9,542,517	22,518,948	22,439,188	14,944,955
B. Refunds on terminations . . .	201,203	1,396,806	2,665,035	2,139,312
C. Net written premiums (A-B)	9,341,314	21,122,142	19,774,153	12,805,643
D. Premium reserves, start of period	3,127,397	13,485,635	23,310,369	29,146,381
E. Premium reserves, end of period	5,009,815	23,310,369	27,835,630	24,776,406
F. Actual earned premiums (C+D-E)	7,458,896	11,297,408	15,248,892	17,175,618
G. Earned premiums at prima facie rates	7,459,169	11,297,408	15,248,892	17,882,788
2. Incurred Claims:				
A. Claims paid	2,460,228	2,777,027	4,186,758	6,539,757
B. Unreported claim reserve, start of period	479,077	1,158,494	2,614,329	3,182,634
C. Unreported claim reserve, end of period	768,689	2,614,329	3,173,655	3,716,694
D. Claim reserves, start of period	286,546	1,537,904	2,359,579	3,746,874
E. Claim reserves, end of period	502,049	2,359,580	3,679,526	4,274,592
F. Incurred claims (A-B+C-D+E)	2,965,343	5,054,538	6,066,031	7,601,535
3. Loss Ratio:				
A. Actual loss ratio (2F/1F) . . .	39.76%	44.74%	39.78%	44.26%
B. Loss ratio at prima facie rates (2F/1G)	39.75%	44.74%	39.78%	42.51%

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Life Insurance 1988 Experience (Single Life Only)
Auto Dealer Business Only

	<u>Number Companies</u>	10	9
1. Earned Premiums:			
A. Gross written premiums		16,391,443	9,475,576
B. Refunds on terminations		2,376,492	1,593,496
C. Net written premiums (A-B)		14,014,951	7,882,080
D. Premium reserves, start of period		27,896,243	20,510,478
E. Premium reserves, end of period		22,803,793	15,040,748
F. Actual earned premiums (C+D-E)		19,107,401	13,351,810
G. Earned premiums at prima facie rates		18,448,816	12,693,225
2. Incurred Claims:			
A. Claims paid		5,008,383	3,343,978
B. Unreported claim reserve, start of period		1,062,364	889,257
C. Unreported claim reserve, end of period		870,251	659,097
D. Claim reserves, start of period		281,592	250,747
E. Claim reserves, end of period		191,526	123,209
F. Incurred claims (A-B+C-D+E)		4,726,204	2,986,280
3. Loss Ratio:			
A. Actual loss ratio (2F/1F)		24.73%	22.37%
B. Loss ratio at prima facie rates (2F/1G)		25.62%	23.53%
4. Mean insurance in force		N/A	1,317,287,718
5. Losses per \$1,000 mean in force (1,000*2F/4)		N/A	2.27

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Life Insurance 1987 Experience (Single Life Only)
Auto Dealer Business Only

	<u>Number Companies</u>	8	7
1. Earned Premiums:			
A. Gross written premiums		23,873,671	18,457,127
B. Refunds on terminations		2,643,603	2,643,603
C. Net written premiums (A-B)		21,230,068	15,813,524
D. Premium reserves, start of period		24,298,475	18,194,643
E. Premium reserves, end of period		26,924,418	19,759,570
F. Actual earned premiums (C+D-E)		18,604,125	14,248,597
G. Earned premiums at prima facie rates		18,605,885	14,250,357
2. Incurred Claims:			
A. Claims paid		4,071,871	3,090,768
B. Unreported claim reserve, start of period		1,064,155	725,646
C. Unreported claim reserve, end of period		1,048,459	875,352
D. Claim reserves, start of period		159,593	159,593
E. Claim reserves, end of period		250,746	250,746
F. Incurred claims (A-B+C-D+E)		4,147,328	3,331,627
3. Loss Ratio:			
A. Actual loss ratio (2F/1F)		22.29%	23.38%
B. Loss ratio at prima facie rates (2F/1G)		22.29%	23.38%
4. Mean insurance in force			
		N/A	819,518,737
5. Losses per \$1,000 mean in force			
(1,000*2F/4)		N/A	4.07

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Life Insurance 1986 Experience (Single Life Only)
Auto Dealer Business Only

