



## Texas Department of Insurance

Life/Health Division, Mail Code 106-1A  
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104  
512-322-3401 telephone • 512-322-3552 fax • www.tdi.state.tx.us

June 9, 2003

COMMISSIONERS BULLETIN: B-0023-03

### CREDIT DATA CALL – 2002 CREDIT LIFE AND CREDIT ACCIDENT & HEALTH INSURANCE

You are hereby notified of the CREDIT DATA CALL, for calendar year 2002. Sections 3.5701 and 3.5702 of Title 28 of the Texas Administrative Code, (Chapter 3, Subchapter FF), as promulgated and adopted under the authority of Section 12, Article 3.53, Texas Insurance Code, provide the method for completion of the "Experience and Expense Reports." This data call is made pursuant to Section 38.001 of the Texas Insurance Code, and responses must be submitted by the dates indicated.

The ACKNOWLEDGMENT OF RECEIPT should be completed promptly and returned to this office no later than July 1, 2003. If your company has not written and does not have any in-force credit life and credit accident & health insurance in the state of Texas for 2002, make a positive statement to that effect at the bottom of the ACKNOWLEDGMENT RECEIPT.

The Credit Data Call for 2002 requests data on credit life and credit accident & health insurance in force or written directly in the state of Texas on loans or other credit transactions of 120 months or less duration. The blank experience and expense exhibits for 'experience year' are loaded on the diskette that you received in our July 28, 2000 correspondence. In the event you no longer have access to the diskette, the files on the diskette may be downloaded from our web site at <http://www.tdi.state.tx.us/commish/bullet00.html>. The bulletin is listed under Bulletin Number B-0042-00 under the heading Annual Credit Data Call for Calendar Year 1999 for Credit, Life and Accident and Health Insurance. Please follow the form instructions and diskette instructions enclosed in this credit data call packet, as they will assist you in filling out the forms. Report all dollar (\$) amounts to the nearest dollar. OMIT reporting cents (¢).

**Important Note: When completing forms CI-EX-DIS and CI-EX-L, earned premiums at presumptive rate should be reported PRIOR TO the application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

**Please retain a copy of your completed diskette for your records. This will save time in the event that a resubmission or correction of data is required in the future.**

The completed ACTUARIAL CERTIFICATION (FORM CI-ACT-CERT) and AFFIDAVIT (AFFIDAVIT OF VALIDITY) (FORM CI-VAL-AFF), along with the filled-in diskette, must be received or delivered to our office no later than July 22, 2003.

In order to assure that the information is complete and valid, we are requiring that the data be verified and certified by an officer of the company. The affidavit form is required to be notarized. Additionally, to verify the method used to compute the unearned premium reserves for each carrier's single premium business, the reserves shall be attested to by a qualified actuary. A qualified actuary is a member in good standing with the American Academy of Actuaries. For the purpose of this Credit Data Call, reserves on single premium business shall be calculated as stated in the ACTUARIAL CERTIFICATION (FORM CI-ACT-CERT).

In order to ensure accuracy in data reporting, read the Instructions for Preparing Forms carefully. Please refer to the instructions for converting actual earned premiums to earned premiums at the presumptive rate. **Important Note: When completing forms CI-EX-DIS and CI-EX-L, earned premiums at presumptive rate should be reported PRIOR TO the application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

Exhibit A, containing the presumptive premium rates, has been enclosed to assist you in your earned premium conversions.

<u>Enclosures:</u>	<u>Due Dates:</u>
One page ACKNOWLEDGMENT OF RECEIPT	<u>July 1, 2003</u>
One page CREDIT CALL ERROR CHECKS	-----
Nine pages of INSTRUCTIONS FOR PREPARING FORMS and Exhibit A	-----
Two pages of ADDENDUM to INSTRUCTIONS FOR PREPARING FORMS	-----
Four pages of Appendix A	-----
Six Pages of Form Exhibits	-----
Diskette (Not Included) (Experience and Expense exhibits)	<u>July 22, 2003</u>
Three Pages Instructions for General Expense Exhibit Four Pages Diskette Filing Instructions	----- -----
One Page ACTUARIAL CERTIFICATION	<u>July 22, 2003</u>
One Page AFFIDAVIT (AFFIDAVIT OF VALIDITY) (FORM CI-VAL-AFF)	<u>July 22, 2003</u>

Mail the completed diskette, Actuarial Certification and Affidavit to:

Texas Department of Insurance  
Attn: Jan Gibson (MC106-1E)  
P. O. Box 149104  
Austin, Texas 78714-9104

Express mail may be sent to:

Texas Department of Insurance  
Attn: Jan Gibson (MC106-1E)  
333 Guadalupe  
Austin, Texas 78701

Questions concerning this bulletin should be directed to Jan Gibson at the Texas Department of Insurance at (512) 305-7317, or e-mail [jan.gibson@tdi.state.tx.us](mailto:jan.gibson@tdi.state.tx.us)

Sincerely,

Jan Gibson, ASA, MAAA  
Actuary  
Enclosures

**CREDIT DATA CALL – 2002  
ACKNOWLEDGMENT OF RECEIPT**

\_\_\_\_\_  
(Date)

**RETURN VIA MAIL OR FAX TO:**

Texas Department of Insurance  
Attention: Jan Gibson  
Life/Health Division, Mail Code 106-1E  
P. O. Box 149104  
Austin, Texas 78714-9104

Fax number: (512) 322-3552

On behalf of my company, I hereby execute this ACKNOWLEDGMENT RECEIPT for the CREDIT DATA CALL for 2002 as described in your bulletin of June 9, 2003, under the provisions of Article 3.53, Texas Insurance Code, for the Credit Life, Credit Accident and Health statistical experience. It is understood that the filled-in DISKETTE (containing the experience and expense reports), the AFFIDAVIT (AFFIDAVIT OF VALIDITY) (FORM CI-VAL-AFF) and the ACTUARIAL CERTIFICATION (FORM CI-ACT-CERT) must be received or delivered in our offices of the Texas Department of Insurance on or before **July 21, 2003**. It is further understood that this ACKNOWLEDGMENT RECEIPT must be received or delivered in our offices **no later than June 30, 2003**.

\_\_\_\_\_  
(Complete Name of Insurance Company)

\_\_\_\_\_  
(Complete Address of Insurance Company)

\_\_\_\_\_  
(Typed Name of Individual completing the Credit Data Call)

\_\_\_\_\_  
(Signature of Individual completing the Credit Data Call)

\_\_\_\_\_  
(Typed Title of Individual completing the Credit Data Call)      (Area Code/Telephone Number)

**NOTE: If your company has not had any Credit Life, Credit Accident and Health Insurance in force in Texas during the calendar year 2002, make a statement to that effect in the COMMENTS section below and have a company officer sign on the signature line below the COMMENTS section. Please return this ACKNOWLEDGMENT RECEIPT. Under these circumstances, the AFFIDAVIT (AFFIDAVIT OF VALIDITY) (FORM CI-VAL-AFF) and ACTUARIAL CERTIFICATION (FORM CI-ACT-CERT) need not be returned.**

**COMMENTS:**

\_\_\_\_\_  
(Signature of Company Officer)

\_\_\_\_\_  
(Typed or Printed Name)

\_\_\_\_\_  
(Date)

## **2002 CREDIT CALL ERROR CHECKS**

One method that will be used to validate data this year is to compare the 2002 Credit Call Experience to the data on the 2002 Credit Insurance Experience Exhibit (CIEE). The sum of your Credit Call Experience forms for the various Class/Plans should agree with the CIEE.

The 2002 Credit Call Expense total will be compared to the data on the Life/Health Annual Statement Page 6, Analysis of Operations by Lines of Business, Lines 22 and 23, respectively, column 6 (Credit Life) and column 10 (Credit A & H). The amounts should agree. (This error check applies only to Life companies, not Fire & Casualty companies.)

**PLEASE VERIFY THAT THE CREDIT CALL WILL BALANCE TO THESE REPORTS  
BEFORE THE CALL IS RETURNED!**

## Instructions for Preparing Forms

These instructions are a modification of the instructions found at Title 28 of the Texas Administrative Code, §3.5701 - §3.5702, with additional supplemental information for your use in submitting the data.

