

SECTION .0400 - CREDIT LIFE ACCIDENT AND HEALTH RATE DEVIATION

11 NCAC 16 .0401 DEFINITIONS

As used in this Section:

- (1) "Class of Business" means one of the following determined by the source of the business:
 - (a) Credit Unions;
 - (b) Commercial Banks and Savings and Loan Associations;
 - (c) Finance Companies;
 - (d) Motor Vehicle Dealers;
 - (e) Other Sales Finance; or
 - (f) All Others.
- (2) "Account" means the aggregate credit life insurance, credit accident and health insurance, or credit unemployment insurance coverage for a single plan of insurance and for a single class of business written through a single creditor, whether coverage is written on a group or individual basis.
- (3) "Case" means either a "Single Account Case" or a "Multiple Account Case" as follows:
 - (a) "Single Account Case" means an account that is at least 25% credible or, at the option of the insurer, any higher percentage as determined by the Credibility Formula as defined in Item (6) of this Rule; and
 - (b) "Multiple Account Case" means two or more accounts of the same plan of insurance and class of business having similar underwriting characteristics, excluding single account cases defined in Sub-item (3)(a) of this Rule, and that when combined, are at least as credible as the minimum level of credibility elected in Sub-item (3)(a) of this Rule.
- (4) "Plan of Insurance" means:
 - (a) decreasing term credit life insurance on single or joint lives;
 - (b) level term credit life insurance on single or joint lives;
 - (c) credit accident and health insurance on single or joint lives, with single premiums that vary by waiting period and retroactive or nonretroactive benefits; and
 - (d) credit Unemployment insurance on single or joint lives.
- (5) "Credibility Factor" means the degree to which the past experience of a case is expected to occur in the future.
- (6) "Credibility Formula" means the following process used to calculate the credibility factor:
 - (a) determine the incurred claim count during the experience period;
 - (b) divide Sub-item (6)(a) of this Rule by 1082;
 - (c) take the square root of Sub-item (6)(b) of this Rule; and
 - (d) the credibility factor is the lesser of the number one and the results of Sub-item (6)(c) of this Rule.
- (7) "Earned Premium at Current Approved Rate" means North Carolina earned premium, during the experience period, restated as though the current North Carolina approved rate had been charged.
- (8) "Incurred Losses" means North Carolina incurred losses during the experience period including the increase in provision for incurred losses, whether reported or not, from the beginning to the end of the period.
- (9) "Expense Ratio" means the ratio of the insurer's operating expenses for a class of business and plan of insurance to its earned premium for that class of business and plan of insurance.
- (10) "Operating Expenses" means any combination of the following expenses:
 - (a) commissions;
 - (b) other acquisition;
 - (c) general Administration;
 - (d) taxes, licenses, and fees; and
 - (e) profit and contingency margin.
- (11) "Benchmark Loss Ratio" means the percentage of premium that is expected to be used to pay losses. It is calculated by subtracting the expense loss ratio from the number one.
- (12) "Rate Adjustment Factor" means the result of the calculations in 11 NCAC 16 .0403(15).
- (13) "Experience Period" means the period of time for which experience is reported, but not for a period longer than the most recent three years.
- (14) "Incurred Claim Count" means the number of North Carolina claims incurred for the case during the experience period. This means the total number of claims reported during the experience

period, whether paid or in the process of payment, plus any claims incurred but not reported at the end of the experience period less the number of claims incurred but not reported at the beginning of the experience period. If a debtor has been issued more than one certificate for the same plan of insurance, then only one claim shall be counted. If a debtor receives credit disability or credit unemployment benefits, then only the initial claim payment for that period of disability or period of unemployment is counted.

- (15) "Incurred Loss Ratio at Current Approved Rate" means the ratio of incurred losses, as defined in Item (8) of this Rule, to earned premium at current North Carolina approved rate, as defined in Item (7) of this Rule.
- (16) "Class of Business Incurred Loss Ratio at Current Approved Rate" means the ratio of incurred losses, as defined in Item (8) of this Rule, to earned premium at current North Carolina approved rate, as defined in Item (7) of this Rule, for the class of business and plan of insurance associated with the case.
- (17) "Qualified Actuary" means an individual who is a member of the American Academy of Actuaries, an Associate or Fellow of the Society of Actuaries, or an Associate or Fellow of the Casualty Actuarial Society.
- (18) "Maximum Approved Rate" means the current North Carolina approved rate for the case multiplied by the prima facie rate adjustment factor as defined in Item (12) of this Rule.

History Note: Authority G.S. 58-2-40; 58-57-35(a); 58-57-70;
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