

**TITLE 365. INSURANCE DEPARTMENT
CHAPTER 10. LIFE, ACCIDENT AND HEALTH
SUBCHAPTER 5. MINIMUM STANDARDS; CONTRACT GUIDELINES**

**PART 7. CREDIT LIFE AND
CREDIT ACCIDENT AND HEALTH INSURANCE**

365:10-5-60. Purpose

The purpose of this Part is to set forth regulations regarding required disclosures and policy provisions relating to credit life insurance and credit accident and health insurance, filing and approval of forms and rates, credit life insurance premiums, deviation procedures, requirement for maintaining statistical data, refunds of unearned premiums, policy reserves, claim payments, prohibited transactions and agent compensation.

365:10-5-61. Definitions

Except as otherwise specifically defined in this Part, the definitions set forth in Title 14A and Title 36 Oklahoma Statutes are incorporated herein and made a part hereof. The following words or terms, when used in this Part, shall have the following meaning, unless the context clearly indicates otherwise:

"Commissioner" means the Insurance Commissioner of the State of Oklahoma.

"Consumer credit insurance" means insurance, other than insurance on property, by which the satisfaction of debt in whole or in part is a benefit provided, but does not include:

- (A) insurance provided in relation to a credit transaction in which a payment is scheduled more than fifteen (15) years after the extension of credit;
- (B) insurance issued as an isolated transaction on the part of the insurer not related to an agreement or plan for insuring debtors of the creditor, or
- (C) insurance indemnifying the creditor against loss due to the debtor's default.

"Person" means any individual, corporation, association, partnership, reciprocal exchange, interinsurer, Lloyds insurer, fraternal benefit society, and any other legal entity engaged in the business of insurance including agents, limited insurance representatives, brokers, and adjuster.

365:10-5-62. Disclosure provision

(a) **Purpose.** The purpose of this subsection is to disclose certain provisions to debtors of a creditor relating to credit life insurance and credit accident and health insurance. Such disclosures are designed to:

- (1) Mandate the delivery of evidence of insurance to such debtors at the time indebtedness is incurred;
- (2) Mandate the use of an application form if an individual policy or group certificate is not delivered at the time the indebtedness is incurred;
- (3) Prohibit certain policy provisions;
- (4) Specify certain requirements for group certificates; and
- (5) Provide for termination of coverage.

(b) **Debtors choice of insurer.**

- (1) When credit life or credit accident and health insurance may be lawfully required as additional security for any indebtedness, the person processing the indebtedness transaction shall advise the debtor prior to completion of the transaction of the debtor's right to furnish the

required amount of insurance through existing policies of insurance owned or controlled by the debtor or to procure the required coverage from any insurer authorized to transact insurance business within the State.

(2) When credit life or credit accident and health insurance may not be lawfully required as additional security for any indebtedness, the person processing the indebtedness transaction shall verbally and in written form signed by the debtor, advise the debtor that credit life insurance and/or credit accident and health insurance is not mandatory and is not a factor in the approval by the creditor of the extension of credit to the debtor.

(c) **Delivery when indebtedness incurred.** All credit life insurance and credit accident and health insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which in either case shall be delivered to the debtor within thirty days after the term of the insurance commences. If there occurs any failure or delay in providing such insurance, the creditor shall notify the debtor in writing of such failure or delay within thirty (30) days following the application or written request for such insurance.

(d) **Policy provisions.**

(1) Every individual policy or group certificate of credit life insurance or credit accident and health insurance delivered or issued for delivery in this State shall, after the effective date of this Part, in addition to the other requirements of law, set forth:

- (A) the name and home office address of the insurer;
- (B) the name or other identification of the insured debtor (or debtors, if joint life);
- (C) the full amount of premium or total identifiable insurance charge, if any, to the debtor, stated separately for credit life insurance, credit accident and health insurance, and for any additional benefits, or if appropriate, the method used for computing insurance charges from time to time;
- (D) the amount of the insurance coverage;
- (E) the amount of the debt;
- (F) the effective date of the insurance, and the termination date of insurance. The termination date shall not extend more than fifteen (15) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is an open end revolving loan or charge account, in lieu of the termination date, the conditions of termination shall be set forth;
- (G) a description of the coverage;
- (H) any and all exceptions, limitations and restrictions to the coverage;
- (I) a statement that the benefits, to the extent necessary to extinguish the unpaid amount of the indebtedness, will be paid to the creditor as first beneficiary, and will be applied by the creditor to reduce or extinguish such indebtedness; for the credit life insurance, a statement that wherever the insurance benefit may exceed the amount necessary to extinguish the indebtedness, any such excess amount of benefits shall be paid by separate check or draft of the insurer to a second beneficiary named by the debtor, or a second insured debtor or to the surviving spouse or to the debtor's estate;
- (J) The following statements:
 - (i) Except as otherwise expressly permitted by law, the creditor shall not require that any benefit be applied to the reduction of any indebtedness other than the indebtedness in connection with which the insurance was written;
 - (ii) a statement indicating that upon discharge of the indebtedness, the insurance may be terminated, though without prejudice to any claim originating prior to such termination, and that in all cases of termination prior to scheduled maturity,

except as otherwise provided by law, a refund of any unearned amount of premium paid by or charged to the debtor for insurance shall be made in accordance with the appropriate formula set forth in this Part. Such refund shall be paid to the debtor, or to the debtor's estate if the debtor is not living. No such refund is required if the total amount thereof is less than One Dollar (\$1.00).