### §3.5701 Statistical Data and Annual Experience Calls.

Insurers writing credit life insurance and credit accident and health insurance in Texas shall keep statistical data in such form and manner as necessary to enable the commissioner to determine if rates are reasonable in relation to the benefits afforded by the various policy contracts together with appropriate expenses. Each such insurer shall submit experience reports as shall be required by specific annual call of the commissioner upon reporting forms supplied by such call. The experience reports required by §3.5701 to §3.5702 of this title (relating to Experience Call) shall not replace other annual reports of credit insurance experience and are separate and distinct from the NAIC annual statement and from the deviation request permitted by §3.5601 of this title (relating to Deviation by Case Allowed) and are not used in any manner to determine the financial condition of the company.

### §3.5702 Instructions for Preparing Forms.

(a) Identification of Forms:

<u>FORM</u>	<u>DESCRIPTION</u>
CI-I-PR	Inventory Information Form Presumptive Rates
CI-I-DR	Inventory Information Form Deviated Rates
CI-ACT-CERT	Actuarial Reserve Certification Form
CI-VAL-AFF	Affidavit of Validity of Experience Data Form
[** CI-EX-L (Rev. 1992)	Credit Life Insurance Experience Report Form]
[** CI-EX-DIS (Rev. 1992)	Credit Disability Insurance Experience Report Form]
[** CI-EXP-L	Credit Life General Expense Report Form]
[** CI-EXP-DIS	Credit Disability General Expense Report Form]
[**** CI-EX-DIS (Rev. 1992)	Credit Disability Insurance Experience Report Form]
[**** CI-EXP-DIS (F&C)	Credit Disability General Expense Report Form]
CI-EP-L (Rev. 1992)	Earned Premiums Credit Life Insurance
CI-EP-DIS (Rev. 1992)	Earned Premium Credit Disability Insurance
CI-R-L (Rev. 1992)	Reconciliation to State Page Credit Life
CI-R-DIS (Rev. 1992)	Reconciliation to State Page Credit Disability

[\*\* In the event you no longer have access to the diskette, the files on the diskette may be downloaded from our web site at <http://www.tdi.state.tx.us/commish/bullet00.html>. The bulletin is listed under Bulletin Number B-0042-00 under the heading Annual Credit Data Call for Calendar Year 1999 for Credit, Life and Accident and Health Insurance.]

## Instructions for Preparing Forms

[\*\*\*\* In the event you no longer have access to the diskette, the files on the diskette may be downloaded from our web site at <http://www.tdi.state.tx.us/commish/bullet00.html>. The bulletin is listed under Bulletin Number B-0042-00 under the heading Annual Credit Data Call for Calendar Year 1999 for Credit, Life and Accident and Health Insurance.]

(b) Calculations and work papers. Copies of all calculations, work papers and other data used in preparing these forms are not to be mailed to the Texas Department of Insurance unless requested, but must be maintained at the home office of the company and be available for examination by the commissioner of insurance.

(c) Copies of forms. The forms listed in subsection (a) of this section should be reproduced as needed so as to provide for separate reports prescribed by these §3.5701 to §3.5702 of this title (relating to Experience Call).

(d) Experience period.

(1) The experience period will consist of a maximum of three calendar years.

(2) Data included in this report is to be the direct business of the current insurer, only, without adjustment for reinsurance assumed or ceded. The data is to be limited to credit life and credit accident and health insurance in force or written directly in the state of Texas on loans or other credit transactions of 120 months or less duration.

(e) Inventory forms **CI-I-PR** and **CI-I-DR**. The purpose of these forms is to identify all classes and plans of credit insurance on which the insurer either wrote any premium or held any unearned premium reserves during the year. Check all boxes in which either any premium was written or any unearned premium reserves were held during the year. For any boxes checked, appropriate forms as listed in subsection (a) of this section must be filed with the commissioner. A separate form **CI-I-PR** or **CI-I-DR**, if appropriate, must be filled out for each class of business (A, B, C, D, E, or F) as indicated at the top of forms **CI-I-PR** and **CI-I-DR**.

(f) Actuarial certification form **CI-ACT-CERT**. The purpose of this form is to provide verification as to the method used to compute the unearned premium reserves for single premium credit insurance. The form is to be signed by a qualified actuary. A qualified actuary is a member of the American Academy of Actuaries.

(g) Affidavit of validity form **CI-VAL-AFF**. The purpose of form **CI-VAL-AFF** is to provide an affidavit as to the completeness and validity of the credit insurance experience data submitted. The affidavit requires a notarized signature of an officer of the company and certifies that the information submitted for the insurer is a full and true statement of the credit experience for the reporting year(s) requested, according to the best information, knowledge and belief of the affiant.

## Instructions for Preparing Forms

(h) Experience forms CI-EX-L (Rev. 1992) and CI-EX-DIS (Rev. 1992). The purpose of these forms is to provide statewide experience data in order to determine if the benefits provided under contracts of credit insurance are reasonable in relation to premiums charged in order that the Department may discharge its statutory obligations for the supervision of credit insurance operations under Insurance Code Article 3.53. A separate form **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)** must be filed for each class of business and plan of benefits. **Important Note: When completing forms CI-EX-DIS and CI-EX-L, earned premiums at presumptive rate should be reported PRIOR TO the application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

(1) Earned premiums.

(A) Line 1a Net written premiums. Net premiums to be shown on line 1a are to be determined as follows: Gross premium written (before deductions for dividends and experience rating credits) less refunds on terminations.

(B) Line 1d Actual earned premiums. The total of all premiums earned at the premium rates actually charged and in force during the experience period.

(C) Line 1e Earned premiums at presumptive rate. Actual earned premiums adjusted on form **CI-EP-L (Rev. 1992)** or **CI-EP-DIS (Rev. 1992)** to the amount which would have been earned had the premium rate during the experience period been equal to the presumptive rate in effect at the end of the reporting year. Note that if premiums in force differ from the presumptive rate in effect at the end of the reporting year, line 1d will not equal line 1e. **Important Note: When completing forms CI-EX-DIS and CI-EX-L, earned premiums at presumptive rate should be reported PRIOR TO the application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

(2) Mean Insurance in force, line 4 Form CI-EX-L (Rev. 1992).

(A) Particular care should be exercised to assure sufficiently accurate results in determining the amounts of "mean insurance in force".

(B) The average of the monthly amounts should be calculated and entered as the mean insurance in force on line 4. Exclude reinsurance assumed and do not deduct any ceded. For joint coverage, the amount of insurance in force shall equal the death benefit payable under the contract and shall not be reported as twice the death benefit.

(3) Commissions and Service Fees Incurred, line 6a of Form CI-EX-L (Rev. 1992) or line 4a of Form CI-EX-DIS (Rev. 1992). The amount to be reported on this line shall be the total amount of commissions and service fees incurred in the state of Texas (direct business only). Commissions and service fees incurred means those that are paid plus the change in due and unpaid commissions and service fees. The commissions shall be inclusive of commissions for agents or general agents and shall be reflected separately for each class of business and plan of benefits as indicated at the top of either Form **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)**.

## Instructions for Preparing Forms

(i) General expense forms CI-EXP-L and CI-EXP-DIS. The purpose of these forms is to provide general expense and allocation information to assist the Department in promulgating presumptive premium rates for this state. For credit life coverage, the data should be the total of all classes of business and plans of life benefits. The credit life data will be reported on form **CI-EXP-L**. For credit disability coverage, the data should be the total of all classes of business and plans of disability benefits. The credit disability data will be reported on form **CI-EXP-DIS**. The reported nationwide general expenses are to be limited to those items listed on pages 2, 3, 4 and 5 of forms **CI-EXP-L** and **CI-EXP-DIS**. Commissions are to be reflected solely on forms **CI-EX-L (Rev. 1992)** and **CI-EX-DIS (Rev. 1992)**. The expenses shall be limited to the credit insurance general expenses for loan durations not exceeding 120 months.

(1) Number of single premium policies and certificates of insurance for Texas experience.

