

Reserves for Credit Life Insurance

The purpose of the call was to discuss a proposed model regulation for the determination of reserves for credit life insurance. The draft proposed using the 2001 CSO Table (male composite ultimate), using CRVM for single premium credit life and giving states the option to permit other methods (including gross unearned premiums) for non-single premium credit life.

LHATF members decided to split the non-single premium category into level premium, which would have to use CRVM, and Monthly Outstanding Balance (MOB), which could use other methods permitted by each state.

LHATF extensively discussed group credit life insurance. The issue is what is the appropriate reserve for group, especially since much of it does not guarantee premium rates or even the coverage itself. LHATF members leaned toward including group credit life in the regulation, but they also desire consistency with current state laws. This requires additional research.

The draft regulation applies prospectively to issues on or after the adoption of the 2001 CSO Mortality Table.

LHATF's goal is to resolve these issues and expose a draft regulation at its September meeting.

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