
**Rules of
Department of Insurance
Division 600—Statistical Reporting
Chapter 2—Credit Insurance**

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**Title 20—DEPARTMENT OF
INSURANCE**

**Division 600—Statistical Reporting
Chapter 2—Credit Insurance**

**20 CSR 600-2.100 Life and Accident and
Sickness**

PURPOSE: This regulation provides for the regulation of credit life insurance and credit accident and health insurance with penalty provisions. This regulation was adopted pursuant to the provisions of section 374.045, RSMo and to implement sections 365.080, 375.014, 375.936, 376.405, 376.500 and 408.280, RSMo and Chapter 385, RSMo.

(1) Scope. This regulation shall apply to all credit life insurance and all credit accident and health insurance as defined as follows, except:

(A) Insurance for which no identifiable charge is made to the debtor;

(B) Insurance written in connection with a loan or other credit transaction of more than ten (10) years' duration; and

(C) Insurance issued as an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

(2) Definitions. For the purposes of this regulation the following words shall mean:

(A) Credit life insurance means insurance on the life of a debtor written pursuant to or in connection with a specific loan or other credit transaction. This definition shall not be construed as the establishment of credit life as a class of insurance;

(B) Credit accident and sickness insurance means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy. This definition shall not be construed as the establishment of credit accident and sickness as a class of insurance;

(C) Creditor means the lender of money or vendor or lessor of goods, services, property, rights or privileges for which payment is arranged through a credit transaction or any successor to the right, title or interest of any such lender, vendor or lessor and an affiliate, associate or subsidiary of any of them or any officer or employee of any of them or any other person in any way associated with any of them, including a holding company;

(D) Debtor means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction;

(E) Indebtedness means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction;

(F) Director means the director of the Department of Insurance; and

(G) Insurance producer means individual insurance producer or business entity.

(3) Limit of Amount.

(A) The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where the indebtedness is repayable in substantially equal installments, the amount of insurance at no time shall exceed the scheduled or actual amount of the unpaid indebtedness, whichever is greater.

(B) Notwithstanding the provisions of section (3) of this rule, insurance on agricultural credit transaction commitments not exceeding thirty-six (36) months in duration may be written in an amount equal to but not exceeding the loan commitment on a nondecreasing or level-term basis.

(C) Notwithstanding the provisions of section (3), insurance on educational credit transaction commitments may be written to include the amount of that portion, if any, of the commitment not advanced by the creditor. In the case of an educational loan commitment insured in accordance with this subsection, the amount of each periodic indemnity payment shall not exceed the amount of the commitment divided by the number of months in its term.

(D) The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments or divided by the number of months of its term in the case of an agricultural loan commitment insured under subsection (3)(B).

(E) The amount charged to a debtor for any credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(4) Term of Policy.

(A) The term of any credit life insurance or credit accident and sickness insurance, subject to acceptance by the insurer, shall commence on the date when the debtor becomes obligated to the creditor, except, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to the indebtedness shall

commence on the effective date of the policy. Where evidence of insurability is required and the evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory and in this event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of this insurance shall not extend more than thirty (30) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of loan termination prior to the scheduled maturity, all credit life and credit accident and sickness insurance shall be terminated and a refund shall be paid or credited as provided in section (5).

(B) Credit life and credit accident and sickness insurance, if so provided in the policy, shall be terminated by reason of repossession of the mortgaged or pledged collateral, the same being security for a specific indebtedness. As used in this rule, the date of repossession shall be the date the repossessed collateral is sold by the creditor beneficiary.

(5) Refunds and Credit.

(A) Each individual policy or group certificate shall provide that in the event of termination prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled; provided, however, that no refund of less than one dollar (\$1) need be made. The formula to be used in computing the refund shall be the sum of the digits formula with respect to decreasing term credit life insurance and credit accident and sickness insurance and the *pro rata* unearned gross premium with respect to level term credit life insurance.

(B) If a creditor requires a debtor to make any payment for credit life insurance or credit accident and sickness insurance and an individual policy or group certificate of insurance is not issued, the creditor immediately shall give written notice to the debtor and promptly shall make an appropriate credit to the account.

