CHAPTER 45-07-01.1
CONSUMER CREDIT INSURANCE

Section

45-07-01.1-01. Definitions.

As used in this chapter:

1. "Affiliate" has the same meaning as defined in North Dakota Century Code section 26.1-10-01.

2. "Control" has the same meaning as defined in North Dakota Century Code section 26.1-10-01.

3. "Evidence of individual insurability" means a statement furnished by the debtor, as a condition of insurance becoming effective, that relates specifically to the health status or to the health or medical history of the debtor.

4. "Loss ratio" means incurred claims divided by earned premiums.

5. "Preexisting condition" means any condition for which the insured debtor received medical advice, consultation, or treatment within six months before the effective date of coverage.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-02. Rights and treatment of debtors.

1. **Termination of group consumer credit insurance policy.**

   a. If a debtor is covered by a group consumer credit insurance policy providing for the payment of single premiums to the insurer, or any other premium payment method which prepays coverage beyond one month, then provision shall be made by the insurer that in the event of termination of the policy for any reason, insurance coverage with respect to any debtor insured under the policy shall be continued for the entire period for which the premium has been paid.

   b. If a debtor is covered by a group consumer credit insurance policy providing for the payment of premiums to the insurer on a monthly basis, then the policy shall provide that, in the event of termination of the policy, termination notice shall be given to the insured debtor at least thirty days prior to the effective date of termination except when replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The insurer shall provide or cause to be provided this required information to the debtor.

2. **Remittance of premiums.** If the creditor adds identifiable insurance charges or premiums for consumer credit insurance to the debt, and any direct or indirect finance, carrying, credit, or service charge is made to the debtor on the insurance charges or premiums, the creditor must remit and the insurer shall collect the premium within sixty days after it is added to the debt.

3. **Refinancing of the debt.** If the debt is discharged due to refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the refinanced debt. In all cases of termination prior to scheduled maturity, a refund of all unearned premium or unearned insurance charges paid by the debtor shall be paid or credited to the debtor as provided in section 45-07-01.1-08. In any refinancing of the debt, the effective date of the coverage as respects any policy provision shall be deemed to be the first date on which the debtor became insured under the policy with respect to the debt which was refinanced, at least to extent of the amount and term of the debt outstanding at the time of refinancing of the debt.

4. **Maximum aggregate provisions.** A provision in an individual policy or group certificate which sets a maximum limit on total claim payments must apply only to that individual policy or group certificate.

5. **Prepayment of debt.** If a debtor prepays the debt in full, then any consumer credit insurance covering the debt shall be terminated and an appropriate refund of the consumer credit insurance premium shall be paid or credited to the debtor in accordance with section 45-07-01.1-08. However, if the prepayment is a result of death or any other lump sum consumer credit insurance payment, no refund shall be required for the coverage under which the lump sum was paid. If a claim under credit accident and health coverage or credit unemployment coverage is in progress at the time of prepayment, the amount of refund may be determined as if the prepayment did not occur until the payment of benefits terminates. No refund need be paid during any period of disability for which credit accident and health benefits are payable or during any period of unemployment for which credit unemployment benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period or at the end of the unemployment period.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-03. Determination of reasonableness of benefits in relation to premium charge.

1. Benefits provided by consumer credit insurance policies must be reasonable in relation to the premium charged. Premium rates charged for credit life or disability satisfy this requirement if the premium rate charged develops or may reasonably be expected to develop a loss ratio of not less than forty-five percent. With the exception of deviations approved under section 45-07-01.1-10, the rates shown in sections 45-07-01.1-04 and 45-07-01.1-05, as adjusted pursuant to section 45-07-01.1-09, shall be presumed to satisfy this standard. Anticipated losses that develop or are expected to develop a loss ratio of not less than forty-five percent shall be presumed reasonable. Any insurer filing a deviation in accordance with section 45-07-01.1-10 must satisfy the sixty percent loss ratio standard on its total consumer credit insurance business, including that of affiliated insurers, for each type of insurance defined in North Dakota Century Code section 26.1-37-02 for which the deviation is being filed.

