

**Bulletin 12**

**CREDIT LIFE AND CREDIT ACCIDENT AND HEALTH INSURANCE --  
ACCIDENTAL DISMEMBERMENT COVERAGE**

February 3, 1964

Section 7 of the Model Act for the Regulation of Credit Life and Credit A & H Insurance (Indiana Code 27-8-4-7) states that "the Commissioner shall within 30 days after the filing of any such policies . . . disapprove any such form if the benefits provided therein are not reasonable in relation to the premium charge. . .". In order to establish an administrative basis to determine whether or not benefits provided are reasonable in relation to the premium charge, 760 IAC 1-5-2 states, ". . . a claims ratio of not less than 50%, based upon the ratio of incurred claims to earned premiums, shall be deemed to provide benefits reasonable in relation to the premium charge."

760 IAC 1-5-2 also states that to expedite and facilitate the filing of policy forms and premium rates the Commissioner, initially, will accept a schedule of premium rates as illustrated therein (e.g. -- single premium of \$0.75 per \$100 indebtedness per year for Reducing Term credit life insurance); however, the Commissioner will reserve the right to determine whether or not the benefits provided are reasonable in relation to the premium charge as set forth in paragraph one.

Several insurers have submitted policies or certificates or endorsements providing Accidental Dismemberment benefits which require an additional premium to that set forth in 760 IAC 1-5-2 for the credit life insurance. The Department has declined to accept for File an additional premium rate for the Accidental Dismemberment benefits until and unless the insurer can provide satisfactory evidence that the combined premium charge for the life and dismemberment benefits is reasonable on the basis set forth above and as set forth in 760 IAC 1-5-2. No evidence has been submitted as yet to justify an additional premium for Accidental Dismemberment benefits in the State of Indiana.

The Department has been advised that some insurers may be issuing Accidental Dismemberment benefits as an endorsement to or as a part of its credit life insurance policies or certificates at an additional premium charge on the basis that such forms and rates have been filed with the Commissioner for more than 30 days as provided by Indiana Code 27-8-4-7. As such insurers are identified, the Commissioner will withdraw approval of such forms and premium rates on the basis as set forth in Indiana Code 27-8-4-7, D-Indiana Insurance Laws.

Harry E. McClain  
Insurance Commissioner