

**State of Rhode Island and Providence Plantations**  
**DEPARTMENT OF BUSINESS REGULATION**  
*Division of Insurance*  
**1511 Pontiac Avenue, Bldg. 69-2**  
**Cranston, Rhode Island 02920**

**CONCISE EXPLANATORY STATEMENT**

**Insurance Regulation 9 – Consumer Credit Insurance**

The Department of Business Regulation (“Department”) hereby adopts amendments to Insurance Regulation 9 effective as indicated in section 15 of the regulation and makes this statement in accordance with R.I. Gen. Laws § 42-35-2.3. The Department makes these amendments in order to bring the regulation into compliance with the amendments to R.I. Gen. Laws § 27-30-1 *et seq.* The amendments are based upon the National Association of Insurance Commissioners Model Regulation. The differences between the text of the proposed rule as published in accordance with R.I. Gen. Laws § 42-35-3 and the rule as adopted are:

1. Section 2 - As requested by commentors the Department added back definitions of gross coverage and net coverage since the terms are used in the amended regulation.
2. Section 3 – The Department added “offered by the creditor” to (1) to clarify the meaning of the section. (3)(b) was amended to incorporate the amendments made in section 9 with regard to notice of termination. (9) was added to clarify that gross coverage is not permitted except as detailed in (10). (10), which was taken from a provision of Virginia law, was added to provide for gross coverage on leased vehicles.
3. Section 4 – Provide the NAIC Model Act provisions allowing for component rating as an alternative to the loss ratio standard.
4. Section 6 - Based on the information provided by commentators the Department amended the proposed \$1.05 rate to \$1.12
5. Section 7 – The Department corrected the incorrect figures included in the proposal for 30 Day Non Retroactive Policies. The Department added a sentence to (4) to confirm that critical period coverage is still allowed as under the previous version of the regulation. Section (6)(b)and (c) were changed from “insurance” to “the loan” to clarify the intent of the section.
6. Section 9 - The Department has added section (4) to address instances when the insurer may not be provided notice of cancellation.

7. Section 10 – The Department added the phrases “and composite rating” and “as developed in section 8” to recognize those types of rating allowable under the regulation.
8. Section 11 - The Department added the phrase “as developed in section 8” to recognize this types of rating allowable under the regulation.
9. Section 15 – The Department altered the effective dates to give an appropriate time period for implementation in accordance with comments.

There were also a number of changes suggested that were rejected by the Department. Those changes are:

1. Section 2 - The Department rejected requests to provide additional detail in the definition of loss ratio. The definition allows the use of any reasonable method.
2. Section 3 – The Department rejected a request to limit (1) to the customers expressed level of interest. The Department rejected a request to remove the requirements of section (3)(b) on the basis that only the financial institution has the information necessary to comply. The insurer will have to amend their agreements with the financial institutions to assure that it has the necessary information. With regard to section (7) one commentator asked for clarification as to whether a refund was owed on disability insurance in the event of death. The Department states that refunds are always owed for unearned premium.
3. Section 4 – The Department rejected the suggestion that the regulation provide only for component rating. The Department acknowledges that component rating can be implemented under the statute. However, at this time it cannot do so and will have to retain loss ratio rating for the immediate future. The Department has not been provided any funding to gather the necessary information and have it actuarially analyzed to set a component rate. Rhode Island law would not allow the Department to hire a consultant and bill a segment of the industry without specific statutory authority. At this time the Department has no information that the loss ratio standard is providing for inadequate rates (in fact all of the evidence leads to the contrary conclusion) but if such evidence develops the Department will work with industry to amend the statute to allow for the resources which would be necessary to implement component rating.
4. Section 5 – A commenter asked how the Department came up with the percentages in this section. The percentages are from the NAIC Model which is in effect in a number of states. The commenter also indicated a belief this section along with the 60% loss ratio would create inadequate rates. Again the Department has not seen any evidence that this is correct but will accept documentation from anyone advocating that position.

5. Section 8 – The Department rejected commenter request to shorten the experience from 9 years or as long as the company has been writing. The Department believes that the period in the NAIC model will give actuaries a clearer picture of the experience. Any data retention problems encountered by a particular insurer should be explained in the filing.
6. Section 10 – The Department rejected request to change the model language. It is the departments understanding that this language is used in many states and companies should comply as indicated.
7. Section 11 – The Department rejected a request to add additional language for rate filings. The Department notes that each rate filing will be judged on the standards in section 4 of the regulation.
8. Section 14 – The Department declined to adjust the readability requirements.