(A) Line 1a Incepting in the reporting year. The total number of policies and certificates of insurance which took effect (incepted) in the reporting year shall be shown on line 1a of **CI-EXP-L** or **CI-EXP-DIS**, as appropriate. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(B) Line 1b In-force from previous years and continuing in-force after the reporting year. The total number of policies and certificates of insurance which took effect before the reporting year and are still in-force at the end of the reporting year shall be reported on line 1b. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(C) Line 1c Policies and certificates going out of force during the reporting year, for any reason. The total number of policies and certificates of insurance which terminated during the reporting year shall be reported on line 1c. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(D) Line 1d Total number of policies and certificates of insurance in force at the start of the reporting year. The sum total of policies and certificates of insurance which are in force at the beginning of the reporting year are to be reflected on line 1d. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(E) Line 1e Total number of policies and certificates of insurance in force at the end of the reporting year. The sum total of policies and certificates of insurance which were in force at the beginning of the reporting year plus those that took effect during the reporting year minus those that terminated during the year are to be reflected on line 1e. If coverage for both life and disability are written on the same policy or certificate of



## Instructions for Preparing Forms

insurance, report the coverages as if each coverage had been written separately. Line 1e equals line 1a plus Line 1d minus Line 1c.

(2) Number of single premium policies and certificates of insurance for nationwide experience.

The instructions are the same as those listed for lines 1a-1e, described in subparagraphs A-E of this subsection, except that the data is to reflect the nationwide experience rather than being limited to the Texas experience.

(3) Number of monthly outstanding balance policies and certificates of insurance for Texas experience.

(A) Line 3a Incepting in the reporting year in Texas. The total number of policies and certificates of insurance which took effect (incepted) in the reporting year shall be shown on line 3a of **CI-EXP-L** or **CI-EXP-DIS**, as appropriate. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(B) Line 3b Total number of policies and certificates of insurance in force at the start of the reporting year. The sum total of policies and certificates of insurance which are in force at the beginning of the reporting year are to be reflected on line 3b. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(C) Line 3c Total number of policies and certificates of insurance in force at the end of the reporting year. The sum total of policies and certificates of insurance which were in force at the beginning of the reporting year plus those that took effect during the reporting year minus those that terminated during the year are to be reflected on line 3c. If coverage for both life and disability are written on the same policy or certificate of insurance, report the coverages as if each coverage had been written separately.

(4) Number of monthly outstanding policies and certificates of insurance for nationwide experience. The instructions are the same as those listed for lines 3a-3c of this subsection except that the data is to reflect the nationwide experience rather than being limited to the Texas experience.

(5) Average original term of policies and certificates of insurance, in months, for single premium business only.

(A) Line 5a Incepting in the reporting year in Texas. The average original term of all single premium policies and certificates of insurance which took effect in Texas ONLY during the reporting year shall be reflected on line 5a. For coverage with odd days, round the term to the nearest whole month.

## **Instructions for Preparing Forms**

(B) Line 5b. Incepting in the reporting year nationwide. The average original term of all single premium policies and certificates of insurance which took effect during the reporting year, for the carriers' nationwide business, shall be reflected on line 5b. For coverage with odd days, round the term to the nearest whole month.

(6) Expense and allocation table. The expense line items, shown to the left of column 1, track exactly to those in Exhibit 5 of the NAIC Life Annual Statement for life and accident and health carriers. Casualty carriers should contact the Credit Life and Credit Accident and Health Section of the Texas Department of Insurance for more detailed instructions.

(A) Column 2. Enter the amount for each expense line item in column 2. The total of column 2 should reconcile to the amount shown on the page entitled "Analysis of Operations by Lines of Business" of the NAIC Life Annual Statement for the reporting year. For life and accident and health companies, refer to line 22, column 6, for credit life coverages or line 22, column 10, for credit accident and health coverages. Casualty carriers should contact the Credit Life and Credit Accident and Health Section of the Texas Department of Insurance for more detailed instructions.

(B) Column 3. Percentage allocated. The call differentiates general expenses into two categories -- directly incurred versus allocated. Expenses directly incurred are those specifically and uniquely attributable to credit life or credit accident and health insurance. Directly incurred expenses would include salaries, professional fees, marketing expenses, etc. whose expenditure is solely a function of the credit life or credit accident and health insurance transaction. Allocated expenses would include corporate overhead or other expenses shared with lines of insurance other than credit life or credit accident and health. For example, if the insurer sells several lines of insurance in addition to credit life and credit accident and health, the share of corporate management salaries assigned to credit life or credit accident and health would be the result of an allocation.

(C) Column 4 Basis for allocation. If Column 3 contains a percentage greater than 0%, explain the basis of allocation; such as: square feet of office space, number of employees, premium volume, number of claims, policies or certificates of insurance in-force, policies or certificates of insurance issued or any other basis employed.

(D) Examples. Enter the percentage of the general expense line item resulting from an allocation, as opposed to directly incurred expenses, in column 3. Examples include:

(i) If the entire form 1, line 22 amount is an allocation of corporate general expenses, enter that dollar amount in Column 2, line 10 -- Total and enter 100% in Column 3, line 10. Explain the basis for allocation in Column 4, line 10.

(ii) If legal fees are incurred only in conjunction with credit life claims or other credit life activities, enter 0% in Column 3, line 4.1.

## Instructions for Preparing Forms

(iii) If traveling expenses are incurred jointly (and only) for the benefit of credit life and credit accident and health and if the total amount is allocated to each line, enter 100% in Column 3, line 5.1, and explain the basis for allocation in Column 4, line 5.1.

(iv) If the cost of claim investigation and settlement consists partly of contract investigators incurred solely on behalf of credit life claims (\$30,000) and partly as a result of a corporate allocation of claims investigation (\$30,000), enter \$60,000 in Column 2, line 4.5 and enter 50% in Column 3, line 4.5. Explain the basis for the corporate allocation of claims investigation in Column 4, line 4.5.

(7) Additional miscellaneous information.

(A) Line 7a Sundry general expenses. Please list the major components of the expense items referred to as "Sundry General Expenses".

(B) Line 7b Aggregate write-ins. Please list the major components of the expense items referred to as "Aggregate Write-Ins."

(C) Line 7c. If the company writes creditor-paid insurance, fill in the ratio of premiums written during the reporting period for creditor-paid business to all business, and the ratio of policies and certificates in force at the end of the reporting period for creditor-paid business to all business.

(j) Earned premium forms **CI-EP-L (Rev. 1992)** and **CI-EP-DIS (Rev. 1992)**.

(1) The purpose of these forms is to convert actual earned premiums to the amount of premiums which would have been earned had all business been written at the presumptive rate in effect at the end of the reporting year. If more than one year's data is requested, each year's data shall use the presumptive rate that was in effect at the end of each reporting year. **Important Note: When completing forms CI-EX-DIS and CI-EX-L, earned premiums at presumptive rate should be reported PRIOR TO the application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

(2) Form **CI-EP-L (Rev. 1992)** is applicable to credit life insurance and Form **CI-EP-DIS (Rev. 1992)** is applicable to credit disability insurance. Note that forms **CI-EP-L (Rev. 1992)** and **CI-EP-DIS (Rev. 1992)** should be reproduced as needed to correspond to the class of business and plan of benefits, as shown on the corresponding form **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)**.

(A) General.

(i) A form **CI-EP-L (Rev. 1992)** or **CI-EP-DIS (Rev. 1992)**, as applicable, must be completed for each Form **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)** where the presumptive earned premium differs from the actual earned premium. More than one form may be required when more than one year's data is presented, due to changes in the presumptive rates or other factors.

## Instructions for Preparing Forms

(ii) Actual earned premiums are to be converted to presumptive earned premiums by the use of a conversion factor which is the ratio of the presumptive premium rate to the actual premium rate. This conversion must be performed for each premium rate with premiums in force during the experience period. **Important Note: When completing forms CI-EX-DIS and CI-EX-L, earned premiums at presumptive rate should be reported PRIOR TO the application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

(iii) The overall totals presented on Form **CI-EP-L (Rev. 1992)** or **CI-EP-DIS (Rev. 1992)** must agree to the appropriate lines on the Form **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)** to which they are attached.

(iv) Note that Form **CI-EP-L (Rev. 1992)** and Form **CI-EP-DIS (Rev. 1992)** include actual earned premium at the presumptive rate, in effect at the end of the reporting year, on line A. This data is for balancing purposes only, and in no way indicates that Form **CI-EP-L (Rev. 1992)** or **CI-EP-DIS (Rev. 1992)** must be completed if actual earned premium is equal to presumptive earned premium, in effect at the end of the reporting year.

(B) Form **CI-EP-L (Rev. 1992)**--credit life insurance.

