STATE OF ARIZONA
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DEPT OF INSURANCE
BY ________

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of: **LOSS RATIO STANDARDS AND *PRIMA FACIE* RATES FOR CREDIT PROPERTY INSURANCE AND CREDIT UNEMPLOYMENT INSURANCE**	)	Docket No. 13A-007-INS **ORDER**

Pursuant to A.R.S. §20-1621.05(B), the Director shall, at least once every three years, establish by order a loss ratio standard for credit property and credit unemployment insurance. Concurrently, pursuant to A.R.S. §20-1621.05(C), the Director shall, by order, establish prima facie rates for both credit property and credit unemployment insurance.

On October 15, 2003, the Director issued an Order In The Matter Of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 03A-092-INS ("the 2003 Order"). The 2003 Order established a loss ratio standard of 50% for credit property and credit unemployment insurance to be effective January 15, 2004. The Director also established via the 2003 Order *prima facie* rates for credit property insurance and credit unemployment insurance as set forth in Exhibits A and B to the 2003 Order.

On January 15, 2007 and January 15, 2010, the Director issued Orders In The Matter of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 07A-005-INS and Docket No. 10A-003-INS . Neither Order changed the loss ratio standard or the *prima facie* rates for credit property or credit unemployment insurance.

After due consideration of the enumerated factors in A.R.S. §20-1621.05, the Director enters the following Order:

1. The loss ratio standard for both credit property and credit unemployment insurance shall remain at 50%;

2. The *prima facie* rates for credit property insurance are revised as set forth in Exhibit A;

3. The *prima facie* rates for credit unemployment insurance are revised as set forth in Exhibit B ;

4. Insurers may file for approval and use of deviated rates that are higher than the *prima facie* rates established in this Order. Deviations for credit unemployment insurance may be filed where loss ratios exceeded 50%. Deviations shall be filed in accordance with the process and standards set forth in A.R.S. §20-1621.05 for credit property insurance and A.R.S. §20-1610 for credit unemployment insurance. When filing deviations, insurers shall use the Credibility Tables attached hereto as Exhibits C1(credit property) and C2 (credit unemployment).

5. This Order is effective January 15, 2013.

DATED this 8th day of January 2013.

Germaine L. Marks
GERMAINE L. MARKS, Director
Arizona Department of Insurance

COPY of the foregoing mailed
this 9th day of January, 2013 to:

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EXHIBIT A

THE RECOMMENDED LOSS RATIO STANDARD IS 50%

PROPOSED PRIMA FACIE RATES FOR CREDIT PROPERTY INSURANCE ARE:

1. SINGLE PREMIUM

   If the insurer charges a single premium, the rate per 100 dollars of insured value shall be:

   DUAL INTEREST.. $0.519
   SINGLE INTEREST............................ $0.342

2. MONTHLY OUTSTANDING BALANCE FOR CLOSED-END CREDIT*

   If the premiums are payable monthly on an outstanding balance for a closed-end loan, the rate per 100 dollars of outstanding balance shall be:

   DUAL INTEREST.. $0.083
   SINGLE INTEREST.................................... $0.052

3. MONTHLY OUTSTANDING BALANCE FOR OPEN-END CREDIT*

   If the premiums are payable monthly on an outstanding balance for an open-end loan, the rate per 100 dollars of outstanding balance shall be:

   DUAL INTEREST.. $0.075
   SINGLE INTEREST.....................................$0.047

DUAL INTEREST protects interests of both the borrower and the creditor.
SINGLE INTEREST protects only the creditor's interest in the property.

*Closed-end and open-end credit are defined in ARS §20-1621.01.

EXHIBIT B

ARIZONA – CREDIT UNEMPLOYMENT PRIMA FACIE RATES

TABLE A*

SINGLE PREMIUM RATES PER $10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	*Retro Benefits* 30 Day Elimination Period
6	0.12	0.18
9	0.15	0.23
12	0.17	0.26
18	0.20	0.30
24	0.22	0.33
More than 24	0.23	0.35

NOTE: Single Premiums are obtained by multiplying the above rates by the term of the loan in months.

Example A

Loan of $1200
Level payments of $106 per month for 12 months
Retroactive benefits selected.
If unemployment occurs during the first month, then all 12 payments will be covered by the insurance
Single Premium = $106*(.26/10)*12 = $ 33.07

TABLE B*

MONTHLY PREMIUM RATES PER $10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.14	0.18
9	0.17	0.23
12	0.19	0.27
18	0.21	0.30
24	0.23	0.33
More than 24	0.25	0.35

Example B

Loan of $1200
Level payments of $106 per month for 12 months
Retroactive benefits selected.
If unemployment occurs during the first month, then all 12 payments will be covered by the insurance
Monthly premium = $106*(.27/10) = $ 2.86
Total premium over the life of the loan = $34.32 (2.86*12).

