WAC 284-34-170 What are the standards for credit accident and health insurance rates? (1) Subject to WAC 284-34-180 and 284-34-220, the commissioner presumes the prima facie rates shown below meet the requirements of WAC 284-34-140. An insurer may use these rates without filing additional actuarial support.

(a) Single-premium basis for the entire period of debt: The prima facie rate per one hundred dollars of initial insured debt is shown in the table below. Rates for monthly periods other than those listed must be interpolated:

	Nonretroactive Benefits		Retroactive Benefits		
No. of Months	14-day	30-day	7-day	14-day	30-day
1	0.08	0.00	0.27	0.21	0.00
3	0.49	0.18	0.71	0.66	0.47
6	0.95	0.47	1.16	1.12	0.87
12	1.49	0.86	1.85	1.77	1.39
18	1.83	1.13	2.38	2.26	1.76
24	2.07	1.35	2.81	2.65	2.04
30	2.25	1.52	3.17	2.97	2.28
36	2.41	1.67	3.48	3.25	2.48
48	2.65	1.90	3.98	3.69	2.80
60	2.83	2.09	4.38	4.05	3.05
72	2.97	2.24	4.66	4.33	3.25
84	3.09	2.37	4.87	4.57	3.42
96	3.18	2.47	5.04	4.77	3.56
108	3.26	2.56	5.17	4.93	3.68
120	3.32	2.63	5.26	5.07	3.77

(b) Monthly outstanding balance basis for closed-end debt: Insurers must compute premiums according to:

(i) A formula approved by the commissioner that produces rates actuarially consistent with the single premium rates in (a) of this subsection; or

(ii) This formula:

$$OP_n = 10\ SP_n \times n / \left(\sum_{t=1}^{n} a_{n-t+1} \right)$$

$$\text{where } a_t = (1 - 1/(1 + i)^t)/i.$$

SP_n = Single premium rate per one hundred dollars of initial insured debt repayable in n equal monthly installments as shown in (a) of this subsection.

OP_n = Monthly outstanding balance premium rate per one thousand dollars.

n = The number of months in the term of the insurance.

i = The monthly loan interest rate.

(c) Insurers must calculate single premium rates using the actuarial equivalent of (a) of this subsection.

(i) If an insurer provides coverage for constant maximum indemnity for a given period of time, the commissioner presumes premiums

based on the rates in (a) of this subsection are earned according to the rule of anticipation.

(ii) The insurer may estimate the portion of the single premium earned in the first month of coverage by the average of the pro rata earned premium and the "sum of the digits" (also called the "Rule of 78") earned premium.

(iii) If an insurer provides critical period coverage with a benefit period of at least twelve months or the remaining term of the loan:

(A) The rates must be actuarially consistent with the rates for full term benefits in (a) of this subsection.

(B) To ensure actuarial consistency, the insurer may calculate conversion ratios based on the 1974 basic tables of credit A&H claim costs published in the NAIC Proceedings—1975 Vol. I, pages 675-691, or other suitable morbidity table.

(d) Lump sum disability coverage:

(i) The commissioner presumes the monthly premium charges per one hundred dollars of insured balance shown below meet the requirements of WAC 284-34-140. An insurer may use these rates without filing additional actuarial support:

(A) For a ninety-day qualifying period, fifteen cents; and

(B) For a one hundred eighty-day qualifying period, nine cents.

(ii) The insurer must provide a benefit equal to the insured balance on the date of disability. The insurer must return disability premium charges to the debtor for months following the billing month when the disability occurred.

(iii) The insurer may provide lump sum benefits on a single premium basis using the credit life insurance formula in WAC 284-34-150(2) and the rates in (d)(i) of this subsection in place of $O_p/10$.

(2) If insurance is written on open-end credit, the commissioner presumes that the prima facie rates for credit accident and health insurance shown below meet the requirements of WAC 284-34-140.

(a) Open-end credit rates must comply with WAC 284-34-170(3) and 284-34-220. An insurer may use these prima facie rates and the formulae used to calculate them without filing additional actuarial support.

(b) If approved by the commissioner, the insurer may use other formulae to convert rates from a single premium basis to a monthly outstanding balance basis.

(c) If the maximum benefit of the insurance equals the net debt on the date of disability, the term of the loan is calculated according to the formula: 1/(benefit percent). The prima facie rate applied to the insured net debt is the portion of the single premium rate earned in the first month of coverage during the calculated term.

(d) If the maximum insurance benefit equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during disability, the term of the insurance (n) is estimated by using the following formula:

$$n = \ln \{1 - (1000i/x)\}/\ln(v)$$

where:

i = Interest rate on the account or the lowest interest rate in the range used for the class of loan;

x = Monthly payment per one thousand dollars of coverage consistent with the term calculated above; and

$$v = 1/(1 + i).$$

(e) The calculated value of the term is used to look up a single premium rate in WAC 284-34-170 (1)(a). The insurer must calculate the prima facie rate applied to the insured net debt by multiplying the portion of the single premium rate earned in the first month of coverage by:

> The adjustment n/a_n
>
> Where:
>
> n is the term calculated above, not to exceed forty-eight months; and
>
> $a_n = (1 - v^n)/i.$

(f) An insurer may use the following monthly premium rates per one thousand dollars of insured net debt as composite rates for the following minimum benefit plans:
(i) Fourteen-day nonretroactive plan: $1.06
(ii) Thirty-day nonretroactive plan: $0.81
(iii) Seven-day retroactive plan: $1.72
(iv) Fourteen-day retroactive plan: $1.58
(v) Thirty-day retroactive plan: $1.18
The insurer must state the monthly benefit in the certificate of insurance as a percentage of the insured net debt. The insurer must provide a monthly benefit sufficient to pay off the insured debt, including accruing interest, within forty-eight months.
(3) If an insurer sells accident and health coverage on a joint basis (insuring two debtors on the same loan), the joint coverage rate must be computed by multiplying the corresponding single coverage rate by 1.6.
(4) If an insurer provides benefits that are different than those described in this section, premium rates for those benefits must be actuarially consistent with rates in this section.

[Statutory Authority: RCW 48.02.060, 48.30.010, 48.34.100, and 48.34.110. WSR 05-02-076 (Matter No. R 2002-02), § 284-34-170, filed 1/4/05, effective 4/1/05.]