(K) A statement that the debtor may terminate the insurance and receive, at the option of the insurer, either a refund or credit against indebtedness for all insurance charges or premium paid, by mailing or delivering written notice of termination to the insurer or creditor within ten (10) days of delivery of the policy or certificate to the debtor. The statement shall be set forth in a separate statement or enclosure delivered with the policy or certificate, or, it must appear immediately below the consumer warning required by 365:10-5-62(e)(2)(J) of this Part. The statement shall be stamped or imprinted in not less than 14 point type.

(2) If the insurance is provided in relation to a revolving charge account or a revolving loan account, 365:10-5-62 (d)(1)(E) shall not apply.

(3) If an accident and health insurance claim is in progress at the time of discharge of the indebtedness, such claim shall continue during the originally scheduled term of insurance, as if there has been no such discharge of indebtedness, and the accident and health premium paid are then due and payable to the insurer is earned and no refund is required. If, during the pendency of an accident and health insurance claim, the insurer elects to prepay and discharge the indebtedness thereon immediately in one payment, the accident and health premium paid or then due and payable to the insurer is earned and no refund is required; however, in any such instance, the life insurance premium is not deemed earned and shall be refunded in accordance with this Part. In the case of termination of credit life insurance due to death of the insured debtor, the life insurance premium paid or then due and payable to the insurer is deemed earned, and no refund thereof is required; however, in any such instance, the accident and health insurance premium is not deemed earned and shall be refunded to debtor's estate in accordance with this Part.

(e) Application provisions.

(1) If said 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 such individual policy or notice of such proposed group insurance shall be delivered to the debtor at the time such indebtedness is incurred. However, when insurance is voluntarily applied for more than thirty days later by the debtor, and such application for insurance is a transaction separate and apart from the credit transaction, and is not a requirement of the creditor, and in the absence of a prior identifiable insurance charge to the debtor in the loan involved, a copy of such application or notice conforming to the rules of this Part shall be delivered to the debtor when executed.

(2) Every such application or notice of proposed insurance shall be signed by the debtor and shall set forth:

(A) the name and home office address of the insurer;

(B) the name and age of the debtor or debtors;

(C) the full amount of premium or the total identifiable insurance charge, if any, to the debtor, stated separately for credit life, credit accident and health insurance, and for any additional benefits, or, if appropriate, the method used for computing insurance charges from time to time;

(D) the amount of coverage;

(E) the effective date of insurance, if accepted by the insurer, and the termination date of insurance which shall not exceed more than fifteen (15) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor;

(F) a brief description of the coverage applied for;

(G) a statement that upon acceptance of the insurance by the insurer and not later than forty (40) days after the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate to be delivered to the debtor, and that if the insurance is not accepted by the insurer, the debtor shall be notified within forty (40) days of any failure or delay in providing the insurance and any insurance charge made for such proposed insurance shall be fully refunded directly to the debtor; however, if such policy or certificate is not delivered as required or such notice is not timely given the insurer shall be deemed to have accepted the insurance;

(H) a space indicated as the space for required signature by the debtor;

(I) the amount of the debt;

(J) imprinted or stamped in not less than fourteen (14) point type letters, on the face thereof, in a prominent place, the words, "IMPORTANT! YOUR COVERAGE CAN BE DENIED IF ANY ANSWER TO THE ABOVE HEALTH QUESTIONS IS INACCURATE, MISTAKEN OR INCOMPLETE".

(3) If the insurance is provided in relation to a revolving charge account or a revolving loan account, 365:10-5-62 (e)(2)(I) shall not apply.

(4) The copy of such application or notice of proposed insurance shall 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 in (2) of this subsection appears in type of at least equal size and prominence as the other provisions of said statement of account instrument or agreement.

(5) Upon acceptance of the insurance by insurer and within forty (40) days of the date upon which the indebtedness was incurred, the insurer shall cause the individual policy or group certificate to be delivered to the debtor.

(f) **Prohibited provisions.** The policy or certificate of insurance shall not contain provisions which will encourage misrepresentations or are unjust, unfair, inequitable, misleading, deceptive, or contrary to law or to the public policy of this State.

(g) **Termination of coverage.**

(1) If the debtor is covered by a group credit insurance policy providing for the payment of single premium to the insurer, provision shall be made by the insurer that in the event of termination of the group policy for any reason, insurance coverage with respect to any debtor then insured under such policy shall be continued for the entire period for which the single premium has been paid, subject to the provisions of the policy relative to early termination of a debtor's insurance.

(2) If a debtor is covered by a group credit insurance policy providing for the payment of premiums to the insurer on a monthly outstanding balance basis, then the policy shall provide that, in the event of termination of such group policy for any reason, other than non-payment of premium, the insured debtor shall be given written notice that the coverage will continue for thirty (30) days from the date of such termination, except for replacement of the coverage by the same or another insurer in the same or greater amount takes place without interruption of the coverage and a new certificate reflecting such replacement coverage is delivered to such

then insured debtor. The notice of termination required by this paragraph shall be given by the insurer or, at the option of the insurer by the creditor.

(h) **Collection and remittance of financed premium.** If the creditor adds identifiable insurance charges or premiums for credit insurance to the indebtedness, and any direct or indirect finance, carrying credit or service charge is made to the debtor on such insurance charges or premiums, the creditor must remit and the insurer shall collect on a single premium basis only for each debtor so insured. In any event, the charge to the debtor may not exceed the premium to be charged by the insurer.

[Source: Amended at 9 Ok Reg 2487, eff 6-26-93; Amended at 10 Ok Reg 3049, eff 10-1-93; Amended at 10 Ok Reg 4235, eff 10-1-93 (emergency); Amended at 11 Ok Reg 1847, eff 5-15-94; Amended at 13 Ok Reg 2669, eff 7-1-96]

365:10-5-63. Filing and approval of forms and rates

(a) **Purpose.** The purpose of this Part is to, with respect to credit life and credit accident and health insurance:

- (1) Insure specificity of rates and forms;
- (2) Reasonably relate benefits to premiums charged; and
- (3) Provide for compliance of policies and applications.

