STATE OF ARIZONA
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DEPT OF INSURANCE
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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. 07A-005-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.

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 set forth in Exhibit A remain unchanged from the 2003 Order;

3. The *prima facie* rates for credit unemployment insurance set forth in Exhibit B remain unchanged from the 2003 Order;

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 as of January 15, 2007.

DATED this 9th day of January 2007.

CHRISTINA URIAS, Director
Arizona Department of Insurance

COPY of the foregoing mailed
this 10th day of JANUARY, 2007to:

Jennifer Boucek, Assistant Attorney General
Office of the Arizona Attorney General
1275 West Washington
Phoenix, Arizona 85007
Attorneys for the Department

Brendan Leonard, State Filings
American Bankers Insurance Company
of Florida
11222 Quail Roost Drive
Miami, FL 33157

Cheryl Sileno, Senior Compliance Analyst
American General Indemnity Company
3600-Route 66
Neptune, NJ 07754

Brendan Leonard, State Filings
American Reliable Insurance Company
11222 Quail Roost Drive
Miami, FL 33157-6596

Brendan Leonard, State Filings
American Security Insurance Company
11222 Quail Roost Drive
Miami, FL 33157-6596

William Departie, Assistant Vice President
Balboa Insurance Company
P.O. Box 19702
Irvine, CA 92623-9702

Roger McLendon
Sr. Policy Drafter & Compliance Specialist
Central States Indemnity Company of Omaha
Post Office Box 34888
Omaha, NE 68134-0888

Gale Powell
Centurion Casualty Company
800 Walnut Street
Des Moines, IA 50309

Jane M. Abed
Founders Insurance Company
1645 E. Birchwood Ave.
Des Plaines, IL 60018

Donna L. DiMatteo, CPCU
Senior Compliance Officer
HSBC Insurance Company of Delaware
(FNA Service General Insurance Company)
200 Somerset Corporate Blvd, Suite 100
Bridgewater, NJ 08807

Susan E. Tucker
Regulatory Specialist
Lyndon Property Insurance Company
14755 North Outer Forth
St. Louis, MO 63017

Brendan Leonard, State Filings
Standard Guaranty Insurance Company
11222 Quail Roost Drive
Miami, FL 33157-6596

Brian Kasper
Stonebridge Casualty Insurance Company
2700 W. Plano Parkway
Plano, TX 75075-8200

Brendan Leonard
Voyager Property and Casualty Ins. Co.
11222 Quail Roost Drive
Miami, FL 33157-6596

Gerard Lunemann, Compliance
Wesco Insurance Company
(Household Insurance Group)
200 Somerset Corporate Blvd., Suite 100
Bridgewater, NJ 08807

Deanna K. Yarbrough, Director
Yosemite Insurance Company
P.O. Box 159
Evansville, IN 47701-0159

Beverly Pippin
Zale Indemnity Company
901 W. Walnut Lane
Irving, TX 75038 1003l

Gerrie Marks, Deputy Director
Steven Ferguson, Assistant Director
Alexandra Shafer, Assistant Director
Dean Ehler, Assistant Director
Mary Butterfield, Assistant Director
Dennis Babka, Life & Health Supervisor
Karen Adams, Actuary
William Robinson, Actuary
Arizona Department of Insurance
2910 North 44th Street
Phoenix, AZ 85018

Cerney Burton

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 ....$.50

   SINGLE INTEREST.......................................$.33

2. MONTHLY OUTSTANDING BALANCE (MOB)
   If the premiums are payable monthly on an outstanding balance, the rate per 100 dollars of outstanding balance shall be:

   DUAL INTEREST ....$.08

   SINGLE INTEREST.......................................$.05

DUAL INTEREST protects interests of both the borrower and the creditor

SINGLE INTEREST protects only the creditor's interest in the property.

EXHIBIT B

ARIZONA - CREDIT UNEMPLOYMENT PRIMA FACIE RATES

TABLE A

SINGLE PREMIUM RATES PER $10 0F MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elim.Period	Retro Benefits 30 Day Elim.Period
6	0.12	0.16
9	0.14	0.20
12	0.16	0.23
18	0.18	0.26
24	0.20	0.29
More than 24	0.21	0.31

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

TABLE B

MONTHLY PREMIUM RATES PER $10 0F MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elim.Period	Retro Benefits 30 Day Elim.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

MONTHLY PREMIUM RATES PER $100 0F MONTHLY OUTSTANDING BALANCE

EXAMPLES:

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 = Rate per $10 of the monthly benefit term (from above monthly rates TABLE B).
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).

Example (1): R = $0.30 (30 cents) per $10 of monthly benefit
For P = 5% P = Minimum monthly payment is 5%
Then M = .30 x 10 x .05 = $0.15 (15 cents) per $100 0f outstanding balance.

Example (2): R = $0.30 (30 cents) per $10 of monthly benefit
For P = 3% P = Minimum monthly payment is 3%
Then M = .30 x 10 x .03 = $0.09 (9 cents) per $100 0f outstanding balance.

MONTHLY PREMIUM RATES PER $100 0F MONTHLY OUTSTANDING BALANCE

EXAMPLES for P = 3% P = Minimum monthly payment is 3%

Maximum Benefit Period in Months	R (from above TABLE B) Non Retro Benefits 30 Day Elim.Period	M = R x 10 x .03 Non Retro Benefits 30 Day Elim.Period	R (from above TABLE B) Retro Benefits 30 Day Elim.Period	M = R x 10 x .03 Retro Benefits 30 Day Elim.Period
6	0.14	0.04	0.18	0.05
9	0.17	0.05	0.23	0.07
12	0.19	0.06	0.27	0.08
18	0.21	0.06	0.30	0.09
24	0.23	0.07	0.33	0.10
More than 24	0.25	0.08	0.35	0.11

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

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

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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: $T = (Z \times A) + ((1-Z) \times E)$

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.