

# 1995 SESSION

INTRODUCED

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## HOUSE JOINT RESOLUTION NO. 286

Offered January 25, 1994

*Establishing a joint subcommittee to study the feasibility of developing a different method of determining premium rates for credit life insurance and credit accident and health insurance.*

Patrons—Robinson, Callahan, Deeds, Melvin, Purkey and Tata

Referred to Committee on Rules

WHEREAS, House Bill No. 722 was enacted by the Virginia General Assembly in 1992 and became effective on January 1, 1993; and

WHEREAS, Va. Code § 38.2-3725 provides that effective January 1, 1995, the State Corporation Commission shall, on a triennial basis, set forth adjusted prima facie rates for credit life insurance and credit accident and health insurance that will achieve a 60% loss ratio; and

WHEREAS, the utilization of the loss ratio criteria as the sole basis of determining the rate ignores insurance company expenses, acquisition cost and a margin for profit, which is essential to maintain a solvent industry; and

WHEREAS, the State Corporation Commission should be required also to consider other elements, including average term, cancellation rate, mortality cost, acquisition expense, maintenance expense, production expense, premium tax and Guaranty Fund assessments, reserves, target surplus, investment income, and federal income tax, both corporate rate and DAC adjustment; and

WHEREAS, credit life insurance in force in the Commonwealth of Virginia in 1992 was \$8,040,000,000 under 2,661,000 policies or certificates and the direct written premiums for credit life insurance in 1990 was \$72,046,000 and for credit disability insurance \$67,820,000, making it an industry that deserves study to determine the effect of both rating standards; and

WHEREAS, good public policy requires a comparative evaluation of the component rating approach to the 60% loss ratio approach now in the statute; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, that a joint subcommittee be established to study the feasibility of using a component method of establishing prima facie rates for credit life insurance and credit accident and health insurance. The joint subcommittee shall consist of five members as follows: three members from the House of Delegates to be appointed by the Speaker of the House; and two members from the Senate to be appointed by the Senate Committee on Privileges and Elections.

The direct costs of this study shall not exceed \$3,000.

Technical assistance shall be provided by the State Corporation Commission's Bureau of Insurance.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1995 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

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