(6) Remittance of Premiums. If charges to a debtor are made on a single-premium basis, the proportionate share of the premium collected by a creditor or insurance producer

and due the insurer shall be remitted to the insurer at the time of the collection of premium from the debtor or as soon thereafter as possible. Premiums must be remitted to and received by the insurer not later than thirty (30) days after the end of the month in which the insurance was sold. Retention of any portion of the premium amount due the insurer by a creditor or insurance producer beyond this period shall be considered to be retention for undue periods of time by the creditor or insurance producer.

(7) Substitution.

(A) When a creditor requires or requests credit life insurance or credit accident and sickness insurance as additional security for an indebtedness, the debtor shall be given the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him/her or procuring and furnishing the required coverage through any insurer authorized to transact insurance business in this state. The debtor shall be informed in writing of his/her right to provide alternative coverage by the creditor before the transaction is completed.

(B) The right to cancel insurance purchased through the creditor and to substitute coverage obtained elsewhere shall continue for the life of the loan with any unused premium returned according to the basis prescribed in subsection (5)(A).

(C) Failure by an insurance producer or company to allow proper substitution of policies obtained elsewhere may be considered in determining whether or not the company has conducted its business fraudulently within the meaning of section 375.445, RSMo. It may also constitute a violation of sections 365.080 and 408.280, RSMo, or both.

(8) Policy Requirements.

(A) All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy or in the case of group insurance by a certificate of insurance which individual policy or group certificate of insurance shall be delivered to the debtor.

(B) Each individual policy or group certificate of credit life insurance or credit accident and sickness insurance or any policy, or certificate evidencing any combination of credit life and credit accident and sickness insurance, in addition to other requirements of law, shall set forth the name and home office address of the insurer, the names of the debtors, the amount paid, if any, by the debtor for credit life insurance and credit accident and sickness insurance, the amount

for each type of insurance to be stated separately, a description of the coverage including the amount and term and any exceptions, limitations or restrictions and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and that whenever the proceeds of insurance may exceed the unpaid indebtedness, that any excess shall be payable to the debtor or to a beneficiary designated by the debtor or in the absence of a designation, to the debtor's estate.

(C) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred, except as provided.

1. If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for the policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name(s) of the debtor, the amount paid, if any, by the debtor for credit life insurance and credit accident and sickness insurance, the amount for each type of insurance to be stated separately, the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time the indebtedness is incurred. The application for or notice of proposed insurance shall also refer exclusively to insurance coverage and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth in the notice. Upon acceptance of the insurance by the insurer and within thirty (30) days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application for or notice of proposed insurance shall state that, upon acceptance by the insurer, the insurance shall become effective as provided in section (4) of this regulation.

(9) Prefiling of Forms. All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this state and the premium rate or the schedule of pertaining premium rates, shall be filed with and approved by the director prior to use.

(10) Required Filings.

(A) Experience Reports. Any insurer doing the business of credit life or credit accident and sickness insurance or both in Missouri, annually, on or prior to April 1, shall file with the director a report of its credit life

insurance claims' experience and its credit accident and sickness insurance claims' experience for the immediately preceding calendar year on the credit insurance experience exhibit of its annual statement. The report required by this section will not be used in any manner to determine the financial condition of the company; however, this report shall reconcile to the page of the annual statement on which credit insurance business in the state of Missouri is recorded. Any discrepancies between the report required by this section and the page of the annual statement on which credit insurance business in the state of Missouri is recorded shall be explained by a signed statement attached to the report required by this section.

(B) Compensation report. An affidavit signed by a company officer, must be filed annually by each, company writing credit insurance in Missouri, on or prior to April 1, stating the amount of compensation paid to all creditor agents collectively during the immediately preceding calendar year and stating that compensation was not paid to any creditor agent for the sale of any policy, certificate or other contract of credit insurance which exceeded forty percent (40%) of the rates specified in section 385.070, RSMo or of the rates subsequently established by the director. This affidavit shall be filed with the Statistics Section of the Missouri Department of Insurance. A list of names, addresses, premiums collected by, and amounts of compensation paid to each agent shall be submitted to the director upon his/her request.

(11) Licensing.

(A) The following requirements shall apply specifically to insurance subject to this regulation:

1. Where individual (as contrasted to group) credit insurance is utilized, the person in contact with the proposed insured, who offers, solicits or sells the policy must be licensed as an insurance producer for the company which issues the insurance policy; and

2. Where group credit insurance is utilized, the person who sells the group master contract to the creditor must be a licensed insurance producer. Any person who solicits, negotiates or otherwise procures a policy(ies) of credit life insurance or credit accident and sickness insurance or any combination of credit life and credit accident and sickness insurance, including any person who enrolls debtors under a group contract where an identifiable charge is made to the debtor, in connection with a loan or other credit transaction shall be licensed as an insurance producer prior thereto.