(b) **Submission of rate schedules.** Every insurance company, when submitting a schedule or rates for consideration by the Commissioner, shall identify the rates to be used with the policy forms submitted for approval. In the alternative, specific reference in the case of each submission shall be made to the particular schedule of rates or portions thereof, which are applicable to the specific policy form.

(c) **Reasonable relation of benefits to premium.**

- (1) Benefits provided by consumer credit insurance policies must be reasonable in relation to the premium charged. This requirement is satisfied if the premium rate or schedule of rates charged has been determined by the Commissioner to afford reasonable allowances for actual and expected loss experience, general and administrative expenses, reasonable creditor compensation, investment income, the manner in which premiums are charged, other acquisition costs, reserves, taxes, regulatory license fees and fund assessments, reasonable insurer profit and other relevant actuarial data. The rates shown in 365:10-5-64 shall be conclusively presumed to satisfy the foregoing requirements, and when calculated in the following manner shall be presumed reasonable: $[(\text{Claims Costs}) + (\text{General Insurer Expenses})] \div [1 + (\text{Investment Income}) - (\text{Taxes}) - (\text{Compensation}) - (\text{Return on Equity})]$

(d) **Policies and applications.** Any individual policy, application, group policy, group certificate, or notice of proposed insurance issued or delivered in this State shall be in full compliance with Oklahoma law and the rules of the Insurance Commissioner of the State of Oklahoma.

[Source: Amended at 14 Ok Reg 2650, eff 7-1-97]

365:10-5-64. Presumptively acceptable relationship of credit life insurance benefits to premiums

(a) **Purpose.** The purpose of this Part is to, with respect to credit life insurance:

- (1) Establish single life coverages per specified monthly outstanding balance indebtedness;
- (2) Establish joint credit insurance;

- (3) Establish the formula for premium charge to debtors for outstanding balance insurance;
- (4) Provide for premiums or obligations paid in other than equal monthly installments;
- (5) Establish requirements for presumed reasonableness of life insurance benefits in relation to premiums; and
- (6) Provide for premiums based on age.

(b) **Presumptively reasonable life rates.** The Commissioner has determined that the benefits of credit life insurance are reasonable in relation to the premiums charged, if the premium rate schedule for death benefits as filed does not exceed an amount equal, or actuarially equivalent, to the following maximum rates:

- (1) Coverage on a single life provided on the outstanding indebtedness basis of 1.05 per month per \$1,000.00 of outstanding balance of insurance debt.
- (2) Coverage on a single life provided by a individual or group policy on other than an outstanding indebtedness basis:
 - (A) .68 per year of coverage per \$100.00 of initial insured indebtedness for all credit transactions when the insured indebtedness is repayable in substantially equal monthly installments during the term of coverage and,
 - (B) 1.26 per year of coverage per \$100.00 of level life insurance where the amount of insured indebtedness remains level during the term of coverage and is repayable in a single sum at the end of the term.
- (3) Coverage on joint lives provided on the outstanding indebtedness basis of 1.58 per month per \$1,000.00 of outstanding balance of insured indebtedness.
- (4) Coverage on joint lives provided by an individual or group policy on other than an outstanding indebtedness basis:
 - (A) 1.02 per year of coverage per \$100.00 of initial insured indebtedness for all credit transactions when the insured indebtedness is repayable in substantially equal monthly installments during the term of coverage and,
 - (B) 1.89 per year of coverage per \$100.00 of level term insurance where the amount of insured indebtedness remains level during the term of coverage and is repayable in a single sum at the end of the term.

(c) **Joint credit life insurance.**

- (1) Where, with respect to a single indebtedness, coverage is provided on two (2) lives, the presumptive credit life insurance premium rates shall not exceed either those set forth in 365:10-5-64(3) or (4), as applicable. The phrase "two (2) lives" as used in the preceding sentence means only spouses, business partners, comakers, guarantors and endorsers, and such persons must be jointly and severally liable for repayment of a single indebtedness and must be joint signers of the instrument of indebtedness. Joint life coverage shall not be written covering more than two (2) lives. Jointly indebted persons shall not be covered separately at single life rates.
- (2) Joint life rates may not be charged for single life coverage.

(d) **Premiums for obligations paid in other than equal monthly installments.** Premiums and premium rates for insurance covering obligations payable in other than substantially equal monthly installments during a period of coverage shall be determined in a manner resulting in a rate not exceeding the actuarially equivalent of the foregoing rates.

(e) **Conditions of life insurance benefits.** The foregoing rates for life insurance shall be presumed reasonable if the following requirements are met:

- (1) That the credit life insurance contract may require submission of the debtor's written and signed evidence of the debtor's insurability or that the debtor may be employed at the time of

application for insurance, or both, on a form filed and approved by the Commissioner, and that such contract contains no conditions for validity of insurance more restrictive than contestability based on material misrepresentation and no exclusions other than for suicide. In life policies, such exclusions shall not remain effective after termination of the contestable period of the policy or certificate. Employment or health may not be a condition precedent to coverage unless the insurer required the insured to answer specific health questions regarding specific medical conditions or symptoms for which diagnosis, care or treatment was received within one (1) year preceding the date of application. Health questions shall not be unreasonable in number and shall not require medical knowledge or information which an ordinarily prudent person would not be expected to possess. All health questions shall appear in not less than ten (10) point type.