2. Premium rates charged for credit unemployment or credit property satisfy this requirement if anticipated losses are expected to develop a loss ratio of no less than forty-five percent.

3. Nonstandard coverage. If any insurer files for approval of any form providing coverage different than that described in sections 45-07-01.1-04 through 45-07-01.1-06, the insurer shall demonstrate to the satisfaction of the commissioner that the premium rates to be charged for such coverage are:

   a. Reasonably expected to develop a loss ratio of not less than sixty percent; or

   b. Actuarially consistent with the rates used for standard coverages.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-04. Credit life insurance rates.

1. **Premium rate.** Subject to the conditions and requirements in subsection 2 and section 45-07-01.1-10, the prima facie rates shown below are considered to meet the requirements of section 45-07-01.1-03 and may be used without filing additional actuarial support.

   a. Monthly outstanding balance basis: Sixty-two cents per month per one thousand dollars of outstanding insured debt on single life insurance and one dollar five cents per month per one thousand dollars of outstanding insured debt on joint life insurance if premiums are payable on a monthly outstanding balance basis.

   b. Single premium basis: If the premium is charged on a single premium basis, the rate shall be computed according to the following formula or according to a formula approved by the commissioner which produces rates substantially the same as those produced by the following formula:

$$S_p = \sum_{t=1}^{n} \left(\frac{O_p}{10} \times \frac{I_t}{I_i} \times (Vt - 1) \right)$$

$$v = \frac{1}{1 + (dis)}$$

   S_p = Single premium per one hundred dollars of initial consumer credit life insurance coverage.

   O_p = Sixty-two cents, the prima facie consumer credit life insurance premium rate for monthly outstanding balance coverage from subdivision a.

   I_t = The scheduled amount of insurance for month t.

   I_i = Initial amount of insurance. For a net insurance policy, I_i equals the initial principal balance of the loan.

   dis = .0028, representing an annual discount rate of three percent for interest plus four-tenths percent for mortality.

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

c. If the benefits provided are other than those described in the introduction to this subsection, premium rates for such benefits shall be actuarially consistent with the rates provided in subdivisions a and b.

d. If life coverage is sold on a joint basis involving two people, the factor for calculating the rate is 1.7.

2. **Conditions and requirements.**

a. Coverage may exclude death resulting from:

(1) War or any act of war;

(2) Suicide within one year after the effective date of the coverage;

(3) A preexisting condition that causes or substantially contributes to death within twelve months of the effective date of coverage; or

(4) Terminal illness with a life expectancy of twelve months or less which was diagnosed prior to the effective date of coverage.

b. The effective date of coverage for that part of the insurance attributable to a different advance or a charge to the plan account is the date on which the advance or charge occurs.

c. An age restriction may be included provided coverage continues until at least age seventy.

d. Guaranteed issue amount. An insurer must issue an amount up to five thousand dollars without regard to a debtor's or creditor's health status. An amount in excess of five thousand dollars may be denied based upon the company's underwriting determination. An insurer may apply the exclusions set forth in subdivision a to the entire amount.

History: Effective January 1, 2003; amended effective April 1, 2021.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-05. Credit accident and health insurance rates.

1. Premium rate. Subject to the conditions and requirements in subsection 5 and section 45-07-01.1-10, the prima facie rates shown below are considered to meet the requirements of section 45-07-01.1-03 and may be used without filing additional actuarial support.

a. If premiums are payable on a single premium basis for the duration of the coverage, the prima facie rate per one hundred dollars of initial insured debt for single accident and health insurance is as set forth in the table below (rates for monthly periods other than those listed shall be interpolated or extrapolated):

Number of Equal Monthly Installments	After Fourteenth Day of Disability, Retroactive to Fire Day of Disability	After Fourteenth Day of Disability	After Thirtieth Day of Disability, Retroactive to First Day of Disability	After Thirtieth Day of Disability

6	$1.31	$.83	$1.05	$.55
12	1.88	1.30	1.51	.94
24	2.54	1.85	2.03	1.39
36	3.01	2.23	2.38	1.70
48	3.40	2.56	2.65	1.94
60	3.74	2.83	2.89	2.16
72	4.00	3.06	3.06	2.32
84	4.17	3.24	3.18	2.43
96	4.30	3.38	3.27	2.51
108	4.40	3.50	3.34	2.58
120	4.47	3.60	3.40	2.62

b. If premiums are paid on the basis of a premium rate per month per thousand of outstanding insured gross debt, these premiums shall be computed according to the following formula or according to a formula approved by the commissioner which produces rates actuarially consistent with the single premium rates in subdivision a of subsection 1:

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

$$v = \frac{1}{1 + (dis)}$$

Where SP_n = Single premium rate per one hundred dollars of initial insured debt repayable in n equal monthly installments as shown in subdivision a.