(12) Severability. If any provisions of any section of this regulation or the application of this regulation to any person or circumstance is held invalid, this invalidity shall not affect other provisions of that section or application of the regulation which can be given effect without the invalid provision or application, and to this end the provisions of this regulation are declared to be severable.

AUTHORITY: sections 365.080, 374.045, 374.190, 374.210, 375.041, 375.936, 376.170, 376.405, 376.500, 376.675, 376.777 and 408.280, RSMo 2000.* This rule was previously filed as 4 CSR 190-13.160. Original rule filed Sept. 11, 1975, effective Nov. 15, 1975. Amended: Filed Aug. 16, 1977, effective Jan. 13, 1978. Amended: Filed Jan. 15, 1980, effective Sept. 1, 1980. Amended: Filed Aug. 13, 1981, effective Jan. 1, 1982. Amended: Filed Dec. 1, 1997, effective May 30, 1998. Amended: Filed July 12, 2002, effective Jan. 30, 2003.

*Original authority: 365.080, RSMo 1963, amended 1989; 374.045, RSMo 1967, amended 1993, 1995; 374.190, RSMo 1939, amended 1949, 1967, 1992; 374.210, RSMo 1939, amended 1949; 375.041, RSMo 1985, amended 1992; 375.936, RSMo 1959, amended 1967, 1969, 1971, 1976, 1978, 1983, 1991; 376.170, RSMo 1939, 376.405, RSMo 1959, amended 1984; 376.500, RSMo 1939, amended 1965; 376.675, RSMo 1963, amended 1984; 376.777, RSMo 1959, amended 1984; and 408.280, RSMo 1961, amended 1989.

Survivors Gen. Ins. Co. v. Farmer, 514 SW2d 565 (Mo. 1974). Superintendent of insurance has the duty to approve or disapprove life insurance contracts and forms and no contract or form may be used in Missouri without the approval of the superintendent.

Op. Atty. Gen. No. 385, Manford, (10-17-67). Insurance upon the lives of installment credit account holders must be made pursuant to section 408.250, RSMo 1965. Companies issuing such insurance must be authorized to do business in Missouri.

20 CSR 600-2.110 Revision of Life and Accident and Sickness Rates

PURPOSE: This rule implements the *prima facie* rates for credit life and credit accident and health specified in section 385.070, RSMo. It also sets forth alternative conditions and rates which will be permitted for credit life insurance and credit accident and health insurance.

(1) Regarding credit life insurance—

(A) It shall be presumed in any review of rates filed with the director that the benefits are reasonable in relation to the premium

charged if the premium rates do not exceed the following:

1. Single premium rate—single life decreasing term credit life insurance—fifty-five cents (55¢) per annum per one hundred dollars (\$100) of initial outstanding amount of insured indebtedness;

2. Single premium rate—single level term credit life insurance—one dollar and ten cents (\$1.10) per annum per one hundred dollars (\$100) of initial outstanding amount of insured indebtedness;

3. Monthly premiums—single life credit life insurance—ninety-two cents (92¢) per one thousand dollars (\$1,000) of outstanding insured indebtedness;

4. Single premium—joint life (two (2) lives) decreasing term credit life insurance—ninety cents (90¢) per annum per one hundred dollars (\$100) of initial outstanding amount of insured indebtedness; and

5. Monthly premium—joint life (two (2) lives) decreasing term credit insurance—one dollar thirty-eight cents (\$1.38) per one thousand dollars (\$1,000) of outstanding indebtedness.

(B) If the credit life insurance policy is of a type different than those described in subsection (1)(A), premium rates for this policy shall be actuarially consistent with the rates set forth in subsection (1)(A);

(C) The presumption of reasonableness of premium rates stated in subsection (1)(A) is granted only when the credit life insurance contract—

1. Contains an incontestable clause for a period which shall not be in excess of two (2) years; and

2. Provides or offers coverage to all debtors regardless of age, or to all debtors not older than the applicable age limit, which shall not be less than attained age of seventy (70) years if the limit applies to the age when the insurance attaches, or not less than attained age of seventy-one (71) years if the limit applies to the age on the scheduled maturity date of the debt. Age limits, if used, must be clearly shown on the individual policies or group certificates; and

(D) If the application for a credit life insurance contract or the insurer or its agents ask the applicant questions relating to the applicant's health or medical condition, then the insurer shall reduce the premium rates deemed reasonable pursuant to section (1) of this rule by ten percent (10%).