MONTHLY PREMIUM RATES PER $100 OF OUTSTANDING BALANCE -

Applicable to Open-End Credit

Rates stated as $0.xx per $100 of outstanding balance per month should be consistent with the above rates. To satisfy this requirement the following formula may be used:

M = R x 10 x P

Where:

M = Monthly rate per $100 of outstanding balance
R = Rating factor selected from table C
P = Percent of outstanding balance required as the minimum monthly payment, but not less than 3.0% (to be expressed as a decimal in the formula).

Maximum Benefit Period in Months

For the purposes of the table below, the maximum benefit period is set to the lesser of the reciprocal of P (i.e. 1 ÷ P) and the maximum number of months of unemployment benefits as specified by contract.

TABLE C**

	Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
1	6	0.140	0.158
2	9	0.170	0.202
3	12	0.190	0.237
4	18	0.210	0.263
5	24	0.230	0.289
6	More than 24	0.250	0.307

Example C

Minimum payment of 5% of outstanding balance
Maximum coverage is for a year of payments
Retroactive benefits selected 1/P% = 1/.05 = 20
Contract specifies max 12 months of coverage

The minimum of 20 and 12 is 12, so row 3 of Table-C is applicable
R = .237, P% = .05; thus M = .237*10*.05 = 0.119; the rate is 11.9 cents per $100 of MOB.

Example D

Minimum payment of 2% of outstanding balance
Maximum coverage term is not specified
Retroactive benefits selected 1/P% = 1/.03 = 33
33 is greater than 24, so row 6 of Table-C applies.

R = .307, P% = .03; thus M = .307*10*.03 = 0.092; the rate is 9.2 cents per $100 of MOB.

NOTE:
All of the above are Single rates. Joint rates may not exceed 165% of the Single Life rates.

*Tables A and B are applicable to closed-end credit as defined in ARS § 20-1621.01

**Table C is applicable to open-end credit as defined in ARS § 20-1621.01

EXHIBIT C1
CREDIBILITY TABLE

EARNED PREMIUM	CLAIM COUNT	CREDIBILITY FACTOR
<24,000	<6	0
24,000 to 43,999	6-10	0.15
44,000 to 67,199	11-16	0.20
67,200 to 97,199	17-23	0.25
97,200 to 133,199	24-32	0.30
133,200 to 173,999	33-42	0.35
174,200 to 219,599	43-54	0.40
219,600 to 271,199	55-67	0.45
271,200 to 327,599	68-81	0.50
327,600 to 389,999	82-97	0.55
390,000 to 458,399	98-113	0.60
458,400 to 531,599	114-132	0.65
531,600 to 609,599	133-151	0.70
609,600 to 693,599	152-172	0.75
693,600 to 783,599	173-195	0.80
783,600 to 878,399	196-219	0.85
878,400 to 977,999	220-244	0.90
978,000 to 1,083,599	245-270	0.95
1,083,600 +	271+	1.00

IF INCURRED CLAIM COUNTS ARE AVAILABLE, USE THEM TO DETERMINE THE CREDIBILITY. IF NOT, USE ANNUAL EARNED PREMIUM. FOR 6-10 CLAIMS THE CREDIBILITY FACTOR IS 0.15.

THE EXPERIENCE PERIOD FOR THIS TABLE SHALL BE AT LEAST ONE FULL YEAR AND SHALL NOT EXCEED THREE SUCCESSIVE YEARS.

EXHIBIT C2

CREDIBILITY TABLE-IUI

ANNUAL EARNED PREMIUM	CREDIBILITY FACTOR
<24,000	0
24,000 to 43,999	0.15
44,000 to 67,199	0.20
67,200 to 97,199	0.25
97,200 to 133,199	0.30
133,200 to 173,999	0.35
174,200 to 219,599	0.40
219,600 to 271,199	0.45
271,200 to 327,599	0.50
327,600 to 389,999	0.55
390,000 to 458,399	0.60
458,400 to 531,599	0.65
531,600 to 609,599	0.70
609,600 to 693,599	0.75
693,600 to 783,599	0.80
783,600 to 878,399	0.85
878,400 to 977,999	0.90
978,000 to 1,083,599	0.95
1,083,600 +	1.00

NOTES:

(1) Use this Table to calculate T (the credible Loss Ratio)

If: A = Actual Incurred Loss Ratio
and: E = Expected Incurred Loss Ratio = 50% =.50
and: Z = The Credibility Factor from the above Table

Then: T = (Z x A) + ((1-Z) x E)

Rate Deviation Calculation Factor = T/E

(2) The experience period to which this table applies shall not be less than 1 year nor greater than 3 years.