(i) Presumptive earned premium (Column 4) is the product of actual earned premium (Column 1) times the conversion factor (Column 2/ Column 3). **Important Note: The conversion factor should reflect the presumptive rate in effect PRIOR TO application of the discount factor. PLEASE REFER TO THE ADDENDUM TO THE INSTRUCTIONS FOR PREPARING FORMS. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

(ii) See also subparagraphs (A)(iii) and (A)(iv) of this paragraph.

(C) Form **CI-EP-DIS (Rev. 1992)**--credit disability insurance.

(i) Since deviated rates generally can be expressed as a percentage of the presumptive rates, the conversion factor will tend to be constant for all periods. When using Form **CI-EP-DIS (Rev. 1992)**, the conversion factor to be utilized is the average of three ratios taken between presumptive and actual rates for 12-, 24-, and 36-month terms. The sum of these ratios, divided by three, becomes the conversion factor. **Important Note: The conversion factor should reflect the presumptive rate in effect PRIOR TO application of the discount factor. PLEASE REFER TO THE ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS.**

(ii) Presumptive premium rates are to be presented on Line A, Columns 2-4 of Form **CI-EP-DIS (Rev. 1992)**, as applicable. All ratios (Line b) are to be calculated by dividing Line A by Line a.

(iii) These forms should be reproduced as necessary to present the required conversion for all premium rates in force during the experience period.

(iv) See also subparagraphs (A)(iii) and (A)(iv) of this paragraph.

(k) Reconciliation forms **CI-R-L (Rev. 1992)** and **CI-R-DIS (Rev. 1992)**.

(1) The purpose of this form is to present a reconciliation between current year data presented on the various forms, **CI-EX-L (Rev. 1992)** and **CI-EX-DIS (Rev. 1992)** and the total presented on the page entitled "DIRECT BUSINESS IN THE STATE OF TEXAS DURING THE YEAR" (commonly known as the "state page") of the annual statement.

## Instructions for Preparing Forms

(2) Form **CI-R-L (Rev. 1992)** is applicable to credit life insurance and Form **CI-R-DIS (Rev. 1992)** is applicable to credit disability insurance.

(A) Due to the volume of forms **CI-EX-L (Rev. 1992)** and **CI-EX-DIS (Rev. 1992)** which may be filed, each such form will be listed by page number only on the appropriate form, **CI-R-L (Rev. 1992)** or **CI-R-DIS (Rev. 1992)**. Each form, **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)**, must contain a page number to identify it on forms, **CI-R-L (Rev. 1992)** and **CI-R-DIS (Rev. 1992)**.

(B) Line references included in column headings refer to the appropriate form **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)**.

(C) This form should be reproduced as necessary to include all forms **CI-EX-L (Rev. 1992)** or **CI-EX-DIS (Rev. 1992)**.

(I) Experience data submissions on diskette. The experience data of each carrier must be submitted on diskette. The diskette was provided in our July 28, 2000 correspondence. In the event you no longer have access to the diskette, the files on the diskette may be downloaded from our web site at <http://www.tdi.state.tx.us/commish/bullet00.html>. The bulletin is listed under Bulletin Number B-0042-00 under the heading Annual Credit Data Call for Calendar Year 1999 for Credit, Life and Accident and Health Insurance. The experience data shall be entered onto the diskette and returned to the department. Any carrier who cannot comply with the filing of their credit experience data on diskette shall contact the Life, Annuity and Credit Division of the Texas Department of Insurance immediately, after receiving the credit experience data call packet, to request an alternative method for filing of their experience data. The request for using an alternative method for the submission of experience data shall be forwarded to the Texas Department of Insurance, Life, Annuity & Credit Section, MC 106-1E, P.O. Box 149104, Austin, Texas 78714-9104.

**Any questions in regard to the Instructions for Preparing Forms should be directed to:**

**Jan Gibson  
Texas Department of Insurance  
Life/Health Division**

**Phone: (512) 305-7317  
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## Exhibit A

The following rates are to be used in filling out the credit call report for 2002.

### Presumptive rates in effect at the end of 2002:

<b>Single Premium Life:</b>	<b><u>Rate per year per \$100</u></b>
Single Life Decreasing	\$0.30
Joint Life Decreasing	\$0.45
Single Life Level	\$0.576
Joint Life Level	\$0.864

<b>Monthly Outstanding Balance:</b>	<b><u>Rate per \$1,000</u></b>
Single Life	\$0.48
Joint Life	\$0.72
* 7 day retro	\$2.40
14 day retro	\$2.00
14 day non-retro	\$1.74
30 day retro	\$1.48
30 day non-retro	\$1.30

<b>** Single Premium A &amp; H</b>	<b><u>Rate per \$100 Initial Indebtedness</u></b>		
	<b><u>Month 12</u></b>	<b><u>Month 24</u></b>	<b><u>Month 36</u></b>
* 7 day retro	\$2.41	\$2.96	\$3.34
14 day retro	\$1.94	\$2.44	\$2.79
14 day non-retro	\$1.69	\$2.19	\$2.55
30 day retro	\$1.55	\$1.88	\$2.11
30 day non-retro	\$1.13	\$1.59	\$1.83

\* The 7 day retroactive plans have no presumptive rate as of June 30, 1992, the above rates are used only for converting business prior to this date.

\*\* For closed end disability convert at each duration using the appropriate formula.

## ADDENDUM TO INSTRUCTIONS FOR PREPARING FORMS

As in past Credit Life and Credit Accident & Health Data Calls, carriers are asked to provide statewide experience data on experience forms CI-EX-L (Rev. 1992) and CI-EX-DIS (Rev. 1992). These two forms include a line for Earned Premiums at Presumptive Rate (EPPR). Forms CI-EP-L (Rev. 1992) and CI-EP-DIS (Rev. 1992) are used to convert actual earned premiums to the amount of premiums which would have been earned had all business been written at the presumptive rate in effect at the end of the reporting year. To do this conversion, a conversion ratio is calculated by dividing the presumptive premium rate by the actual premium rate.

Effective April 1, 2000, the presumptive rate is calculated by multiplying a rate for a specific Plan of Benefits (e.g., Single Premium Reducing Term) from the table of presumptive rates times a discount factor. The discount factor is calculated using a formula that varies by term of insurance.

The introduction of the discount factor presents a dilemma of whether to request carriers to report EPPR before application of the discount factor or after application of the discount factor. Either scenario will require carriers to make adjustments to the past method of calculating and reporting EPPR. For example, reporting EPPR after application of the discount factor requires carriers to adjust all policies issued prior to the effective date of the change in presumptive rates, to reflect the appropriate discount factor. Requiring EPPR to be reported before application of the discount factor requires carriers to “back out” the discount factor from policies written after the effective date of the change in presumptive rates. Since it is important for all carriers to report EPPR on a consistent basis, staff, along with the actuarial firm assisting staff in the analysis of the data, obtained input from several carriers in the credit market. Based on these discussions, staff has determined that the best approach is to request carriers to report EPPR before application of the discount factor.

Appendix A contains detailed examples showing how carriers should convert actual earned premiums to earned premium at presumptive rates before application of the discount factor. Examples 1, 2 and 3 of Appendix A demonstrate how carriers can make the conversion using a seriatim valuation approach. If this approach is not possible, carriers may elect to make the conversion using an average term approach. The average term approach is demonstrated in Examples 4 and 5 of Appendix A. If a carrier utilizes the average term approach, the average term should represent a weighted average based on original premium or face amount, as opposed to a straight average based on the number of certificates.

When returning the experience data to TDI, please indicate in the cover letter if the EPPR is reported using a seriatim valuation approach or an average term approach.



# Appendix A

Examples 1, 2 and 3 assume that the carrier is able to use a seriatim valuation approach to convert actual earned premium to earned premium at presumptive rate. If this type of approach is not possible, carriers have the option of estimating the average term of the policies within each specific plan of benefits before making the conversion in the aggregate. Examples 4 and 5 address the aggregate approach to converting actual earned premium.

