

**Nebraska Department of Insurance**  
**Guidance Document**  
**IGD - - A2**

Title: Credit Life Insurance and Credit Accident and Health Insurance

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Previously: Issued as CB-83, December 23, 2021

Notice: This guidance document is advisory in nature but is binding on an agency until amended by such agency. A guidance document does not include internal procedural documents that only affect the internal operations of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

### **Prima Facie Rates**

Pursuant to NEB.REV.STAT § 44-1709(1), an insurer issuing credit life insurance or credit accident and health insurance must file with the Director its schedule of premium rates for use in connection with such insurance. No insurer may issue any credit life or credit accident and health insurance policy for which the premium rates exceed the schedule of premium on file with the Director.

Pursuant to NEB.REV.STAT § 44-1708(1), the Nebraska Department of Insurance (NDOI) will disapprove any filed form if the benefits provided therein are not reasonable in relation to the premium charge. The NDOI promulgates prima facie rates, which were determined as reasonable in relation to the specified benefits. The NDOI reviews current and historic data, both local and nationwide, and reissues prima facie rates for these products every three years, or at an earlier interval as the Director determines to be necessary. These rates are developed with a target loss ratio of 45-50%.

The NDOI last updated the prima facie rates by promulgating CB 83 (Reinstated & Amended) on October 7, 2015. These rates were applicable to all credit life insurance and credit accident and health premiums collected beginning March 1, 2016.

In November 2021, the NDOI conducted a review of relevant data and determined the prima facie rates should remain unchanged. The NDOI is not reissuing the below prima facie rates, applicable to all credit life insurance and credit accident and health premiums.

### Credit Life Insurance

Single Premium Decreasing Term Life: \$ .50 per year per \$100 indebtedness (Joint Life: \$.84)  
Outstanding Balance Life: \$ .69 per \$1,000 per month on the outstanding balance (Joint Life: \$1.15)  
Level Term Life: \$ .92 per year per \$100 original indebtedness (Joint Life: \$1.54)

### Credit Accident and Health Insurance

(Per \$100 original indebtedness)

Years	14 Day Retroactive	14 Day Elimination	30 Day Retroactive	30 Day Elimination
1	1.51	1.02	1.02	0.56
2	2.04	1.43	1.43	0.79
3	2.56	1.77	1.77	0.98
4	2.90	2.04	2.04	1.13
5	3.17	2.26	2.26	1.24
6	3.43	2.49	2.49	1.36
7	3.70	2.72	2.72	1.47
8	3.96	2.94	2.94	1.58
9	4.23	3.17	3.17	1.70
10	4.49	3.40	3.40	1.81
11	4.76	3.62	3.62	1.92
12	5.02	3.85	3.85	2.04
13	5.28	4.08	4.08	2.15
14	5.55	4.30	4.30	2.26
15	5.81	4.53	4.53	2.38

Joint credit accident and health insurance prima facie rates are based on the above table at a factor of 1.80.

### Required Rate Filings

An insurer may file rates up to the published prima facie rates without providing additional statistical or actuarial justification. As noted above, Nebraska law requires a credit life or credit accident and health insurer to file its schedule of premium rates. Even if an insurer is using the published prima facie rates, it must file a premium rate schedule adopting those prima facie rates. If the filed rates are equal to, or less than, the prima facie rates, no justification will be required as the NDOI has determined the prima facie rates to be reasonable.

Any upward deviation from these rates must be supported to the satisfaction of the Director of Insurance by appropriate, adequate, and credible experience, company-specific rating components, and other statistical data showing that the benefits provided are reasonable in relation to the premium charged. Approved deviations must be refiled and re-approved by the NDOI upon reissuance of this guidance document, and additional justification may be required. If it is determined that the previously approved rates are no longer reasonable in relation to the benefit provided, approval may

be withdrawn pursuant to NEB.REV.STAT § 44-1708. Deviations can be filed for any of the credit life or credit accident and health categories listed above.

When evaluating filed rate deviations, the NDOI will consider, among other factors:

- A company's recent cumulative loss ratios for all Nebraska and nationwide credit life or credit accident and health business;
- A company's category-specific loss ratios for all Nebraska and nationwide credit life or credit accident and health business (i.e., decreasing term life, outstanding balance life, 14-day retroactive accident and health; 30-day elimination accident and health).
- Company specific component rating categories.

Any approved deviations will be allowed to remain in effect until reissuance of this guidance document . Upon reissuance of this guidance document , all companies must re-file either adopting the new prima facie rates, or refile for upward deviations.

If an insurer acquires an existing account for which deviated rates were approved for a prior insurer, the acquiring insurer may use the same rates or rates not greater than those which were approved for the former insurer until the reissuance of this guidance document . Alternatively, the insurer may file for new deviated rates at the time of acquisition. Upon reissuance of this guidance document , the acquiring insurer must either adopt the newly published prima facie rates or refile for deviated rates.