(2) Regarding credit accident and sickness insurance—

(A) Premium rates for credit accident and sickness insurance are presumed reasonable if consistent with the schedule stated in sec-

tion 385.070.1(2), RSMo or, if premiums are paid on the basis of a premium rate per month per thousand dollars of outstanding insured indebtedness, if premium rates are computed according to the following formula, or according to a formula, approved by the director which produces rates actuarially equivalent to the single premium rates:

$$Op_n = \frac{20}{n+1} Sp_n$$

Where

Sp_n = Single Premium Rate per \$100 of initial insured indebtedness repayable in n equal monthly installments;

Op_n = Monthly Outstanding Balance Premium Rate per \$1,000; and

n = Original repayment period, in months.

(B) If the credit accident and sickness insurance contract does not contain any provision for a pre-existing condition, then the insurer may increase the premium rates deemed reasonable pursuant to subsection (2)(A) of this rule by no more than ten percent (10%); and

(C) If the application for a credit accident and sickness insurance contract or the insurer or its agents ask the applicant questions relating to the applicant's health or medical condition, then the insurer shall reduce the premium rates deemed reasonable pursuant to subsection (2)(A) of this rule by ten percent (10%).

(3) An insurer may receive approval of a different premium rate in accordance with section 385.070.1(6), RSMo.

(4) Insurers may use the same application forms under this rule whether or not underwriting questions are asked pursuant to subsection (1)(D) or subsections (2)(B) and (2)(C). The department will presume that any application form for which all the relevant underwriting questions have been left unanswered represents a policy which has not been underwritten, and for which *prima facie* rates are permissible. A form for which any relevant underwriting questions have been answered or filled in represents a policy for which premium increases or decreases are required. Insurers should maintain in their files their rules for those circumstances where underwriting questions shall be asked. These rules shall be communicated to and followed by the insurer's agents or other producers.

AUTHORITY: sections 374.045 and 385.045, RSMo 1986 and 385.070, RSMo Supp. 1992.* This rule was previously filed as 4

CSR 190-13.190. Original rule filed June 12, 1981, effective Oct. 16, 1981. Amended: Filed Nov. 2, 1993, effective July 10, 1994.

*Original authority: 374.045, RSMo 1967; 385.045, RSMo 1977, amended 1981; and 385.070, RSMo 1977, amended 1983, 1991, 1992.

20 CSR 600-2.120 Refund of Credit Insurance Premiums

PURPOSE: This regulation establishes uniform cancellation procedures to be followed by credit insurers pursuant to the provisions of sections 374.045 and 385.050, RSMo.

(1) Refunds on policies or certificates of decreasing term credit life and credit accident and sickness shall be determined by using the sum of the digits formula.

(2) Refunds on policies or certificates of level term credit life insurance shall be determined by using a *pro rata* formula.

(3) The number of months for which a premium is earned shall be calculated as follows:

(A) The first month's premium may be considered as earned on the first day of coverage; and

(B) For cancellations occurring in subsequent months of coverage, each of which shall be deemed to commence on the coverage anniversary date in each successive month and end upon the date immediately preceding the next anniversary date, an insurer shall adopt either of the following procedures:

1. Consider no premium to be earned until the sixteenth day of the month of coverage at which time it may consider all premium to be earned for that period; or

2. Consider premium to be earned on a daily basis within the month of coverage.

(4) Any refund of premium shall be paid or credited to the person entitled to it immediately at the time of cancellation, provided however that a refund of less than one dollar (\$1) need not be made.

AUTHORITY: sections 374.045 and 385.070, RSMo 1986. This rule was previously filed as 4 CSR 190-13.180. Original rule filed April 11, 1979, effective Aug. 11, 1979.

*Original authority: 374.045, RSMo 1967 and 385.070, RSMo 1977, amended 1983, 1991, 1992.