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

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

dis = .0025, representing an annual discount rate of three percent for interest.

c. If the coverage provided is a constant maximum indemnity for a given period of time, the actuarial equivalent of subdivisions a and b shall be used.

d. If the coverage provided is a combination of a constant maximum indemnity for a given period of time after which the maximum indemnity begins to decrease in even amounts per month, an appropriate combination of the premium rate for a constant maximum indemnity for a given period of time and the premium rate for a maximum indemnity which decreases in even amounts per month shall be used.

e. The outstanding balance rate for credit accident and health insurance may be either a term-specified rate or may be a single composite term outstanding balance rate.

2. Subject to the conditions and requirements in subsection 5 and section 45-07-01.1-10, the prima facie rates for credit accident and health insurance shown below are considered to meet the requirements of section 45-07-01.1-03 in the situation where the insurance is written on an open-end loan. These prima facie rates and the formulae used to calculate them may be used without filing additional actuarial support. Other formulae to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the commissioner.

   a. 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/(minimum payment percent). The prima facie rate is determined by applying the calculated term to the rates shown in subsection 1. A composite minimum payment percentage may be used in place of the minimum payment percentage for a specific credit transaction.

   b. If the maximum benefit of the insurance 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:

$$n = \frac{In\left\{1 - \left(\frac{1000i}{x}\right)\right\}}{In(v)}$$

where:

i = interest rate on the account or a composite interest rate used for the type of policy;

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

v = 1/(1 + i).

The calculated value of the term is used to look up an initial rate in subsection 1. The final prima facie rate is calculated by multiplying the initial rate by:

the adjustment n/an

where:

n is the term calculated above; and

$$a_n = (1 - v^n)/i.$$

3. If the accident and health coverage is sold on a joint basis involving two people, the factor for calculating the rate is 1.8.

4. If the benefits provided are other than those described in subsection 1 or 2, rates for those benefits shall be actuarially consistent with rates provided in subsections 1 and 2.

5. The premium rates in subsection 1 shall apply to contracts providing credit accident and health insurance and that contain the provisions below:

a. Coverage may be excluded for disabilities resulting from:

   (1) Normal pregnancy;

   (2) War or any act of war;

   (3) Elective surgery;

   (4) Intentionally self-inflicted injury;

   (5) Sickness or injury caused by or resulting from the use of alcoholic beverages or narcotics, including hallucinogens, unless they are administered on the advice of and taken as directed, by a licensed physician other than the insured;

   (6) Flight in any aircraft other than a commercial scheduled aircraft; or

   (7) A preexisting condition from which the insured debtor becomes disabled within six months after the effective date of coverage.

b. For the preexisting condition exclusion above, the effective date of coverage for that part of the insurance attributable to a different advance or a charge to the plan account may be the date on which the advance or charge occurs.

c. A definition of disability providing that for the first twelve months of disability, total disability shall be defined as the inability to perform the essential functions of the insured's own occupation. Thereafter, it shall mean the inability of the insured to perform the essential functions of any occupation for which the insured is reasonably suited by virtue of education, training, or experience.

d. No employment requirement more restrictive than one requiring that the debtor be employed full time on the effective date of coverage and for at least twelve consecutive months prior to the effective date of coverage. "Full time" means a regular workweek of not less than thirty hours.

e. An age restriction providing that no insurance will become effective on debtors on or after the attainment of age sixty-six and that all insurance will terminate upon attainment by the debtor of age sixty-six.

f. A daily benefit of not less than one-thirtieth of the monthly benefit payable under the policy.

g. Guaranteed issue. An insurer must issue a benefit amount up to five thousand dollars without regard to a debtor's or creditor's health status. A credit accident and health insurance benefit amount in excess of five thousand dollars may be denied based upon the company's underwriting determination. The benefit amount for credit accident and health insurance is defined as the monthly disability payment times the maximum number of payments payable.