(2) That life insurance coverage is provided or offered to all debtors regardless of age; or to all debtors not older than the applicable age limit. The applicable age limit shall not be less than the attained age of seventy (70) years if such limit applies to the age when the insurance attached, or not less than the attained age of seventy-one (71) years if such limit applies to the age on the scheduled maturity date of the debt. No limitation of insurance amount or term based on any attained age of less than seventy (70) years shall be used, and

(3) That debtors shall not be required to purchase any package of benefits which combines life or accident and health with property or casualty insurance.

(f) **Premiums based on age.** If the premiums are determined according to the age of the insured debtor or by age brackets, appropriate adjustments in the rate and premium may be made according to age if such adjustments are actuarially consistent with the foregoing rates when applied, regardless of actual age at issue, and if such adjustments produce an aggregate premium not substantially greater than that produced by the foregoing rates, and such rates and actuarially consistent computations are filed and approved by the Commissioner.

(g) **Standard for additional benefits.** If a contract of insurance includes other lawful benefit or benefits for which standards of reasonableness of benefits in relation to premium are not elsewhere in this Part determined or described, any premium charged therefore in excess of the rates set forth in this Part shall be shown, to the satisfaction of the Commissioner, to be based upon reasonably anticipated experience, and to be reasonable in relation to the additional benefit provided, and shall be in accordance with the basic loss ratio set forth in this Part.

[Source: Amended at 10 Ok Reg 3049, eff 10-1-93; Amended at 10 Ok Reg 4235, eff 10-1-93 (emergency); Amended at 11 Ok Reg 1847, eff 5-15-94; Amended at 13 Ok Reg 2669, eff 7-1-96; Amended at 14 Ok Reg 2650, eff 7-1-97]

365:10-5-65. Presumptively acceptable relationship of credit accident and health benefits to premiums

(a) **Purpose.** The purpose of this Part is to establish a presumptively reasonable rate schedule for credit accident and health insurance.

(b) **Presumptively reasonable accident and health rates.** The Commissioner of Insurance has determined that the benefits of an accident and health insurance form are reasonable in relation to the premium charged, if the premium rate schedule for such accident and health benefits, as filed, does not exceed an amount equal, or mathematically equivalent, to the rates shown in Appendix E.

(c) **Joint credit accident and health insurance.** Where, with respect to a single indebtedness, coverage is provided on two (2) lives, maximum presumptive credit accident and health insurance

premium rates shall not exceed an amount equal, or mathematically equivalent, to One Hundred and Eighty-Five Percent (185%) of the applicable maximum rates for single accident and health insurance as set forth in Appendix E.

[Source: Amended at 13 Ok Reg 2669, eff 7-1-96; Amended at 14 Ok Reg 2650, eff 7-1-97]

365:10-5-66. Standard of benefits for credit accident and health insurance

(a) **Purpose.** The purpose of this Part is to, with respect to credit accident and health insurance:

- (1) Establish standards;
- (2) Provide a mathematical formula for rates for premiums;
- (3) Establish to whom such insurance contract may be issued; and
- (4) Define "total disability".

(b) **Standards and principles.** The standards and principles for the application of the presumptively reasonable rates set forth in this Part for credit accident and health insurance are as follows:

- (1) The initial amount of insured indebtedness to which the rate is applied shall not exceed the aggregate of the insured portion of the periodic scheduled unpaid installments of the indebtedness.
- (2) The indebtedness must be repayable in monthly or other periodic installments during the period of coverage.
- (3) The rates for premiums payable on other than a single premium basis shall be the mathematical equivalent of the rates set forth in 365:10-5-65. Such premium rates will be deemed the mathematic equivalent of the foregoing single premium rates, if such rates produce a total premium for any duration and amount of insurance equal to the corresponding single premium for the same duration and amount of insurance.

$$Op_n = \frac{20}{n+1} > x (SP_n)$$

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

n = Original repayment period, in months.

(4) If premiums are paid on the basis of a premium rate per month per thousand of outstanding insured indebtedness, these premiums shall be computed according to the formula as set forth in 365:10-5-66(b)(3). The actuarial equivalent of such formula shall be used if the coverage provided is a constant maximum indemnity for a given period of time.

(5) The credit accident and health insurance contract may require, at the time of application for insurance and periodically thereafter, written and signed evidence of insurability (inclusive of age and employment) and where offered, shall be offered to all eligible debtors, and shall, as a condition precedent to use of the presumptively reasonable accident and health rates, contain:

(A) No provisions excluding a claim for disability resulting from pre-existing conditions, except for those conditions for which the insured debtor received medical diagnosis or treatment within the one (1) year period immediately preceding the date of application for such insurance, or of which the insured suffered symptoms which would cause an ordinarily prudent person to seek diagnosis, care or treatment within the one (1) year period immediately preceding the date of application for such insurance, and which caused a period of loss within six (6) months following the date of application for such insurance; provided, however, that any subsequent period of disability resulting

from such condition that commences or recommences more than six (6) months after the date of the application for such insurance shall be covered under the provisions of the policy.

(B) Failure to comply with the requirements set forth in this paragraph (5), in violation of this Part, shall be subject to any applicable fine set forth in the Oklahoma Insurance Code and this Part, including retroactive premium refunds as provided in 365:10-5-72.

(C) No provision more restrictive as to validity of insurance than contestability based upon material misrepresentation and no other provision which excludes or restricts liability in the event of disability caused in a specified manner except that it may contain provisions excluding or restricting coverage in the event of:

- (i) elective abortion;
- (ii) normal pregnancy, except for complications of pregnancy;
- (iii) intentionally self-inflicted injuries;
- (iv) flight in non-scheduled aircraft;
- (v) foreign travel or residence; and,
- (vi) loss resulting from war or military service

An insurer may not rely on material misrepresentation as a defense against the payment of a claim unless the insurer required the insured to sign a written statement in which the alleged material misrepresentation was made.