20 CSR 600-2.200 Property

PURPOSE: This regulation is designed to stimulate open competition among insurers to

provide insurance coverage in the credit context at rates which are not unfairly discriminatory or excessive. Where property insurance is sold by a creditor in connection with the extension of credit, the regulating forces of open competition may not operate to control rates and extend benefits. This regulation designates rate levels for certain coverages above which rates for insurance sold in the credit context will be presumed excessive and unfairly discriminatory under statutory standards. It is solely because of the lack of effective price and product controlling competition that the promulgation of these standards has become necessary to policyholders and the public interest. This regulation was adopted pursuant to the provisions of section 374.045, RSMo and to implement sections 367.170, 374.190, 375.012, 375.158, 375.936, 379.318, 379.356, 379.470 and 408.280, RSMo.

(1) Scope. This regulation shall apply to the sale of the designated types of insurance in the credit context, that is, by a creditor to a debtor with a direct charge to the debtor. The manner and method of sale shall be the determining factor of applicability of this regulation.

(2) Definitions. The following terms are defined for use in this regulation:

(A) Affiliated insurance producer shall mean any insurance producer of an insurer who receives any employment remuneration from a dealer or lender or sells insurance primarily to debtors of a dealer or lender group of associated dealers or lenders or whose insurance a dealer or lender controls, directly or indirectly, or regularly designates, recommends, refers or suggests to the buyer that s/he purchase in connection with the negotiation, execution, extension or renewal of a contract;

(B) Contract shall include any credit transaction for household, personal or family use;

(C) Dealer shall mean any person who extends credit for household, personal or family use or any successor to a creditor's rights;

(D) Lender is any person engaged in the business of making consumer credit loans as defined in section 367.100.2, RSMo and any assignee of a consumer credit loan agreement to include registrants under Chapter 367, RSMo, state banking associations, savings and loan associations, national banking associations to the extent that federal laws do not preempt this regulation, credit unions and any director, officer, employee or insurance producer of such a person; and

(E) Property insurance as permitted and regulated under this regulation shall mean coverage upon personal property other than automobiles pledged as collateral or security upon a contract as defined and shall include only the standard fire policy with coverage attachment, extended coverage endorsement and replacement cost provision endorsement. Coverage other than those described previously may be included, but no additional premium may be charged for the additional coverages and the losses sustained as a result of those additional coverages may not be included in the calculation of the loss ratio.

(3) Sales Only Through Licensed Insurance Producers. All sales of insurance, within the scope of this regulation, must be made through licensed insurance producers. All remuneration for the sale of insurance must be in the form of commission paid directly to the insurance producer by the insurer. Enrollment of debtors of a creditor under a group contract where a direct charge is made to the debtor for the full insurance premium is declared to be the solicitation of or procurement or making of an insurance contract within the meaning of section 375.012, RSMo.

(4) Written Evidence of Insurance Required. The insurer must deliver to the insured within thirty (30) days of the extension of credit a copy of the policy or the certificate of insurance. This may be done directly or through the insurer's insurance producer in the credit institution.

(5) Coverages to be Sold. Only those coverages defined as property insurance in this regulation may be sold by an insurer through an affiliated insurance producer in connection with any contract as defined.

(6) Consumers' Rights. Each insurer shall grant and no insurer or affiliated insurance producer shall deny any insured the full and free exercise of the following rights:

(A) The consumer shall not be required or coerced to obtain insurance from any particular insurer nor through any particular insurance producer or representative of a company as a condition to entering into a contract. No insurer shall participate or knowingly allow its insurance producers to participate in such a scheme or requirements or coercion;

(B) If the debtor has or obtains additional personal property coverage, the debtor may retain the additional coverage or may substitute coverage at any time and, upon this substitution, shall be entitled to a *pro rata* refund of the unearned premium on the policy. Where this insurance was not initially

required by the creditor, the debtor may cancel, at any time, without substituting and shall be entitled to a *pro rata* refund of any premium paid. If the substitution or cancellation occurs within thirty (30) days of the extension of credit, the entire premium shall be refunded; and

(C) Any insurance written to secure an underlying contract must be cancelled upon the satisfaction or termination of that underlying contract and a *pro rata* refund of unearned premium made to the insured.

(7) Insurance Not to Exceed Contract Terms. No insurance sold within the scope of this regulation may exceed in amount of coverage the amount of indebtedness on the underlying contract nor exceed in duration the scheduled term of the underlying contract. Household contents may be insured at their replacement cost up to the original amount of indebtedness.

(8) Insurance Sold by a Lender (Chapter 367, RSMo).