History: Effective January 1, 2003; amended effective April 1, 2021.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-06. Credit unemployment insurance rates.

1. Each insurer filing rates for credit unemployment insurance shall include in its rate filing with the commissioner the appropriate rate formula upon which its rates are based, including a provision for anticipated losses. Anticipated losses that develop or are expected to develop a loss ratio of not less than forty-five percent shall be presumed reasonable. Anticipated losses

may include an amount for fluctuation in loss due to catastrophe based on the experience of at least the latest nine policy years or as long as the company has been writing this line of business. If coverage is sold on a joint basis involving two people, the factor for calculating the rate is 1.8.

2. Credit unemployment insurance policies must contain benefits at least as favorable to insureds as the provisions below:

   a. Coverage for unemployment for any reason, except that coverage may be excluded for:

      (1) Voluntary forfeiture of salary, wage, or other employment income;

      (2) Resignation;

      (3) Retirement;

      (4) General strike;

      (5) Illegal walkout;

      (6) War;

      (7) Separation from the military;

      (8) Willful misconduct or criminal misconduct or unlawful behavior; and

      (9) Disability caused by injury, sickness, or pregnancy.

   b. For credit unemployment insurance which provides for a monthly benefit in the event of unemployment, benefits must start after a waiting period of not longer than thirty days but need not be retroactive to the first day of unemployment and must have a maximum benefit period that is no shorter than six months.

3. Credit unemployment insurance policies may not contain eligibility requirements more restrictive than the restrictions below:

   a. Exclusion from qualification for coverage:

      (1) Self-employed individuals;

      (2) Workers in seasonal or temporary jobs, defined as jobs designed to last six consecutive months or less; and

      (3) Debtors who have been notified either orally or in writing of any layoff or of employment termination either now or within the next sixty days.

      This exclusion must be disclosed to all prospective insureds.

   b. No employment requirement more restrictive than one requiring that the debtor be employed full time on the effective date of coverage for at least twelve consecutive months prior to the effective date of coverage. "Full time" means a regular workweek of not less than thirty hours.

   c. An age restriction providing that no insurance will become effective on debtors on or after the attainment of age sixty-six and that all insurance will terminate upon attainment by the debtor of age sixty-six.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15

Law Implemented: NDCC 26.1-37

45-07-01.1-07. Credit property insurance rates.

1. Each insurer filing rates for credit property insurance shall include in its rate filing with the commissioner the appropriate rate formula upon which its rates are based, including a provision for anticipated losses. Anticipated losses that develop or are expected to develop a loss ratio of no less than forty-five percent shall be presumed to be reasonable. Anticipated losses may include an amount for fluctuation in loss due to catastrophe.

2. Credit property rates must provide for at a minimum the following coverages found in the standard fire policy and extended coverage endorsement: fire, lightning, riot, riot attending a strike, civil commotion, smoke, aircraft and vehicle damage, windstorm, hail, and explosion.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-08. Refund formulas.

1. In the event of termination, no charge for consumer credit insurance may be made for the first fifteen days of a month and a full month may be charged for sixteen days or more of a month.

2. The requirements of the consumer credit insurance law that refund formulas be filed with the commissioner shall be considered fulfilled if the refund formulas are set forth in the individual policy or group certificate filed with the commissioner.

3. No refund of five dollars or less need be made.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-09. Experience reports and adjustment of prima facie rates.

1. The commissioner will, on a triennial basis, beginning January 1, 2006, review the loss ratio standards set forth in section 45-07-01.1-03 and the prima facie rates set forth in sections 45-07-01.1-04 and 45-07-01.1-05 and determine therefrom the rate of expected claims on a statewide basis, compare such rate of expected claims with the rate of actual claims for the preceding three years determined from the incurred claims and earned premiums at prima facie rates reported in the annual statement supplement or other available source, and publish the adjusted actual statewide prima facie rates to be used by insurers during the next triennium. The rates will reflect the difference between:

    a. Actual claims based on experience; and

    b. Expected claims based on the loss ratio standards set forth in section 45-07-01.1-03 applied to the prima facie rates set forth in sections 45-07-01.1-04 and 45-07-01.1-05.

