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HOUSE BILL NO. 359

Offered January 11, 2006

Prefiled January 6, 2006

A BILL to amend and reenact § 38.2-3726 of the Code of Virginia, relating to credit life insurance; age restrictions.

Patron—Kilgore

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:**1. That § 38.2-3726 of the Code of Virginia is amended and reenacted as follows:**

§ 38.2-3726. Credit life insurance rates.

A. The benefits provided by any credit life insurance form shall be deemed reasonable in relation to the premium charged or to be charged if the rates do not exceed the rates set forth below, except as such rates are modified pursuant to the requirements of § 38.2-3730:

1. \$.7519 per month per \$1,000 of outstanding insured indebtedness if premiums are payable on a monthly outstanding balance basis.

2. \$.48 per \$100 of initial indebtedness repayable in twelve equal monthly installments. If premiums are payable on a single premium basis and the amount of the insurance decreases in equal monthly amounts, the following formula shall be used to develop single premium rates from the outstanding balance rate:

$$S_p = \frac{O_p}{20 (1 + .0363 n)^{24}}$$

where S_p is the single term premium per \$100 of initial insured indebtedness, n is the credit term in months, and O_p is the monthly outstanding balance rate per \$1,000 of outstanding insured indebtedness.

3. If premiums are payable on a single premium basis when the benefit provided is level term, the following formula shall be used to develop single premium rates from the outstanding balance rate:

$$S_p = \frac{O_p}{10 (1 + .055 n)^{24}}$$

where S_p is the single term premium per \$100 of initial insured indebtedness, n is the credit term in months, and O_p is the monthly outstanding balance rate per \$1,000 of outstanding insured indebtedness.

4. 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 the above subdivisions.

5. Joint coverage on any of the bases in this subsection shall not exceed 165 percent of the specific rate for that type of coverage.

B. The premium rates in subsection A shall apply to policies providing credit life insurance to be issued with or without evidence of insurability, to be offered to all debtors, and, except as set forth below, containing: (i) no exclusions other than suicide within six months of the incurred indebtedness; and (ii) age restrictions making ineligible for coverage debtors age seventy or over at the time the indebtedness is incurred ~~or debtors having attained age seventy or over on the maturity date of the indebtedness.~~

~~1. Insurance written in connection with an open-end credit plan may provide for the cessation of insurance or a reduction in the amount of insurance upon attainment of an age not less than seventy.~~

~~2. On insurance written in connection with closed-end credit plans and open-end credit plans where the amount of insurance is based on or limited to the outstanding unpaid balance, no provision excluding or denying a claim for death resulting from a preexisting condition except for those conditions for which the insured debtor received medical diagnosis or treatment within six months preceding the effective date of coverage and which caused the death of the insured debtor within six months following the effective date of coverage. The effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the advance or charge is~~

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HB359

58 posted to the plan account.

59 32. At the option of the insurer and in lieu of a preexisting condition exclusion on insurance written
60 in connection with open-end credit where the amount of insurance is based on or limited to the
61 outstanding unpaid balance, a provision limiting the amount of insurance payable on death due to natural
62 causes to the balance as it existed six months prior to the date of death if there have been one or more
63 increases in the outstanding balance during such six-month period and if evidence of insurability has not
64 been required in the six-month period prior to date of death.