(A) No insurer may issue through an affiliated agent a policy covering security for a loan made under the regulatory authority of Chapter 367, RSMo which exceeds the replacement value of the property given as security for the loan or covering security for such a loan which is less than three hundred dollars (\$300). If the insured elects to cancel a policy sold in connection with such a transaction, the insurer shall remit directly to the insured any premium refund due.

(B) No insurer shall sell any coverage through an affiliated insurance producer other than the standard fire policy with coverage attachment with extended coverage endorsement and replacement cost provision endorsement.

(9) Insurance Sold With Credit Transactions (Chapter 408, RSMo).

(A) No insurer may write coverage through an affiliated agent to be sold in this context in which the amount of coverage exceeds the replacement cost of the goods insured.

(B) No insurer may pay a dealer or by contract grant a dealer's interest in the affiliated property insurance which exceeds the original indebtedness under the contract.

(C) No insurer may issue a contract of insurance through an affiliated dealer which covers any goods other than those sold by that dealer under the terms of the contract secured by those goods.

(10) Rates. It shall be presumed in any review of rates filed with the director that the benefits are reasonable in relation to the premium charged if the premium rates do not exceed

those contained in Exhibit A of this regulation, included herein. Any insurer filing rates in excess of those contained in Exhibit A must demonstrate that its rates produce or may reasonably be expected to produce a loss ratio of at least sixty percent (60%).

(11) Cancellation Refund Computation. All refunds of any insurance sold subject to this regulation shall be made upon the *pro rata* refund computation tables.

(12) Insurer's Reports Required. Each insurance company writing credit property insurance, as defined, shall report on or prior to April 1 all credit property insurance premium and loss information on the credit insurance experience exhibits of its annual statement. The report required by this section will not be used in any manner to determine the financial condition of the company; however, this report shall reconcile to the Missouri supplement to the page of the annual statement on which credit insurance business in the state of Missouri is recorded. Any discrepancies between the report required by this section and the page of the annual statement on which credit insurance business in the state of Missouri is recorded shall be explained by a signed statement attached to the report required by this section.

(13) Severability. If any provision of any section of this regulation or application to any person or circumstance is held invalid, the invalidity shall not affect other provisions of that section or application of the regulation which can be given effect without the invalid provision or application and to this end the provisions of this regulation are declared to be severable.

EXHIBIT A HOUSEHOLD CONTENTS FIRE INSURANCE

The rate applicable to credit property insurance shall be \$1.85 per \$1000 of outstanding indebtedness per month. A minimum of \$5.00 shall be allowed.

AUTHORITY: sections 367.170, 374.045, 374.190, 375.041, 375.936, 379.356, 379.470 and 408.280, RSMo 2000 and 375.012, 375.158 and 397.318, RSMo Supp. 2001. This rule was previously filed as 4 CSR 190-16.110. Original rule filed Sept. 11, 1975, effective Nov. 15, 1975. Amended: Filed Sept. 12, 1975, effective Nov. 15, 1975. Amended: Filed Aug 14, 1984, effective Jan. 12, 1985. Amended: Filed Dec. 1, 1997, effective May 30, 1998. Amended: Filed July 12, 2002, effective Jan. 30, 2003.*

**Original authority: 367.170, RSMo 1951, amended 1984; 374.045, RSMo 1967, amended 1993, 1995; 374.190, RSMo 1939, amended 1949, 1967, 1992; 375.012, RSMo 1961, amended 1965, 1967, 1981, 1993, 1997, 2001; 375.041, RSMo 1985, amended 1992; 375.158, RSMo 1939, amended 1965, 1967, 1993, 2001; 375.936, RSMo 1959, amended 1967, 1969, 1971, 1976, 1978, 1983, 1991; 379.318, RSMo 1972, 2001; 379.356, RSMo 1972; 379.470, RSMo 1947; and 408.280, RSMo 1961, amended 1989.*

20 CSR 600-2.300 Involuntary Unemployment

PURPOSE: This rule establishes a presumptively reasonable rate for credit unemployment insurance and sets out procedures for filing loss data.

(1) In reviewing rates filed for credit unemployment insurance, the Department of Insurance shall presume that the benefits are reasonable in relation to the premium charged if the rates do not exceed two dollars (\$2) per one thousand dollars (\$1,000) of outstanding monthly indebtedness.

(2) Any insurance company filing and proposing to use a rate greater than the rate in section (1) must furnish actuarial proof that the greater rate produces or may reasonably be expected to produce a loss ratio of at least sixty percent (60%).