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The following assumptions are applicable to examples 1, 2 and 3:

Type of policy: Single Premium Reducing Term  
Term: n = 24 months  
Actual Earned Premium: \$100

## Example 1

The policy is issued in July, 2000. There is no rate deviation.

$$\begin{aligned} \text{Discount Factor} &= \frac{1}{1 + \frac{.045 \times n}{24}} \\ &= \frac{1}{1 + \frac{.045 \times 24}{24}} \\ &= 0.95694 \end{aligned}$$

$$\begin{aligned} \text{2000 Earned Premium at} \\ \text{Presumptive Rate before} \\ \text{discount} &= \frac{\text{Actual Earned Premium for 2000}}{\text{Discount Factor}} \\ &= \frac{\$100}{0.95694} \\ &= \$104.50 \end{aligned}$$

## **Example 2**

The policy is issued in July, 1999.

Actual rate charged = \$.36

Presumptive rate in effect December

31, 2000, before discount = .30

**2000 Earned Premium at  
Presumptive Rate before  
discount**

$$\begin{aligned} &= \text{Actual Earned Premium for 2000} \quad \times \quad \frac{\text{Presumptive Rate in effect } 12-31-2000, \text{ before discount}}{\text{Actual Rate Charged}} \\ &= \$100 \times \frac{0.3}{0.36} \\ &= \$83.33 \end{aligned}$$

## **Example 3**

Policy issued October, 2001, with 30% automatic upward rate deviation (as allowed by HB 2159).

$$\begin{aligned} \text{Discount Factor} &= \frac{1}{1 + \frac{.045 \times n}{24}} \\ &= \frac{1}{1 + \frac{.045 \times 24}{24}} \\ &= 0.95694 \end{aligned}$$

Presumptive rate in effect December

31, 2001, before discount = .30

$$\begin{aligned} \text{Actual rate charged} &= .30 \times 1.30 \times .95694 \\ &= 0.37321 \end{aligned}$$

**2001 Earned Premium at  
Presumptive Rate before  
discount**

$$\begin{aligned} &= \text{Actual Earned Premium for 2001} \quad \times \quad \frac{\text{Presumptive Rate in effect } 12-31-2001, \text{ before discount}}{\text{Actual Rate Charged}} \\ &= \$100 \times \frac{0.3}{0.37321} \\ &= \$80.38 \end{aligned}$$

The following assumptions are applicable to examples 4 and 5,  
when a seriatim valuation approach is not possible.

Type of policy: Single Premium Reducing Term  
In force: 10 policies  
Average term for all policies: n = 48 months  
Actual Earned Premium: \$100 per policy

## **Example 4**

All ten policies are issued prior to the April 1, 2000, effective date of the change in presumptive rates.  
Aggregate Actual Earned Premium for all ten policies = \$1,000  
Actual rate charged = \$.40  
Presumptive rate in effect December 31, 2000, before discount = \$.30

**2000 Earned Premium at  
Presumptive Rate before  
discount**

= Actual Earned Premium for 2000 x

Presumptive Rate in effect  
12-31-2000, before discount  
Actual Rate Charged

= \$1000 x  $\frac{0.3}{0.4}$

= \$750.00

## Example 5

All ten policies issued after the effective April 1, 2000, date of the change in presumptive rates.

There is no rate deviation.

Aggregate Actual Earned Premium for all ten policies = \$1,000

$$\begin{aligned} \text{Discount Factor based} \\ \text{on average term of 48} &= \frac{1}{1 + \frac{.045n}{24}} \\ &= \frac{1}{1 + \frac{.045 \times 48}{24}} \\ &= 0.91743 \end{aligned}$$

$$\begin{aligned} \text{2000 Earned Premium at} \\ \text{Presumptive Rate before} \\ \text{discount} &= \frac{\text{Aggregate Actual Earned Premium}}{\text{Discount Factor for average term}} \\ &= \frac{\$1,000}{0.91743} \\ &= \$1,090 \end{aligned}$$

**Form CI-I-PR**

**State of Texas**

Inventory - Credit Life and Disability - Presumptive Rates

Company Name: \_\_\_\_\_

NAIC Company Code: \_\_\_\_\_ TDI Company Code: \_\_\_\_\_

Class of Business : (check one only)

- A.  Commercial Banks, Savings & Loan Associations and Mortgage Companies
- B.  Finance Companies, Small Loan Companies
- C.  Credit Unions
- D.  Production Credit Associations (Agricultural & Horticultural P. C. A. s)
- E.  Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)
- F.  Other Than A thru E

Specify: \_\_\_\_\_

SINGLE LIFE - PLAN OF BENEFITS	Code	20__	20__	20__
A. Single Premium:				
1. Reducing Term	01	[ ]	[ ]	[ ]
2. Level Term	02	[ ]	[ ]	[ ]
B. Outstanding balance:				
1. Revolving Account	03	[ ]	[ ]	[ ]
2. Other Than Revolving Account	04	[ ]	[ ]	[ ]
JOINT LIFE - PLAN OF BENEFITS	Code	20__	20__	20__
A. Single Premium:				
1. Reducing Term	05	[ ]	[ ]	[ ]
2. Level Term	06	[ ]	[ ]	[ ]
B. Outstanding balance:				
1. Revolving Account	07	[ ]	[ ]	[ ]
2. Other Than Revolving Account	08	[ ]	[ ]	[ ]
DISABILITY - PLAN OF BENEFITS	Code	20__	__20	20__
A. Single Premium:				
1. 07 Day Retro	09	[ ]	[ ]	[ ]
2. 14 Day Retro	10	[ ]	[ ]	[ ]
3. 30 Day Retro	11	[ ]	[ ]	[ ]
4. 14 Day Non-Retro	12	[ ]	[ ]	[ ]
5. 30 Day Non-Retro	13	[ ]	[ ]	[ ]
6. 90 Day Non-Retro	14	[ ]	[ ]	[ ]
B. Outstanding Balance Revolving Account:				
1. 07 Day Retro	15	[ ]	[ ]	[ ]
2. 14 Day Retro	16	[ ]	[ ]	[ ]
3. 30 Day Retro	17	[ ]	[ ]	[ ]
4. 14 Day Non-Retro	18	[ ]	[ ]	[ ]
5. 30 Day Non-Retro	19	[ ]	[ ]	[ ]
6. 90 Day Non-Retro	20	[ ]	[ ]	[ ]
C. Outstanding Balance Other Than Revolving Account:				
1. 07 Day Retro	21	[ ]	[ ]	[ ]
2. 14 Day Retro	22	[ ]	[ ]	[ ]
3. 30 Day Retro	23	[ ]	[ ]	[ ]
4. 14 Day Non-Retro	24	[ ]	[ ]	[ ]
5. 30 Day Non-Retro	25	[ ]	[ ]	[ ]
6. 90 Day Non-Retro	26	[ ]	[ ]	[ ]

**Form CI-I-DR**

**State of Texas**

Inventory - Credit Life and Disability - Deviated Rates

Company Name: \_\_\_\_\_

NAIC Company Code: \_\_\_\_\_ TDI Company Code: \_\_\_\_\_

Class of Business : (check one only)

- A.  Commercial Banks, Savings & Loan Associations and Mortgage Companies
- B.  Finance Companies, Small Loan Companies
- C.  Credit Unions
- D.  Production Credit Associations (Agricultural & Horticultural P. C. A. s)
- E.  Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)
- F.  Other Than A thru E