### **Compensation to Agents**

The above published prima facie rates are conclusively presumed to be reasonable in relation to the benefits charged only when the total compensation paid to the creditor and/or received by the creditor does not exceed 30% of the premium. Therefore, no insurer and/or agent may separately or jointly pay or promise to pay to a creditor compensation of more than 30% of the premium; nor may a creditor request or receive compensation in an amount exceeding 30% of premium. This limitation is applicable whether or not an insurer is using the above published prima facie rates. The NDOI determined that rates which include compensation to the creditor in excess of 30% of premium are unreasonable relative to the benefit provided and will not be approved.

For purposes of determining violations of the insurance code, the following definitions shall apply:

- A. "Compensation" means money or anything else of value paid directly or indirectly by or on behalf of the insurer, its agent, general agent, or by a subsidiary, parent, or affiliate of the insurer or by any other person to or on behalf of a creditor. Compensation includes, but it not limited to, the following items:
  - a. All commissions paid or allowed;
  - b. Services fees; consulting fees paid or credited within or outside this State in relation to business produced or to be produced in this State; electronic data processing equipment or services; calculators, supplies (other than forms approved by the Department and the usual claims and reporting forms and envelopes for transmitting such claims and brochures, rate books, and rate charts); rental equipment of any type; advertising; telephone provided at a charge less than the usual cost; profit sharing plans; experience rating refunds; experience rating credits; dividends; expense allowances; and stock plans or bonuses;

- c. All benefits such as items or merchandise, travel, rewards, bonuses, trading stamps, script, prizes, conventions, vacations, trips and the like for the benefit of the creditor or employees of the creditor
- d. Maintaining interest-free deposits or low-interest deposits with a creditor to acquire or maintain any creditor's insurance business or allowing the creditor to have the use of premiums collected by the creditor for undue periods of time at low or no interest rate;
  - i. An insurance company may invest in Certificates of Deposit or interest-bearing accounts with financial institutions which are the purveyors of its credit insurance if the interest paid on such Certificate of Deposit, or such accounts is at least equal to that being paid by the financial institution on Certificates of Deposit or such accounts to other investors on the open market;
  - ii. Premiums received by a creditor, or an agent must actually be remitted to the insurance company (and not just deposited to a company, agency, or agent account) within 45 days from the end of the month in which the premiums were received.
- B. "Credit Insurance" means both credit life insurance and credit accident and health insurance as defined in NEB.REV.STAT § 44-1702.
- C. "Creditor" means a lender of money or vendor or lessor of goods, services, property, rights or privileges for which payment is arranged through a credit transaction. Creditor also includes an affiliate, associate, subsidiary, director, officer, or employee of any such lender, vendor, or lessor
- D. "Director" shall mean the director of the Department of Insurance of the State of Nebraska.
- E. "Premium" means the cost or charge for credit insurance which has been filed with and approved by the NDOI.

The NDOI will not consider a creditor, or any five percent beneficial stock owner of any agency or creditor, as a bona fide general agent to whom an override compensation commission, salary dividend, or other payment may be made; nor may any general agent make a payment to any such person whereby such a person will receive in excess of thirty percent of the said premium. All companies are responsible for the conduct of their agents and must maintain internal procedures to determine their agents' compliance with this provision. Payment of compensation of more than thirty percent (30%) must be prima facie evidence of violations OF NEB. REV. STAT. §§ 44-1701 through 44-17131 44-101, 44-3601 44-361 and 44-1525.

### **Joint Credit Accident and Health Insurance**

Effective April 1, 1998, the NDOI authorized the issuance of joint credit accident and health insurance (referred to at that time as joint credit disability insurance) pursuant to Company Bulletin CB-92. CB-92 combined with this guidance document to consolidate guidance related to credit insurance. The issuance of joint credit accident and health insurance remains subject to the following requirements, whether or not insurers are utilizing the above prima facie rates:

- The insurance will cover each of two joint debtors (not cosigners or endorsers) to be insured for 100% of the payment. The coverage shall be evidenced by an individual policy or certificate. The coverage may not be provided by two single accident and health policies or certificates. Joint debtors may not both be covered separately at single rates.
- The benefit to be paid may not exceed the benefit to be paid if coverage were provided on a single insured

- If coverage is terminated on only one of the joint debtors, a refund must be paid of the appropriate portion of the extra premium paid to provide joint accident and health rather than single accident and health coverage, with the other debtor continuing to be covered.
- Each joint debtor must elect and sign for the joint coverage

Questions regarding this guidance document should be directed to the Department's legal division at 402-471-2201.