(3) Each insurance company writing credit unemployment insurance shall report on or prior to April 1 all credit unemployment insurance premium and loss information on the credit insurance experience exhibit of its annual statement. The report required by this section will not be used in any manner to determine the financial condition of the company; however, this report shall reconcile to the Missouri supplement to the page of the annual statement on which credit insurance business in the state of Missouri is recorded. Any discrepancies between the report required by this section and the page of the annual statement on which credit insurance business in the state of Missouri is recorded shall be explained by a signed statement attached to the report required by this section.

AUTHORITY: sections 374.045 RSMo Supp. 1997 and 375.041, RSMo 1994. This rule was previously filed as 4 CSR 190-16.170. Original rule filed Aug. 28, 1986, effective Dec. 11, 1986. Amended: Filed Dec. 1, 1997, effective May 30, 1998.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995 and 375.041, RSMo 1985, amended 1992.*



20 CSR 600-2.400 Credit Dismemberment Insurance

PURPOSE: This rule is designed to regulate the sale of credit dismemberment insurance. It makes the requirements concerning credit dismemberment insurance in 4 CSR 140-5.020 of the rules of the Division of Finance applicable to all creditors.

(1) When accident and health insurance is sold, requisitioned or accepted by any creditor in connection with any extension of credit, this insurance may be in the form prescribed in section 385.070(2), RSMo or in the form known as dismemberment insurance; under no circumstances may both types of accident and health insurance be sold in connection with the same extension of credit. If credit dismemberment insurance is sold, requisitioned or accepted in connection with an extension of credit, this insurance shall be subject to the following requirements, restrictions and qualifications:

(A) Persons Insured. Credit dismemberment insurance may be written on no more than one (1) person on any contract;

(B) Written Evidence of Coverage. The debtor must be provided with a copy of the dismemberment policy or certificate of insurance within thirty (30) days of the extension of credit;

(C) Availability. The debtor must be able to purchase credit dismemberment insurance as a separate and distinct coverage if the debtor so desires. Credit dismemberment insurance which only may be purchased in conjunction with the purchase of some other form of insurance is not permitted;

(D) Cancellation. Credit dismemberment insurance shall be subject to the refunding provisions as though it were credit life insurance issued pursuant to Chapter 385, RSMo and corresponding rules;

(E) Insurance Not to Exceed Contract Terms. Credit dismemberment insurance may not exceed in amount the total indebtedness nor exceed the underlying contract in duration;

(F) Minimum Standards. Credit dismemberment insurance must provide for a total payoff of an underlying indebtedness in the event of loss of the sight of one (1) eye, loss of one (1) hand at or above the wrist and/or loss of one (1) foot at or above the ankle; no restrictions shall be permitted, that is, full benefits must be payable on any dismemberment or blindness which occurs during the coverage; and

(G) Record Keeping. Claims dismemberment insurance for which no identifiable

charge is made to the debtor is exempt from this regulation.

(2) Credit dismemberment insurance for which no identifiable charge is made to the debtor is exempt from this regulation.

AUTHORITY: section 374.045, RSMo Supp. 1993 and Chapter 385, RSMo 1986. This rule was previously filed as 4 CSR 190-22.070. Original rule filed Sept. 13, 1982, effective March II, 1983.*

**Original authority: see Missouri Revised Statutes, 1986 and Cumulative Supplement to the Revised Statutes of Missouri, 1993.*

20 CSR 600-2.500 Credit Life and Accident and Sickness Premium Rates

PURPOSE: Chapter 385, RSMo 1986 authorizes the director to prescribe that all rates charged for credit life and credit accident and sickness insurance in Missouri be reasonable. The director may prescribe that all rates be calculated in a manner so that claims incurred are not less than fifty percent of the premiums earned under these policies. This rule would implement the provisions of sections 385.045.1 and .2 and 385.070.1(3)(e), RSMo by requiring that credit life and credit accident and sickness insurance be calculated in conformity with the methods prescribed in section 385.070.1(3), RSMo 1986.

(1) After a study of the loss ratios incurred under the rates prescribed in section 385.070.1(1), RSMo 1986, the director has reason to believe that the rates prescribed in many cases, do not accomplish the purposes of section 385.070, RSMo 1986 namely a ratio of claims incurred to premiums earned of not less than fifty percent (50%).