Specify: \_\_\_\_\_

SINGLE LIFE - PLAN OF BENEFITS		Code	20__	20__	20__
A. Single Premium:					
1. Reducing Term	01	[ ]	[ ]	[ ]	[ ]
2. Level Term	02	[ ]	[ ]	[ ]	[ ]
B. Outstanding balance:					
1. Revolving Account	03	[ ]	[ ]	[ ]	[ ]
2. Other Than Revolving Account	04	[ ]	[ ]	[ ]	[ ]
JOINT LIFE - PLAN OF BENEFITS		Code	20__	_20_	20__
A. Single Premium:					
1. Reducing Term	05	[ ]	[ ]	[ ]	[ ]
2. Level Term	06	[ ]	[ ]	[ ]	[ ]
B. Outstanding balance:					
1. Revolving Account	07	[ ]	[ ]	[ ]	[ ]
2. Other Than Revolving Account	08	[ ]	[ ]	[ ]	[ ]
20					
DISABILITY - PLAN OF BENEFITS		Code	20__	20__	20__
A. Single Premium:					
1. 07 Day Retro	09	[ ]	[ ]	[ ]	[ ]
2. 14 Day Retro	10	[ ]	[ ]	[ ]	[ ]
3. 30 Day Retro	11	[ ]	[ ]	[ ]	[ ]
4. 14 Day Non-Retro	12	[ ]	[ ]	[ ]	[ ]
5. 30 Day Non-Retro	13	[ ]	[ ]	[ ]	[ ]
6. 90 Day Non-Retro	14	[ ]	[ ]	[ ]	[ ]
B. Outstanding Balance Revolving Account:					
1. 07 Day Retro	15	[ ]	[ ]	[ ]	[ ]
2. 14 Day Retro	16	[ ]	[ ]	[ ]	[ ]
3. 30 Day Retro	17	[ ]	[ ]	[ ]	[ ]
4. 14 Day Non-Retro	18	[ ]	[ ]	[ ]	[ ]
5. 30 Day Non-Retro	19	[ ]	[ ]	[ ]	[ ]
6. 90 Day Non-Retro	20	[ ]	[ ]	[ ]	[ ]
C. Outstanding Balance Other Than Revolving Account:					
1. 07 Day Retro	21	[ ]	[ ]	[ ]	[ ]
2. 14 Day Retro	22	[ ]	[ ]	[ ]	[ ]
3. 30 Day Retro	23	[ ]	[ ]	[ ]	[ ]
4. 14 Day Non-Retro	24	[ ]	[ ]	[ ]	[ ]
5. 30 Day Non-Retro	25	[ ]	[ ]	[ ]	[ ]
6. 90 Day Non-Retro	26	[ ]	[ ]	[ ]	[ ]

**State of Texas**  
 Credit Disability Insurance Experience Report  
 Reconciliation to State Page  
 For The Current Year 20\_\_

COMPANY NAME: \_\_\_\_\_ NAIC COMPANY CODE: \_\_\_\_\_ TDI COMPANY CODE: \_\_\_\_\_

Credit Disability

		Premiums		Claims	
		Written (Line 1a)	Earned (Line 1d)	Paid (Line 2a)	Incurred (Line 2f)
Page ___ of ___	601	_____	_____	_____	_____
Page ___ of ___	602	_____	_____	_____	_____
Page ___ of ___	603	_____	_____	_____	_____
Page ___ of ___	604	_____	_____	_____	_____
Page ___ of ___	605	_____	_____	_____	_____
Page ___ of ___	606	_____	_____	_____	_____
Page ___ of ___	607	_____	_____	_____	_____
Page ___ of ___	608	_____	_____	_____	_____
Page ___ of ___	609	_____	_____	_____	_____
Page ___ of ___	610	_____	_____	_____	_____
Total Disability	679	_____	_____	_____	_____
Annual Statement					
<u>Life Companies Only</u>					
State Page Line 23.2	698	_____	_____	_____	_____
<u>Casualty Companies Only</u>					
State Page Line 14	699	_____	_____	_____	_____

Explain any difference between "Total Disability" and corresponding amounts on the "State Page" (Line 23.2 Columns 2, 3, 5 and 6) of the NAIC Life Annual Statement or the "State Page" (Line 14, Columns 2, 3, 6 and 7) of the NAIC Casualty Annual Statement.

All references to the "State Page" of the NAIC Life Annual Statement mean the page entitled "DIRECT BUSINESS IN THE STATE OF TEXAS DURING THE YEAR".

All references to the "State Page" of the NAIC Casualty Annual Statement mean the page entitled "EXHIBIT OF PREMIUMS AND LOSSES BUSINESS IN THE STATE OF TEXAS DURING THE YEAR".

**State of Texas**  
 Credit Life Insurance Experience Report  
 Reconciliation to State Page  
 For The Current Year 20\_\_

COMPANY NAME: \_\_\_\_\_ NAIC COMPANY CODE: \_\_\_\_\_ TDI COMPANY CODE: \_\_\_\_\_

Credit Life

		Premiums		Claims	
		Written (Line 1a)	Earned (Line 1d)	Paid (Line 2a)	Incurred (Line 2f)
Page ___ of ___	501	_____	_____	_____	_____
Page ___ of ___	502	_____	_____	_____	_____
Page ___ of ___	503	_____	_____	_____	_____
Page ___ of ___	504	_____	_____	_____	_____
Page ___ of ___	505	_____	_____	_____	_____
Page ___ of ___	506	_____	_____	_____	_____
Page ___ of ___	507	_____	_____	_____	_____
Page ___ of ___	508	_____	_____	_____	_____
Page ___ of ___	509	_____	_____	_____	_____
Page ___ of ___	510	_____	_____	_____	_____
Total Life	579	_____	_____	_____	_____
Annual Statement State Page Lines 4, 14 & 16	599	_____	n/a	_____	_____

Explain any difference between "Total Life" and corresponding amounts on the "State Page" (Line 4 Column 3, Line 14 Column 3 and Line 16 Column 3b) of the NAIC Life Annual Statement.

Note that "Total Life" Amount for Earned Premiums is not reported on the "State Page" of the NAIC Life Annual Statement.

"State Page" means the page entitled "DIRECT BUSINESS IN THE STATE OF TEXAS DURING THE YEAR" of the NAIC Life Annual Statement.



**State of Texas**  
 Credit Disability Insurance Experience Report  
 Presumptive Earned Premium For Calendar Year 20\_\_\_\_

Company Name: \_\_\_\_\_ NAIC Company Code: \_\_\_\_\_ TDI Company Code: \_\_\_\_\_

- CLASS OF BUSINESS: (Check ONE Only)
- A.  Commercial Banks, Savings & Loan Associations and Mortgage Companies
  - B.  Finance Companies, Small Loan Companies
  - C.  Credit Unions
  - D.  Production Credit Associations (Agricultural & Horticultural P. C. A. s)
  - E.  Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)
  - F.  Other Than A thru E (Specify: \_\_\_\_\_)

PLAN OF BENEFITS: (Check ONE Only)	RETRO			NON-RETRO		
	07 day	14 Day	30 Day	14 Day	30 Day	90 Day
1. Single Premium	[ ] 09	[ ] 10	[ ] 11	[ ] 12	[ ] 13	[ ] 14
2. Outstanding Balance Revolving Account	[ ] 15	[ ] 16	[ ] 17	[ ] 18	[ ] 19	[ ] 20
3. Outstanding Balance Other Than revolving Account	[ ] 21	[ ] 22	[ ] 23	[ ] 24	[ ] 25	[ ] 26

CREDIT DISABILITY INSURANCE

\*\*\*\*\*  
 \* NOTE: All references to Presumptive Rates shall mean the presumptive rate that was in effect at the end of the reporting year. \*  
 \*\*\*\*\*

		Actual Earned Premiums			Presumptive Rates:			Presumptive Earned Premium
		Column 1			12 mo.	24 mo.	36 mo.	
		Col 2	Col 3	Col 4				
A.	Earned Premiums at Presumptive Rate	411	_____	_____	_____	_____	_____	
B.	Earned Premium at Other Than Presumptive Rate							
	1.							
	a. Actual Rate	421	<u> X X X</u>	_____	_____	_____	<u> X X X</u>	
	b. Ratio	422	<u> X X X</u>	_____	_____	_____	<u> X X X</u>	
	c. Earned Premium	423	_____	_____	_____	_____	_____	
	2.							
	a. Actual Rate	431	<u> X X X</u>	_____	_____	_____	<u> X X X</u>	
	b. Ratio	432	<u> X X X</u>	_____	_____	_____	<u> X X X</u>	
	c. Earned Premium	433	_____	_____	_____	_____	_____	
	3.							
	a. Actual Rate	441	<u> X X X</u>	_____	_____	_____	<u> X X X</u>	
	b. Ratio	442	<u> X X X</u>	_____	_____	_____	<u> X X X</u>	
	c. Earned Premium	443	_____	_____	_____	_____	_____	
	TOTALS	499	_____	_____	X . X	X . X	X . X	

To form CI-EX-DIS line 1d

To form CI-EX-DIS line 1e

**State of Texas**  
 Credit Life Insurance Experience Report  
 Presumptive Earned Premium For Calendar Year 20\_\_

Company Name: \_\_\_\_\_ NAIC Company Code: \_\_\_\_\_ TDI Company Code: \_\_\_\_\_

