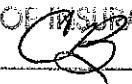


JAN 6 2010

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of:)
)
LOSS RATIO STANDARDS AND PRIMA)
FACIE RATES FOR CREDIT PROPERTY)
INSURANCE AND CREDIT)
UNEMPLOYMENT INSURANCE)
_____)

Docket No. 10A-003-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, 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. 07A-005-INS ("2007 Order"). The 2007 Order did not change the loss ratio standard or *prima facie* rates for either 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 Brendan Leonard, State Filings
American Bankers Insurance Company
2 of Florida
American Reliable Insurance Company
3 American Security Insurance Company
Standard Guaranty Insurance Company
4 Voyager Property and Casualty Ins. Co
11222 Quail Roost Drive
5 Miami, FL 33157

6 John Kleen, Actuarial Director
American General Indemnity Company
3600-Route 66
7 Neptune, NJ 07754

8 William Departie, Assistant Vice President
Balboa Insurance Company
9 P.O. Box 19702
Irvine, CA 92623-9702
10

11 Michael J. Casale, Consultant
Cardiff Property & Casualty Insurance Company
P.O. Box 77-0250
12 Miami, FL 33157

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

16 Gale Powell
Centurion Casualty Company
17 800 Walnut Street
Des Moines, IA 50309

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

21 Gerard Lunemann, Compliance
HSBC Insurance Company of Delaware
22 (FNA Service General Insurance Company)
200 Somerset Corporate Blvd, Suite 100
23 Bridgewater, NJ 08807

1 Susan E. Tucker, Regulatory Specialist
Lyndon Property Insurance Company
2 14755 North Outer Forth
St. Louis, MO 63017

3 Betty F. Evans, Product Manager
4 Lyndon Southern Insurance Company
100 West Bay Street
5 Jacksonville, FL 32202

6 Brian Kasper
Stonebridge Casualty Insurance Company
7 2700 W. Plano Parkway
Plano, TX 75075-8200

8 Cathy Maxim, Compliance Manager
Wesco Insurance Company
9 (Household Insurance Group)
200 Somerset Corporate Blvd., Suite 100
10 Bridgewater, NJ 08807

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

13 Beverly Pippin
14 Zale Indemnity Company
901 W. Walnut Lane
15 Irving, TX 75038 10031

16 Gerrie Marks, Deputy Director
Steve Ferguson, Assistant Director
17 Alexandra Shafer, Assistant Director
Dean Ehler, Assistant Director
18 Mary Butterfield, Assistant Director
Karen Adams, Actuary
19 William Robinson, Actuary
Arizona Department of Insurance
20 2910 North 44th Street
Phoenix, AZ 85018

21

22

23

Convey Buxton

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 OF 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 OF 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 OF 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:
 $M = R \times 10 \times P$

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 of 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 of outstanding balance.

MONTHLY PREMIUM RATES PER \$100 OF 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

<u>EARNED PREMIUM</u>	<u>CLAIM COUNT</u>	<u>CREDIBILITY FACTOR</u>
<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

<u>ANNUAL EARNED PREMIUM</u>	<u>CREDIBILITY FACTOR</u>
<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.