(2) If the presumptively reasonable rates contained in 20 CSR 600-2.110 become unenforceable for any reason, all rates charged for credit life insurance shall be calculated in conformity with the methods described in section 385.070.1(3), RSMo 1986. This may be accomplished by use of either of the following two (2) methods:

(A) Development of a life insurance rate based on the actual ages and amounts of insurance of those insured and based on the mortality and interest assumptions used for valuation, with evidence that the age distribution is representative of the composition of the group and can reasonably be expected to remain at the level so determined. If this method is used, the life insurance rate must be redetermined and refiled at the discretion

of the director or at any time the policy provisions are changed in a manner as to affect the rate; and

(B) When experience is available, the following method be used:

Let P=premiums earned (one to three (1-3) years)
 D=claims incurred (one to three (1-3) years)
 r=premium rate to be determined
 s=standard premium for coverage

$$\text{Then } r = \frac{s}{.5} \times \frac{D}{P} = \underline{\hspace{2cm}}$$

(3) If the method in subsection (2)(B) is used, approval will not be given for a period longer than the credibility period utilized in the filing.

AUTHORITY: sections 374.045, RSMo Supp. 1993, 385.045 and 385.070, RSMo Supp. 1992 and Chapter 536, RSMo 1986. This rule was previously filed as 4 CSR 190-13.200. Original rule filed June 12, 1981, effective Nov. 1, 1981.*

**Original authority: see Missouri Revised Statutes, 1986 and Cumulative Supplement to the Revised Statutes of Missouri, 1993.*

20 CSR 600-2.510 Time Periods and Termination of Credit Accident and Sickness Insurance

PURPOSE: This regulation specified two rights of debtors under contracts of credit accident and sickness insurance and was promulgated pursuant to the provisions of section 374.045, RSMo 1986 and to implement sections 376.405 and 376.777, RSMo 1986.

(1) No insurance company shall deliver or issue for delivery in this state any contract of credit accident and sickness insurance unless a copy of the contract or a certificate evidencing coverage under a group contract is delivered to the debtor-insured and unless the writing delivered provides that—

(A) If the creditor and/or insurance company accepts a premium for credit accident and sickness insurance effecting coverage after any terminating age date specified in that insurance contract then that coverage will be extended until the end of the period for which that premium was paid, whether paid periodically or by single term.

(B) If a loan is rewritten necessitating adjustment of the term of insurance, the adjusted insurance policy or certificate shall not impose a new period for time limit on certain defenses but shall recognize the time

elapsed under the provisions of the original policy or certificate in satisfaction of the time limit on certain defenses.

**Original authority: 374.045, RSMo 1967, amended 1993; 385.070, RSMo 1977, amended 1983, 1991, 1992; and 385.075, RSMo 1977.*

AUTHORITY: sections 374.045, RSMo Supp. 1993, 376.405 and 376.777, RSMo 1986. This rule was previously filed as 4 CSR 190-14.020. This version of rule filed Sept. 18, 1974, effective March 1, 1975.*

**Original authority: 374.045, RSMo 1967, amended 1993, 376.405, RSMo 1959, amended 1984; and 376.777, RSMo 1959, amended 1984.*

20 CSR 600-2.600 Credit Insurance—Indirect Compensation

PURPOSE: This rule advises insurance companies of factors that the director will consider in determining what is indirect compensation which might lead to violations of the forty percent commission cap limit that may be paid to creditors under Chapter 385, RSMo.

(1) Insurance companies investing in Certificates of Deposit with financial institutions which are the purveyors of the company's credit insurance shall obtain the highest rates of return available on the investment of similar sums of money in the certificates at the time of investment. To determine the highest rate of return payable on the Certificates of Deposit, the director will review the rate of interest being paid by the financial institution to all commercial investors on similar sums of money and the rate of return received by the insurance company on all other Certificates of Deposit invested at approximately the same time with financial institutions which are not purveyors of its credit insurance together with any other pertinent information.

(2) The difference between the rate of return paid to the insurance company on Certificates of Deposit by financial institutions which are the purveyors of the company's credit insurance and the highest rate of return available at the time of purchase of the Certificates of Deposit will be considered to be direct or indirect compensation under section 385.070.2(3), RSMo 1986.

AUTHORITY: sections 374.045, RSMo Supp. 1993, 385.070, RSMo Supp. 1992 and 385.075, RSMo 1986. This rule was previously filed as 4 CSR 190-13.210. Original rule filed Aug. 13, 1981, effective Nov. 16, 1981.*