- CLASS OF BUSINESS: (Check ONE Only)
- A.  Commercial Banks, Savings & Loan Associations and Mortgage Companies
  - B.  Finance Companies, Small Loan Companies
  - C.  Credit Unions
  - D.  Production Credit Associations (Agricultural & Horticultural P. C. A. s)
  - E.  Dealers (Auto & Truck Dealers, Other Dealers, Retail Stores, Etc.)
  - F.  Other Than A thru E (Specify: \_\_\_\_\_)

- PLAN OF BENEFITS: (Check ONE Only)
- A. Single Premium:
    - 1. Reducing Term Single Lives [ ] 01 Joint Lives [ ] 05
    - 2. Level Term [ ] 02 [ ] 06
  - B. Outstanding balance:
    - 1. Revolving Account (open end) [ ] 03 [ ] 07
    - 2. Other Than Revolving Account [ ] 04 [ ] 08

CREDIT LIFE INSURANCE

\*\*\*\*\*  
 \* NOTE: All references to Presumptive Rates shall mean the presumptive rate that was in effect at the end of the reporting year. \*  
 \*\*\*\*\*

			Actual Earned Premiums <u>Column 1</u>	Presumptive Rate <u>Column 2</u>	Actual Rate <u>Column 3</u>	Presumptive Earned Premium <u>Column 4</u>
A.	Earned Premiums at Presumptive Rate	311	_____	_X_ X_ X_	_X_ X_ X_	_____
B.	Earned Premium at Other Than Presumptive Rate					
	1.	321	_____	_____.	_____.	_____
	2.	322	_____	_____.	_____.	_____
	3.	323	_____	_____.	_____.	_____
	4.	324	_____	_____.	_____.	_____
	5.	325	_____	_____.	_____.	_____
	6.	326	_____	_____.	_____.	_____
		329	_____	_____.	_____.	_____
	<b>TOTALS</b>	<b>399</b>	_____	_X_ X_ X_	_X_ X_ X_	_____

To form CI-EX-L line 1d

To form CI-EX-L line 1e

# **Instructions For General Expense Exhibit**

## **Please Read This Before Entering Data Onto Any Forms**

The purpose of the forms CI-EXP-L and CI-EXP-DIS is to better understand the meaning of General Expense entries in the Annual Statement. While the form may look detailed, you are not being asked to perform any new allocations. You are only being asked to report allocations you have already made regarding General Expense items.

**Each form -- CI-EXP-L and CI-EXP-DIS -- starts with five questions about policies in-force and average term. The instruction packet contains more detailed guidance for entering this data.**

**Question 1** asks about the number of single premium policies going in-force, staying in-force and going out-of-force during the experience year in Texas.

**Question 2** asks about the number of single premium policies going in-force, staying in-force and going out-of-force during the experience year Nationwide.

**Question 3** asks about the number of monthly outstanding balance policies going in-force, staying in-force and going out-of-force during the experience year in Texas.

**Question 4** asks about the number of monthly outstanding balance policies going in-force, staying in-force and going out-of-force during the experience year Nationwide.

**Question 5** asks for the average term of single premium policies during the experience year in Texas and Nationwide.

**The next part of the form is a table -- the Expense and Allocation Table -- with four columns:**

**Column 1** lists specific General Expense items substantially similar to the way they appear in Exhibit 5 of the Annual Life/Health Statement. For insurers who use the Fire/Casualty Annual Statement for reporting, the items in Column 1 track the Insurance Expense Exhibit.

**Column 2** requests the amount spent on each of these categories for credit life insurance (form CI-EXP-L) and for credit disability (CI-EXP-DIS).

## Instructions For General Expense Exhibit

**Column 3**, called 'Percentage Allocated', asks **how** the amount in Column 2 was generated. If the Column 2 amount represents only direct expenses incurred, you will enter 0% in Column 3 because no allocation has been used. If the amount in Column 2 is a result of a company wide expense total, split between various coverages or lines of insurance, you will enter 100% because the Column 2 number is a complete function of allocation. **It is likely that most entries in Column 3 will be either 0% or 100%.** The only time you would enter a percentage between 0% and 100% in Column 3 is when the Column 2 entry results from both directly incurred expenses and an allocation. (See Example 5, below.)

**Column 4** asks for the basis of any allocation reported in Column 3. Depending upon the specific expense item, the basis for allocation might be square feet of office space, number of employees, premium volume, number of claims, policies in-force, policies issued or some other method.

**The number of lines in the table you must fill in will depend entirely upon how you generated the General Expense numbers in the Annual Statement (or Insurance Expense Exhibit).** The Total (Line 10) of CI-EXP-DIS and CI-EXP-L must equal the amount entered in Line 22 for 2002 and Line 23 for 2002 (General Expenses) of Column 6 (Credit Life) and Column 10 (Credit A & H), respectively, of the Analysis of Operation by Lines of Business Exhibit in the Life/Health Annual Statement. Finally, the Total (Line 10) of CI-EXP-DIS or CI-EXP-L must equal the sum of all previous amounts entered in Column 2.

**Example 1:** The entire amounts entered on line 22 (General Expenses) of the Analysis of Operations by Lines of Business in the Annual Statement for Credit Life and Credit Disability are an Allocation of total corporate general expenses. The insurer sells only credit life and credit disability insurance and has total General Expenses of \$1,000 for both lines of insurance. The insurer decides to allocate General Expenses on the basis of Written Premium, which is 40% from Credit Life and 60% from Credit Disability. In this example, the insurer would fill in **only one line of the Expense Table -- the Total line.** The insurer would enter the amount -- \$400 for Credit Life, \$600 for Credit Disability -- in Column 2. Because the entire amount resulted completely from an allocation, the insurer would enter 100% in Column 3 of both forms. Finally, the insurer would explain in Column 4 -- "All credit insurance general expenses allocated between credit life and credit disability according to each line's share of total written premium".

**Example 2:** The insurer keeps track of General Expenses company-wide in three major groupings (whatever they may be). The insurer then allocates a portion of each of the groupings' totals to credit life and credit disability. In this example, the insurer would fill in only three lines of the Expense Table. Each line would contain the amount (Column 2), 100% in Column 3 for complete allocation, and an explanation in Column 4. The Column 4 explanation would include a list of the items included in the group and the basis for the allocation to credit life or credit disability.

## **Instructions For General Expense Exhibit**

**Example 3:** Legal fees are incurred only in conjunction with specific credit life claims or other credit life activities. Therefore, all legal fees are directly incurred expenses. Because no allocation is involved in generating the Column 2 amount for this expense item, the insurer would enter 0% in Column 3, Line 4.1. No explanation in Column 4 is necessary because no allocation is involved.

**Example 4:** The insurer keeps track of traveling expenses as a separate expense item and traveling expenses are incurred jointly (and only) for the benefit of credit life and credit accident and health. The insurer allocates total traveling expenses to each line on the basis of new policies issued. Total traveling expenses are \$100,000 and there were 2,500 new credit life policies and 7,500 new credit disability policies in the experience year. The insurer would enter \$25,000 in Column 2, Line 5.1 of CI-EXP-L and \$75,000 in Column 2, Line 5.1 of CI-EXP-DIS. The insurer would enter 100% in Column 3, Line 5.1 on both forms and explain the basis for allocation in Column 4, Line 5.1.

**Example 5:** The cost of claim investigation and settlement consists partly of contract investigators incurred solely on behalf of credit life claims (\$30,000) and partly as a result of a corporate allocation of claims investigation (\$30,000). The insurer could enter \$60,000 in Column 2, Line 4.5 and enter 50% in Column 3 because only 50% of the Column 2 amount resulted from an allocation. The insurer would explain the basis for the corporate allocation of claims investigation in Column 4, Line 4.5.

If you allocate or incur expenses based upon the categories of Sundry General Expenses or Aggregate Write-Ins, you must list the components of each of these categories below the table.

## Diskette Filing Instructions

### **READ ALL INSTRUCTIONS BEFORE RUNNING PROGRAM**

1. Insert disk into a 3 1/2, 1.44MB drive. For example purposes, drive letter A: will be the floppy that is used. If your drive has another drive letter, use that drive letter instead. The following commands are entered as they should appear on your screen. Whenever ↵ is shown, hit the **Enter** key. At the DOS prompt enter:

A:↵

CL↵

2. This will bring up a screen prompting you to enter the "Experience Year". Enter this as a four digit number, i.e. "2002 " and hit **Enter**. This should bring up the selection menu. Go forward on the menu by hitting the Tab key. Go backward by hitting the **Shift** and **Tab** keys. When the cursor is on the desired field, hit the **Enter** key
3. This section deals with the different types of forms that can be entered and how to enter information into them. For information on what the fields mean, refer to Preparing Forms instructions.