(D) No age restrictions except restrictions making ineligible for coverage debtors sixty-five (65) years of age or over at the time that the indebtedness is incurred or debtors who have attained sixty-six (66) years of age or over on the maturity date of the indebtedness, or else no age restriction.

(E) A definition of "total disability" which provides that during the first eighteen (18) months of such disability, the definition of "total disability" must relate such disability to the occupation of the debtor at the time the disability occurred. After such disability continues for more than eighteen (18) months, the definition of "total disability" may relate such continuing disability to the inability to perform any occupation for which the debtor is reasonably fitted by education, training or experience.

(6) The benefit provided under such credit accident and health insurance contract shall be payable on the basis of a daily benefit equal to 1/30 of the scheduled monthly benefit.

[Source: Amended at 10 Ok Reg 3049, eff 10-1-93; Amended at 11 Ok Reg 1847, eff 5-15-94]

365:10-5-67. Deviation procedures

(a) **Purpose.** The purpose of this Part is to, with respect to credit life and credit accident and health insurance:

- (1) Allow deviation by case;
- (2) Prescribe the form therefore;
- (3) Determine case rate;
- (4) Establish an effective period of case rate;
- (5) Provide for case rate where the case ratio is above or below the acceptance range to establish minimum changes; and
- (6) Define certain terms.

(b) **Deviations.**

- (1) Notwithstanding the determination by the Commissioner of presumptively reasonable rates which are conclusively presumed reasonable in relation to the benefits of a policy providing

coverage to which the rates are applicable, an insurer may file for approval of and use rates that are higher than the presumptively reasonable premium rates for credit life insurance or for credit accident and health insurance if it can be demonstrated that the benefits will be reasonable in relation to the premium charge and actuarially consistent with the presumptively reasonable rates and standard benefit plans.

(2) The insurer may file deviated rates for approval that will be:

- (A) Applied uniformly to all accounts of the insurer; or
- (B) Applied on an equitable basis approved by the Commissioner to only one or more accounts of the insurer for which the experience has been more favorable or less favorable than expected; or
- (C) Applied according to a case-rating procedure on file with the Commissioner; or
- (D) Applied according to the case-rating procedure set forth in (k) of this section.

(3) An insurer may at any time use a rate for an account that is lower than the filed rate applicable to that account without notice to the Commissioner.

(4) A deviated rate will be in effect for a period not longer than three (3) years. An insurer may file for a new rate before the end of the three (3) year period, but not more often than once during any twelve-month period.

(5) If an account for which a higher rate is approved changes insurers, the rate approved to be used for that account by the prior insurer is the maximum rate that may be used by any succeeding insurer for the remainder of the rate period applicable to the prior insurer, or until a new rate is filed for use with the account, if sooner.

[Source: Amended at 14 Ok Reg 2650, eff 7-1-97]

365:10-5-68. Experience calls

(a) The Commissioner may rely upon statistical experience data compiled annually by the National Association of Insurance Commissioners in establishing a reasonable relationship of benefits to premiums.

[Source: Amended at 10 Ok Reg 3049, eff 10-1-93; Amended at 14 Ok Reg 2651, eff 7-1-97]

365:10-5-69. Premium refunds

(a) **Purpose.** The purpose of this section is to:

- (1) Establish refunds for unearned premiums;
- (2) Establish procedures for the payment of refunds;
- (3) Establish the responsibility of refunds;
- (4) Provide for maintenance of refusal records;
- (5) Establish a refund formula in the policy, whether individual or group;
- (6) Establish a minimum refund; and
- (7) Provide for treatment of refunds for partial months.

(b) **Refund of unearned premiums.** With respect to policies issued and certificates delivered after the effective date of this Part:

- (1) The refund of an unearned amount paid by or charged to a debtor for reducing term credit life insurance, or for credit accident and health insurance on which charges to the debtor are payable by other than a single sum, and for level term credit life insurance must not be less than the pro rata gross unearned amount charged.

(2) The refund of an unearned amount paid by or charged to a debtor for reducing term credit life insurance or for credit accident and health insurance on which the insurance charges to the debtor are paid in a single sum must not be less than the amount computed by "sum of the digits" formula, commonly known as the "Rule of 78".

(c) **Procedures for payment of refunds.** Upon the termination of insurance prior to maturity, each debtor shall receive from the creditor any refund or unearned identifiable insurance charges by check, or by credit to and against the insured debtors indebtedness, in accordance with the insurers refund formula. Insurers shall be responsible for the establishment of procedures by which refunds or credits are to be made, and shall furnish to creditors schedules for refunds or credits to be made in the event of termination of insurance. Insurers shall also furnish instructions to creditors with respect to their duties in the making of such refunds or credits. In the event of a failure by a creditor to make such refund, the insurer shall be responsible for making such refund and for promptly notifying the Commissioner of said failure to refund.

(d) **Refund records.** The insurer must maintain in its home office for inspection by the Commissioner records of the completion of such refunds to debtors. Such records must set forth the completion or noncompletion of each refund due, and must specify the date and amount of such refund, to whom the refund was paid or credited, and must include data sufficient to verify the accuracy of the computation of the refund.

(e) **Refund formula in policy.** The requirements for filing refund formulas will be satisfied if the formulas are set forth in the individual policy or group policy filed with the Commissioner and not disapproved. If the appropriate refund formula is the "sum of the digits" formula, commonly known as the "Rule of 78", it shall be sufficient to so refer to such formula by either description in the policy.