	<u>Number Companies</u>	7	6
1. Earned Premiums:			
A. Gross written premiums	25,412,951		19,862,460
B. Refunds on terminations	1,483,833		1,483,833
C. Net written premiums (A-B)	23,929,118		18,378,627
D. Premium reserves, start of period	14,874,220		10,856,535
E. Premium reserves, end of period	24,298,575		18,194,743
F. Actual earned premiums (C+D-E)	14,504,763		11,040,419
G. Earned premiums at prima facie rates	14,506,929		11,042,585
2. Incurred Claims:			
A. Claims paid	3,318,536		2,452,870
B. Unreported claim reserve, start of period	674,843		476,323
C. Unreported claim reserve, end of period	1,064,155		725,646
D. Claim reserves, start of period	126,373		126,373
E. Claim reserves, end of period	159,593		159,593
F. Incurred claims (A-B+C-D+E)	3,741,068		2,735,413
3. Loss Ratio:			
A. Actual loss ratio (2F/1F)	25.79%		24.78%
B. Loss ratio at prima facie rates(2F/1G)	25.79%		24.77%
4. Mean insurance in force	N/A		1,058,147,219
5. Losses per \$1,000 mean in force (1,000*2F/4)	N/A		2.59

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Life Insurance 1985 Experience (Single Life Only)
Auto Dealer Business Only

	<u>Number Companies</u>	7	6
1. Earned Premiums:			
A. Gross written premiums	15,101,648	11,494,879	11,494,879
B. Refunds on terminations	244,254	244,254	244,254
C. Net written premiums (A-B)	14,857,394	11,250,625	11,250,625
D. Premium reserves, start of period	4,743,836	2,010,893	2,010,893
E. Premium reserves, end of period	6,892,977	2,875,292	2,875,292
F. Actual earned premiums (C+D-E)	12,708,253	10,386,226	10,386,226
G. Earned premiums at prima facie rates	12,710,946	10,388,919	10,388,919
2. Incurred Claims:			
A. Claims paid	2,046,443	1,374,677	1,374,677
B. Unreported claim reserve, start of period ...	203,955	100,841	100,841
C. Unreported claim reserve, end of period	384,894	186,373	186,373
D. Claim reserves, start of period	116,198	116,198	116,198
E. Claim reserves, end of period	167,691	167,691	167,691
F. Incurred claims (A-B+C-D+E)	2,278,875	1,511,702	1,511,702
3. Loss Ratio:			
A. Actual loss ratio (2F/1F)	17.93%	14.55%	14.55%
B. Loss ratio at prima facie rates (2F/1G)	17.93%	14.55%	14.55%
4. Mean insurance in force	N/A	580,239,167	580,239,167
5. Losses per \$1,000 mean in force (1,000*2F/4) ...	N/A	2.61	2.61

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Accident & Health Insurance 1988 Experience (30 Day Non-Retro)
Auto Dealer Business Only

	<u>Number Companies</u>	10
1. Earned Premiums:		
A. Gross written premiums		14,944,955
B. Refunds on terminations		2,139,312
C. Net written premiums (A-B)		12,805,643
D. Premium reserves, start of period		29,146,381
E. Premium reserves, end of period		24,776,406
F. Actual earned premiums (C+D-E)		17,175,618
G. Earned premiums at prima facie rates		17,882,788
2. Incurred Claims:		
A. Claims paid		6,539,757
B. Unreported claim reserve, start of period		3,182,634
C. Unreported claim reserve, end of period		3,716,694
D. Claim reserves, start of period		3,746,874
E. Claim reserves, end of period		4,274,592
F. Incurred claims (A-B+C-D+E)		7,601,535
3. Loss Ratio:		
A. Actual loss ratio (2F/1F)		44.26%
B. Loss ratio at prima facie rates (2F/1G)		42.51%

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Accident & Health Insurance 1987 Experience (30 Day Non-Retro)
Auto Dealer Business Only

	<u>Number Companies</u>	8
1. Earned Premiums:		
A. Gross written premiums		22,439,188
B. Refunds on terminations		2,665,035
C. Net written premiums (A-B)		19,774,153
D. Premium reserves, start of period		23,310,369
E. Premium reserves, end of period		27,835,630
F. Actual earned premiums (C+D-E)		15,248,892
G. Earned premiums at prima facie rates		15,248,892
2. Incurred Claims:		
A. Claims paid		4,186,758
B. Unreported claim reserve, start of period		2,614,329
C. Unreported claim reserve, end of period		3,173,655
D. Claim reserves, start of period		2,359,579
E. Claim reserves, end of period		3,679,526
F. Incurred claims (A-B+C-D+E)		6,066,031
3. Loss Ratio:		
A. Actual loss ratio (2F/1F)		39.78%
B. Loss ratio at prima facie rates (2F/1G)		39.78%