#### **A. Standard functions between all forms**

- 1) Hit the **Esc** key at any time to leave the form and go back to the main menu.  
(**NOTE:** This will **not** save your data and you must enter it all again.)
- 2) Hit the **F1** key at any time for notes on the current form.
- 3) To go back to previous fields, hit **Shift** and **Tab** or left cursor arrow.
- 4) To delete the last character in the current field, hit **Backspace**.
- 5) To enter the current field "as is," hit **Enter**.
- 6) Unless otherwise noted, a field must have some value entered. If the field does not apply and the field is a numeric value, enter "**0**"; or if the field is a character, enter "**none**".
- 7) Negative numbers are represented with a (-) sign before the number.
- 8) All lines of data that end with a decimal point are integers and should be rounded to the nearest integer. (Examples: 1050.6 → 1051; -3852.4 → -3852)
- 9) Do not use commas for placement separators for numbers 1000 or greater.  
(Examples: 15,020 → 15020; -26,872 → -26872)
- 10) The first time you enter a form you will have to fill in the Company name, NAIC code and the TDI code. These are found on the diskette label and must be

## Diskette Filing Instructions

entered exactly as printed on the diskette. After entering this information one time, the program will automatically load this data when entering subsequent forms. You must hit **Enter** to accept the values displayed in the fields.

- a) Company Name: a maximum entry of 24 characters. Type in exactly as found on the diskette.
  - b) NAIC Company Code: Type in exactly as found on the diskette.
  - c) TDI Company Code: Type in exactly as found on the diskette.
- 11) After the form is completed, hit the **Y** key to save the form or the **N** key to return to entering the form and **escape** will exit the form without saving. After saving the form, you will return to the main menu.
- 12) An incorrect entry will cause the program to issue a warning beep. Examples:
- a) Entering a negative number into a positive only field
  - b) Entering a letter into a numeric field
  - c) Whenever an error message appears
  - d) Entering a decimal in a non decimal field
  - e) Entering too many characters into a field

### **B. Life and Disability Experience Report instructions.**

- 1) Class of business: Type in the class of business using capital letters. If class "F" is selected you must specify in the available space (for other than class "F", hit **Enter** to continue).
- 2) Plan of benefits: Type in the plan of benefits two digit code from the table displayed on the screen and hit **Enter**.
- 3) Lines 3a. and 3b. of form CI-EX-DIS (Rev. 1992) should be numbers rounded to the nearest hundredth. (Examples: -1.235 → -1.24; 3.997 → 4; 8.112 → 8.11)

### **C. Life and Disability General Expense Report instructions.** Refer to the ATTACHMENT titled "Instructions For General Expense Exhibit", for additional instructions and examples.

- 1) On the Expense Allocation Table (item 6), only fill out those fields which pertain to your information. All other fields may be skipped by hitting the enter key.
- 2) If a **value greater than 0** is entered in the Percentage Allocated field, a Basis for Allocation window will pop up. In this window, enter an explanation of the Basis for Allocation. The explanation may not exceed 240 characters. For examples refer to 28 TAC, §3.5702 (i) (6) (C).

## Diskette Filing Instructions

- 3) When entering information on the Expense Allocation Table, you may either itemize expenses or enter the Total (item 6, line 10) only.
- 4) If you enter a total, you must enter a Percentage Allocated and a basis for Allocation.
- 5) If you are itemizing, the Total Amount (item 6, line 10) should reconcile with the previously entered Amounts, and the Percentage Allocated should be 0.

4. Selecting the browse option will bring up a list of the available form types to browse. Only the form types that have already been entered will be displayed. Select a form using the **Tab** or the **Shift** and **Tab**. After selecting the desired form to browse, hit Enter. The program will start with the first form that you entered. At the top of the first page of each form, the file name and its number will be displayed. This is the number that will be needed to edit the form.

**A. Following is a list of the files and the forms that they are associated with.**

- 1) CIEXDIS.#: This is the form name for the Disability Experience Reports.
- 2) CIEXL.#: This is the form name for the Life Experience Reports.
- 3) CIEXPDIS.#: This is the form name for the Disability General Expense Reports.
- 4) CIEXPL.#: This is the form name for the Life General Expense Reports.
- 5) The # sign at the end of the file name will have a number instead of the sign.  
(NOTE: This number is the form number that is used when editing forms.)

**B. The following list contains the functions that are available when browsing forms.**

- 1) At the bottom of the screen is a list of options that are available within the form.
- 2) **Page Down** brings up the next form if any. If there are no more forms you will be asked to continue or exit. Continuing will bring up the first form. Exiting will return you to the main menu.
- 3) **Page Up** will bring up the previous form. If there are no previous forms nothing will happen.
- 4) ↓ will advance one page. If it is the end of the form the program will display an end of form message.
- 5) ↑ will return to the beginning of the form.
- 6) **F1** will print the currently displayed form. You will be prompted for the printer port desired. Please type it in the following format "LPT1:".
- 7) **Esc** will exit to the main menu.



## Diskette Filing Instructions

5. Selecting the print option will print all of the forms that you have entered. (**NOTE:** The print function will not print to postscript printers; however, it will still generate the ASCII file, called "**CI.PRT**", which can be loaded into an editor that will print to postscript printers.) The program will prompt you for the printer port you wish to use. At the top of each form is the name of the file that is being printed. Refer to the form types and number in the instructions for browsing forms. After printing the program will return to the main menu.
  
6. Selecting the edit option will bring up a list of form types that are available for editing, if any. (**NOTE:** If there are more than one of these form types, the program will display how many of these form types are available.) After selecting which form type you wish to edit, type in the number of the form and press the **Enter** key. (The number of the form can be found by browsing through the different forms of the specified type.) This will bring up your previously entered form. Follow the directions for the specific form type that you are entering. After you have completed the form and saved your changes, you will return to the main menu.
  
7. Selecting the exit option will end the program and return to the DOS prompt.

**2002 ACTUARIAL CERTIFICATION**

I have calculated or reviewed the unearned premium reserves for single premium credit insurance submitted by

\_\_\_\_\_  
(Name of Insurance Company)

\_\_\_\_\_  
(City and State)

in response to the Commissioner of Insurance letter of June 9, 2003, on the Credit Data Call for the calendar year 2002.

For level term life insurance, if applicable, the premium reserve is not less than the pro rata gross unearned premium.

For reducing term life insurance issued prior to June 30, 1992, if applicable, the premium reserve is not less than the unearned premium reserve calculated by the sum-of-the-digits method (Rule of 78). For coverage issued on and after June 30, 1992, the premium reserve is not less than the unearned premium reserve calculated by the rule of anticipation method.

The single premium credit accident and health reserve were calculated by the method checked below.

- Mean of the reserves calculated by the sum-of-the-digits method (Rule of 78) and those calculated by those calculated by the pro-rata method.
- Rule of Anticipation.
- Another method which produces reserves at least as high as one of the above.

In my opinion, these reserves are correct according to the method specified.

\_\_\_\_\_  
(Signature of Actuary)

\_\_\_\_\_  
(Typed or Printed Name)

\_\_\_\_\_  
(Date)

**AFFIDAVIT**

THE STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

\_\_\_\_\_  
(Complete Name of Insurance Company)

\_\_\_\_\_  
(Printed Title of Company Officer)

\_\_\_\_\_  
(Printed Name of Company Officer)

By signing below, I attest that I am an officer of said insurer, and that on the 31st day of December last, all the information contained in the credit experience data call for the year 2002 of the named company submitted herewith, is a full and true statement of the credit experience in accordance with instructions provided for the reporting year(s) ended on that date, according to the best of my information, knowledge and belief.

\_\_\_\_\_  
(Signature)

SUBSCRIBED AND SWORN TO BEFORE ME

this the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_  
(day) (month) (year)

\_\_\_\_\_  
(Signature - Notary Public)

\_\_\_\_\_  
(Printed Name of Notary)

My commission expires: \_\_\_\_\_