(f) **Refunds less than one dollar.** A premium refund or credit need not be made if the amount thereof is less than One Dollar (\$1.00).

(g) **Treatment of partial months.** At the option of the insurer, but consistent with 365:10-5-69(b), 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.

365:10-5-70. Responsibilities and obligations of insurance companies and their agents and representatives

(a) **Purpose.** The purpose of this section is :

- (1) Establish the responsibility of insurers;
- (2) Provide for the delegation by insurer of responsibilities of policy issuance and premium collection;
- (3) Establish restrictions on interest of creditors under group and individual policies;
- (4) Provide for the delegation by insurer of certain claims responsibilities;
- (5) Provide for the establishment of claim payment, and to impose additional restrictions on settlement and adjustment of claims;
- (6) Provide for the supervision by each insurer of its credit insurance operations within this state; and
- (7) Require each insurer to keep and make available certain records.

(b) **Responsibilities of insurers.**

- (1) Each insurer transacting credit insurance business in this State shall, in compliance with the laws of this State and the Regulations promulgated thereunder, be responsible for:

- (A) the approval, production, reproduction, amendment, and modification of its policies, certificates of insurance, and other insurance forms including rate schedules, and for the issuance, cancellation, or termination of such policies, certificates or forms;
- (B) the selection and appointment of its agents and representatives;
- (C) the proper charge, collection, remittance, of credit insurance premiums;
- (D) the receipt of copies of all certificates of insurance, and other insurance forms issued in its name by its agents or representatives, or the receipt of electronic or other data therefore which can be substantiated by certificates of insurance or other insurance forms.
- (E) the computation and maintenance of policyholder and claims reserves in accordance with 365:10-5-71; and
- (F) the investigation of claims filed against the insurer and the payment, adjustment, settlement, or denial of such claims.
- (G) requiring all policies, certificates and applications be negotiated or solicited by licensed and appointed agents or limited insurance representatives.
- (H) if a claim is denied, or in the event of rescission, based upon material misrepresentation, providing the insured with a written notice containing the grounds relied upon, including:
 - (i) reference to the alleged misrepresentation, including a copy of the document(s) in which the alleged misrepresentation was made; and
 - (ii) copies of the medical records, unless prohibited by law, and other documents relied upon as support for the alleged misrepresentation; and
 - (iii) a copy of the underwriting criteria or, if not in written form, a description of said criteria pertinent to the alleged misrepresentation and acceptance of the risk by the insurer.

(2) None of the foregoing ultimate responsibilities of the insurer may be delegated to any other person, nor may the performance of such responsibilities be assigned to any creditor or to any agent or representative selected and appointed by the insurer, except as provided in this Part.

(c) Delegation by insurer of responsibilities of policy issuance and premium collection.

(1) The insurer, by its group policy, may authorize the group policyholder-creditor to issue certificates of group insurance or may authorize a legally appointed insurance agent of the insurer to issue certificates of insurance or policies of insurance and, respectively, to collect the insurance charge under the group policy, or the premium therefore under an individual policy, provided that the master group insurance policy with the creditor or the Agent's Agreement with the agent under which such authority is granted shall require that:

- (A) the creditor issue such group certificate, or the agent issue such certificate of insurance or insurance policy in the name of the insurer, and payment of the respective policy premium shall be by a check payable to the insurer or by deposit to an account of the insurer under the sole control of the insurer.
- (B) a "home office" copy of each certificate or policy so issued, together with a premium therefore, shall be delivered to the insurer within thirty (30) days after the close of the calendar month in which the certificate or policy is issued. In lieu of the deliver of a copy of each certificate or policy so issued, an insurer shall obtain from each creditor or agent and thereafter maintain in its files substantially equivalent information.
- (C) refunds of unearned premium shall be made in accordance with 365:10-5-69; and

(D) no creditor or creditor agent may knowingly issue any policy or group certificate or insurance which, alone, or in conjunction with other policies or group certificates issued on the same risk, will in the aggregate exceed the group credit life insurance limits of this State.

(E) no creditor or creditor agent may remit to any insurer, premiums received from any debtor in a payment mode which differs from that payment mode prescribed in the group policy issued to such creditor or creditor agent.

(2) No insurer may authorize, and no insurance agent, or group policyholder within their respective capacities may issue any policy or certificate of insurance or collect any premium or insurance charge therefore or make any refund of premium, except only pursuant to and in accordance with either a master group insurance policy or an Agent's Agreement in compliance with this Part.

(d) **Restrictions on interest of creditors under group and individual policies.** No group policy may be issued to other than a bona fide creditor. No first beneficiary may be designated except a creditor. No creditor may be designated as owner of the individual policy, nor have any rights thereunder other than that of first beneficiary except as specifically authorized by law.

(e) **Delegation by insurer of certain claims responsibilities.** The insurer may designate or engage one or more representatives for the purpose of investigating or settling claims, processing production reports, calculating reserves, printing of approved forms, and performing other administrative services authorized by the law, provided:

(1) such services are performed under the supervision and direction of the insurer and the insurer shall remain responsible for their proper performance;

(2) the work product of representatives of the insurer is the property of the insurer and is retained in the possession of the insurer, together with the supporting data and information used in its preparation; and,

(3) all claims shall be promptly reported to the insurance company or its designated claim's representative, and all claims shall be settled as soon as reasonably possible and in accordance with the terms of the insurance contract.

(f) **Claim files maintained by the insurer.** The insurance company shall establish and maintain an adequate claim register and claim file, to include, inter alia, all denied, resisted or compromised claims, which may be reviewed and examined by the Commissioner.