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Accident & Health Insurance 1986 Experience (30 Day Non-Retro)
Auto Dealer Business Only

Number Companies

7

1. Earned Premiums:

A. Gross written premiums	22,518,948
B. Refunds on terminations	1,396,806
C. Net written premiums (A-B)	21,122,142
D. Premium reserves, start of period	13,485,635
E. Premium reserves, end of period	23,310,369
F. Actual earned premiums (C+D-E)	11,297,408
G. Earned premiums at prima facie rates	11,297,408

2. Incurred Claims:

A. Claims paid	2,777,027
B. Unreported claim reserve, start of period	1,158,494
C. Unreported claim reserve, end of period	2,614,329
D. Claim reserves, start of period	1,537,904
E. Claim reserves, end of period	2,359,580
F. Incurred claims (A-B+C-D+E)	5,054,538

3. Loss Ratio:

A. Actual loss ratio (2F/1F)	44.74%
B. Loss ratio at prima facie rates (2F/1G)	44.74%

Credit Life and Credit Accident and Health Experience
Auto Dealer Business Only

Credit Accident & Health Insurance 1985 Experience (30 Day Non-Retro)
Auto Dealer Business Only

	<u>Number Companies</u>	7
1. Earned Premiums:		
A. Gross written premiums		9,542,517
B. Refunds on terminations		201,203
C. Net written premiums (A-B)		9,341,314
D. Premium reserves, start of period		3,127,397
E. Premium reserves, end of period		5,009,815
F. Actual earned premiums (C+D-E)		7,458,896
G. Earned premiums at prima facie rates		7,459,169
2. Incurred Claims:		
A. Claims paid		2,460,228
B. Unreported claim reserve, start of period		479,077
C. Unreported claim reserve, end of period		768,689
D. Claim reserves, start of period		286,546
E. Claim reserves, end of period		502,049
F. Incurred claims (A-B+C-D+E)		2,965,343
3. Loss Ratio:		
A. Actual loss ratio (2F/1F)		39.76%
B. Loss ratio at prima facie rates (2F/1G)		39.75%

Credit Life and Credit Accident and Health Experience
Non-Auto Dealer and Auto Dealer Business Combined

Total number of companies reporting : 30

Of those companies reporting:

Total number of companies writing business in 1988: 20

Credit Life Insurance 1988 Experience (Single Life Only)
Non-Auto Dealer and Auto Dealer Business Combined

1. Earned Premiums:

A. Gross written premiums	24,430,070
B. Refunds on terminations	3,835,141
C. Net written premiums (A-B)	20,594,929
D. Premium reserves, start of period	34,046,643
E. Premium reserves, end of period	29,443,146
F. Actual earned premiums (C+D-E)	25,198,426
G. Earned premiums at prima facie rates	24,719,521

2. Incurred Claims:

A. Claims paid	7,608,052
B. Unreported claim reserve, start of period	1,309,796
C. Unreported claim reserve, end of period	1,137,249
D. Claim reserves, start of period	904,923
E. Claim reserves, end of period	447,133
F. Incurred claims (A-B+C-D+E)	6,977,715

3. Loss Ratio:

A. Actual loss ratio (2F/1F)	27.69%
B. Loss ratio at prima facie rates (2F/1G)	28.23%

4. Means insurance in force

N/A

5. Losses per \$1,000 mean in force (1,000*2F/4)

N/A

Credit Life and Credit Accident and Health Experience
 Non-Auto Dealer and Auto Dealer Business Combined

Credit Accident & Health Insurance 1988 Experience (30 Day Non-Retro)
Non-Auto Dealer and Auto Dealer Business Combined

1. Earned Premiums:

A. Gross written premiums	22,732,336
B. Refunds on terminations	3,456,695
C. Net written premiums (A-B)	19,275,641
D. Premium reserves, start of period	34,841,372
E. Premium reserves, end of period	31,754,103
F. Actual earned premiums (C+D-E)	22,362,910
G. Earned premiums at prima facie rates	23,317,080

2. Incurred Claims:

A. Claims paid	8,995,520
B. Unreported claim reserve, start of period	3,582,129
C. Unreported claim reserve, end of period	4,772,503
D. Claim reserves, start of period	5,236,693
E. Claim reserves, end of period	8,093,999
F. Incurred claims (A-B+C-D+E)	13,043,200

3. Loss Ratio:

A. Actual loss ratio (2F/1F)	58.33%
B. Loss ratio at prima facie rates (2F/1G)	55.94%

