

**Bulletin 22**

**QUALIFICATION OF 50% CLAIMS RATIO IN CREDIT INSURANCE**

September 8, 1967

Indiana Insurance Department Bulletin 20 on the subject of credit life and credit accident and health insurance was rescinded and withdrawn effective October 17, 1966. That bulletin provided that if compensation paid to the creditor exceeded 40% of premiums, such fact of itself was prima-facie evidence of violation of 760 IAC 1-5-1 to 760 IAC 1-5-6, which stated that a rate charge producing a claims ratio of less than 50% would be considered excessive. Bulletin 20 was rescinded not because it was considered unfair or unreasonable but because of other considerations.

Since the rescission of Bulletin 20, charges are being made with increasing frequency that some companies are offering compensation of as much as 45% and 50% and in some cases with other contingent benefits added. The total of all compensation and administrative expense should not exceed 50% of premium if the company is to operate on a sound financial basis and to observe the law and 760 IAC 1-5-1 to 760 IAC 1-5-6. Compensation means commissions, fees, experience refunds, dividends, expense allowances and every other form of credit.

The Department cannot permit violations of the law and Regulation, and the Department feels that the way to enforce the law and Regulation is to "police" the practices in the credit insurance field, and to "police" such practices company by company, if necessary.

The Indiana Department has supported the move among the States to require companies to furnish more information respecting their credit insurance operations. A life reporting form has been agreed upon and a health and accident form, likewise, has been agreed upon subject to possible revisions. These are steps in the right direction but these alone will not prevent what may be flagrant violations.

Beginning October 1, 1967, the Department will conduct investigations of all complaints of violations of the law and Regulation, and hearings will be held where it appears proper.

It appears that many companies are observing the law and the 50% test, and this action no doubt will be supported by such companies. It is hoped that this action will be supported by all companies operating in Indiana so that competition in the credit insurance field will be in the public interest.

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Insurance Commissioner