(g) **Proofs of loss.** Adequate proofs of loss must be in the possession of the insurance company at the time its funds are disbursed in payment of claims, except as provided in (i) of this section. Such proofs of loss shall include documentary evidence for the insurer to determine proper amounts of any excess benefit payable to a beneficiary other than the creditor.

(h) **Method of claims payment.** All claims shall be paid either by draft drawn upon the insurance company or by check of the insurance company to the order of the specific beneficiary to whom payment of the claim is due.

(i) **Additional restrictions on settlement and adjustment of claims.** No plan or arrangement shall be used whereby any person, firm, or corporation other than the insurer or its designated claims representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claims representative for the insurer in settling or adjusting claims; however, a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due only to the group policyholder, subject to audit and review by the insurer. Nothing herein may be construed to relieve the insurance company from the responsibility for the proper settlement, adjustment and payment of all claims to proper beneficiaries in accordance with the terms of the insurance contract.

(j) **Supervision of credit insurance operations.** Each insurer transacting credit insurance in this State shall be responsible to conduct a thorough review of each creditor, general agent and other persons providing administrative services, with respect to its credit insurance business with such person to assure compliance with the insurance laws of this State and the regulations promulgated thereunder. Such review shall be conducted at least annually and shall include, but not be limited to a determination that:

- (1) the proper charges to debtors are being made by the creditor;
- (2) the proper refunds are being made by the creditor;
- (3) all claims are being filed and properly handled;
- (4) amounts of insurance payable on death in excess of the amounts necessary to extinguish the indebtedness are properly calculated and reported to the insurer in proofs of loss;
- (5) the creditor is promptly and fairly processing complaints concerning its credit insurance operations and is maintaining proper procedures for and records of the complaints processed; and,
- (6) authorized certificate and policy forms are being used and delivered to insured debtors.

(k) **Availability of source documents.** Upon request by the Commissioner, the insurer shall make available at its home office legally acceptable copies of all source documents relating to any of its credit insurance transactions.

[Source: Amended at 10 Ok Reg 3049, eff 10-1-93]

365:10-5-71. Policy and claims reserves

(a) **Purpose.** The purpose of this section is to provide for the establishment of policy reserves and claims reserves for credit life insurance and credit accident and health insurance.

(b) **Policy reserves.**

(1) Except as provided in 365:10-5-71(c), the minimum reserves for the payment of benefits under outstanding credit life insurance policies and certificates may not be less in the aggregate than one hundred thirty percent (130%) of the reserves computed on the 1958 C.S.O. Mortality Table, with interest not to exceed four and one half percent (4½%); or, at the option of the insurer, such reserves may be maintained at one hundred percent (100%) of the reserves computed on the 1941 C.S.O. Mortality Table, the 1958 C.E.T. Mortality Table, or the 1960 C.S.G. Mortality Table with interest not to exceed four and one half percent (4½%) or the 1980 C.E.T. Mortality Table.

(2) The reserve for credit accident and health insurance or disability insurance which has an effective date after June 30, 1982, may be the product rounded to the next higher dollar of the gross presumptive single premium rate per One Hundred Dollars (\$100.00) of insured indebtedness for the term of the indebtedness remaining as of the valuation date times the number of hundreds of dollars of indebtedness outstanding as of the valuation date, or, as an alternative and at the option of the insurer, the mean of the gross unearned premium calculated by the sum of the digits (Rule of 78's) and the pro rata methods. The reserve for such insurance which has an effective date prior to June 30, 1982, may not be less than the gross unearned premium calculated by the sum of the digits (Rule of 78's) method.

(c) **Claims reserves.**

(1) The insurer shall set up adequate reserves for claims on credit life and credit accident and health insurance, in addition to the policy reserves already described. Such claims reserves

shall be based upon appropriate consideration for liability under each of the following categories:

- (A) the liability on claims which are known to be due and already payable, but which have not yet been paid;
 - (B) the additional reserve on claims for ongoing and now continuing disability benefits which have already been reported, and on which future payments will be due during the continuance of this disability;
 - (C) the liability on claims which are incurred and benefits now due but not yet reported, but which will be payable when they are reported;
 - (D) the reserve on claims for disability benefits which are incurred but not yet reported, and on which future payments will be due during the continuance of this disability.
- (2) The Company may rely upon creditable experience developed by its own claims experience, industry wide experience, or any other available source which produces an adequate reserve for the liability described under this section.

[Source: Amended at 10 Ok reg 3049, eff 10-1-93; Amended at 10 Ok Reg 4235, eff 10-1-93 (emergency); Amended at 11 Ok Reg 1847, eff 5-15-94; Amended at 14 Ok Reg 2650, eff 7-1-97]

365:10-5-72. Prohibited practices and penalties

(a) **Purpose.** The purpose of this section is to specify those practices which are considered as either unfair methods of competition or excessive rate charges, and to prescribe penalties for violation of this Part.

(b) **Unfair methods of competition.** The following practices when engaged in either directly or by reciprocal agreement by an insurer or by any insurance agent in connection with the sale or placement of credit insurance as an inducement thereto, shall constitute unfair methods of competition:

- (1) the offer or grant by an insurer or by any insurance agent to a creditor or to any person connected with the creditor of any special advantage on any service not set out in a contract entered into between that creditor and such insurer or agent;
- (2) agreement by an insurer or by an insurance agent to deposit with a bank or financial institution money or securities of the insurer with the design or intent that the same shall affect or take the place of a deposit of money or securities which otherwise would be required of the creditor by such bank or financial institution as a compensating balance or offsetting deposit for a loan or other advancement;
- (3) deposit as an inducement to insurance by an insurer or by an insurance agent of money or securities, at a rate of interest which is less than that prevailing rate of interest paid upon passbook savings accounts by a creditor bank or financial institution. This paragraph shall not be construed to prohibit the maintenance by an insurer of such demand deposit or premium deposit accounts as are reasonably necessary for use in the ordinary course of the insurer's business; and
- (4) collection of the insurance charge by the creditor from the debtor on a single premium basis and remitted to the insurer by the creditor on any basis other than a single premium basis.

