



**BULLETIN B 01-09**

**To: All Licensees and Insurance Companies Transacting Consumer Credit Insurance in the State of Alaska**

**Re: Notice of Changes to Regulations Regarding CONSUMER CREDIT INSURANCE**

New consumer credit insurance regulations became **effective July 2, 2001**. Any new consumer credit insurance policy issued after July 1, 2001 must comply with these regulations. Existing group credit insurance policies and certificates must comply with these regulations on the first policy renewal date after July 1, 2001. **Please note: this bulletin is intended simply to alert you to the new regulations. It is not a comprehensive summary. You must review the regulations to make sure that you are in full compliance.**

In addition to other provisions, the new credit regulations

- modify the prima facie rates for consumer credit life and disability
- establish standards for credit unemployment insurance rates and forms
- set new maximum commission rates for consumer credit life, disability, and unemployment insurance
- disallow the use of rates that are higher than the prima facie rates unless expected claim costs are higher than the claim costs used in developing the prima facie rates
- require insurers to file an experience report every three years
- provide other clarifications relating to lease contracts, required disclosures, consumer credit insurance issued as a package, policy renewal dates, and supervision of consumer credit insurance operations

The division posted a preliminary version of these consumer credit insurance regulations on its website in March 2001. In that posted version, the formula for developing single premium credit life insurance rates in 3 AAC 26.340(a)(2) was incorrect. The finally adopted regulations are on the website and have the correct formula, also shown below:

$$S_n = O_p \times \frac{(n - a_n)}{(i \times a_n)(10)}$$

**Important considerations:**

- Rates must be filed and approved prior to use, even those using prima facie rates.

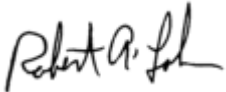
- Alaska law prohibits an insurer from using a rate that differs from an approved rate.
- Alaska law does not allow the sale of gross debt consumer credit life insurance coverage, except in connection with lease contracts.
- Alaska law does not allow the sale of level consumer credit life insurance coverage, except in connection with agricultural and educational loans.
- Consumer credit unemployment rates must be developed considering actual credit unemployment loss experience

The regulations outlined above are available through the Alaska insurance website at <http://www.commerce.state.ak.us/insurance/newregulations.htm> and then click on Consumer Credit Regulation. If you have questions regarding the regulations or any information provided in this bulletin, please contact Katie Campbell at:

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