2. The commissioner will, on a triennial basis, review the discount rates for interest included in the formulae in subsection 1 of section 45-07-01.1-04 and subsection 1 of section 45-07-01.1-05 and has the discretion to adjust those discount rates.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-10. Use of rates.

1. **Use of prima facie rates.** An insurer that files rates or has rates on file that are equivalent to the prima facie rates shown in sections 45-07-01.1-04 and 45-07-01.1-05, to the extent adjusted pursuant to section 45-07-01.1-09, may use those rates without further proof of their reasonableness.

2. **Use of rates higher than prima facie rates.** An insurer may file for approval of and use rates that are higher than the prima facie rates shown in sections 45-07-01.1-04 and 45-07-01.1-05, to the extent adjusted pursuant to section 45-07-01.1-09, as long as the filed rates are consistent with the provisions of section 45-07-01.1-03.

   If rates higher than the prima facie rates shown in sections 45-07-01.1-04 and 45-07-01.1-05, to the extent adjusted pursuant to section 45-07-01.1-09, are filed for approval, the filing shall specify the account or accounts to which the rates apply. The rates may be:

   a. Applied uniformly to all accounts of the insurer;

   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 less favorable than expected; or

   c. Applied according to a case-rating procedure on file with the commissioner.

3. **Approval period of deviated rates.**

   a. A rate that deviates from a prima facie rate will be in effect for a period of time not longer than the experience period used to establish the rate, i.e., one year, two years, or three years. An insurer may file for a new rate before the end of a rate period but not more often than once during any twelve-month period.

   b. Notwithstanding the provision of subsection 1, if an account changes insurers, the rate approved to be used for the account by the prior insurer is the maximum rate that may be used by the succeeding insurer for the remainder of the rate approval period approved for the prior insurer or until a new rate is approved for use on the account, if sooner.

4. **Use of rates lower than filed rates.** An insurer may at any time use a rate for an account that is lower than its filed rate without notice to the commissioner.

5. **Glossary of terms and definitions.**

   a. "Experience" means "earned premiums" and "incurred losses" during the experience period.

   b. "Experience period" means the most recent period of time for which earned premiums and incurred losses are reported but not for a period longer than three full years.

   c. "Incurred losses" means total claims paid during the experience period, adjusted for the change in claim reserve.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-11. Supervision of consumer credit insurance operations.

1. Each insurer transacting credit insurance in this state shall be responsible for conducting a thorough periodic triennial review of creditors with respect to their credit insurance business

with such creditors to assure compliance with the insurance laws of this state and the regulation promulgated by the commissioner.

2. Written records of such reviews shall be maintained by the insurer for review by the commissioner.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-12. Prohibited transactions.

The following practices, when engaged in by insurers in connection with the sale or placement of credit insurance, or as an inducement thereto, shall constitute unfair methods of competition and shall be subject to the Unfair Trade Practices Act of this state.

1. The offer or grant by an insurer to a creditor of any special advantage or any service not set out in either the group insurance contract or in the agency contract, other than the payment of agent's commissions;

2. Agreement by an insurer 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 the bank or financial institution as a compensating balance or offsetting deposit for a loan or other advancement; and

3. Deposit by an insurer of money or securities without interest or at a lesser rate of interest than is currently being paid by the creditor, bank, or financial institution to other depositors of like amounts for similar durations. This subsection shall not be construed to prohibit the maintenance by an insurer of such demand deposits or premium deposit accounts as are reasonably necessary for use in the ordinary course of the insurer's business.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37

45-07-01.1-13. Severability.

If any provision or clause of this chapter or the application thereof to any person or situation is held invalid, such invalidity shall not affect any other provision or application of the chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are declared severable.

History: Effective January 1, 2003.
General Authority: NDCC 26.1-37-15
Law Implemented: NDCC 26.1-37