(c) **Excessive rate charges.** Any insurer who is determined by the Commissioner to have charged the presumptive or maximum premium rates set forth in this Part, while paying excessive compensation allowance or failing to comply with any of the requirements or conditions precedent

to the charging of such rates, may be required to refund the premiums received in connection with policies for which the presumptive rate was wrongfully charged.

(d) **Penalties or fines.** Any insurer, agent, or limited insurance representative determined, after notice and opportunity for hearing, to be in violation of this Part is subject to the civil penalty provisions of the Oklahoma Insurance Code which are generally applicable to violations of the Oklahoma Insurance Code.

[**Source:** Amended at 10 Ok reg 3049, eff 10-1-93; Amended at 10 Ok Reg 4235, eff 10-1-93 (emergency); Amended at 11 Ok Reg 1847, eff 5-15-94]

365:10-5-73. Agent or representative compensation

(a) **Purpose.** The purpose of this section is to establish the maximum compensation allowance which may be paid in connection with credit life and credit accident and health insurance.

(b) The following allowances are the maximum compensation which may be paid for the sale of credit insurance in this State:

(1) in the aggregate, to all persons including insurance agents or limited insurance representatives, directly or indirectly connected with the creditor, forty percent (40%) of the net written life insurance premiums;

(2) in the aggregate, to all persons, including insurance agents or limited insurance representatives, directly or indirectly connected with the creditor, forty percent (40%) of the net written accident and health insurance premiums;

(3) in the aggregate, to all persons independent of the creditor, including but not limited to general agents, an amount not to exceed the lesser of:

(A) ten percent (10%) of the net written credit life and credit accident and health insurance premium, or

(B) the general expense component used in the calculation of the maximum rate chargeable for credit life multiplied by the net written credit life and credit accident and health insurance premium; and

(4) "Compensation" shall include, but not be limited to, the receipt directly or indirectly or reciprocally of commissions, contingent commissions, service fees, policy fees, expense allowances or reimbursements, gifts, all benefits such as items of merchandise, equipment, travel, conventions, vacations, rewards, bonuses, trading stamps, scripts, or any other form of remuneration resulting directly or indirectly from the sale of credit insurance or as an inducement to or payment for sales made or volume of sales obtained. Compensation shall also include any amounts or things of value received from or paid by any person other than an insurer in consideration of the sale or retention of credit insurance.

(5) Dividends or other distributions of earnings based upon the profits derived from the sale of credit life or credit accident and health insurance shall be considered compensation if:

(A) such dividends or other distribution of earnings are realized as the result of direct writing with an insurance company or direct or indirect reinsurance cessions to reinsurance companies, and

(B) such insurance or reinsurance companies are controlled or owned wholly or in part by the creditor receiving such dividends on earnings, and

(C) the amounts credited to the creditor/shareholder or ceded to such reinsurers on behalf of the creditor/shareholder exceeds seventy-five percent (75%) of the risk under any credit life or credit accident and health insurance policy produced by said creditor for the insurance company or ceding insurance company, or

(D) such dividends or other distributions of earnings are credited to any class of stock of an insurance company or insurance holding company on the basis of premiums written by a creditor, less loss experience and other charges applied to such premiums, if such participating stock so credited was issued after the effective date of this rule amendment.

(c) In order to assist in the enforcement of this Part, any insurer writing credit life or credit accident and health insurance in this State shall on or before March 1, 1997, and on the same date of each year thereafter, execute a notarized affidavit certified to by one of the insurer's officers stating whether or not said insurer or its agents had paid compensation in excess of the maximum compensation as herein described and set forth. Said notarized affidavits shall be maintained at the offices of the insurer and shall be provided to the Commissioner immediately upon request of the Commissioner or his representatives.

(d) In order to assist in the enforcement of this Part, any agent, limited insurance representative or other person writing credit life or credit accident and health insurance in this State shall on or before March 1, 1997, and on the same date of each year thereafter, execute a notarized affidavit stating whether or not said agent, limited insurance representative or other person had paid or received compensation in excess of the maximum compensation as herein described and set forth. Said notarized affidavits shall be maintained at the offices of the agent's appointing insurer and shall be provided to the Commissioner immediately upon the request of the Commissioner or his representatives.

[Source: Amended at 10 Ok Reg 3049, eff 10-1-93; Amended at 14 Ok Reg 2415, eff 7-1-97 (emergency); Amended at 15 Ok Reg 1382, eff 7-1-98]

365:10-5-74. Savings clause; severability clause

(a) **Savings clause.** Each cause of action, pending litigation, matter and process before the Commissioner, or matter hereafter arising from an event occurring prior to the effective date of this Part shall be determined in accordance with and governed by the provisions of the Statutes, Rules, Orders, or interpretations of the Commissioner in effect at the time of the occurrence of the subject event; and, this Part operates to save the application of such past procedure and law to any such event from amendment, change or repeal notwithstanding any provision of this Part or any conflict or ambiguity therein.

(b) **Severability.** If any of the provisions of this Part or the application thereof to any person or circumstance is held invalid for any reason, the invalidity shall not effect the other provisions or any other application of said Part which can be given effect without the invalid provision or application. To this end, all provisions of this Part are declared to be severable.

[Source: Amended at 10 Ok Reg 3049, eff 10-1-93]