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**STATE OF ARIZONA
DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS**

In the Matter of:

No. 25A-003-INS

***PRIMA FACIE* RATES FOR CREDIT
DISABILITY INSURANCE**

**NOTICE OF DIRECTOR’S HEARING
(Hearing Officer Tom Zuppan)**

YOU ARE HEREBY NOTIFIED that the Director of the Department of Insurance and Financial Institutions (“Director”) has scheduled a hearing pursuant to Arizona Administrative Code R20-6-604.03, and appointed hearing officer Tom Zuppan, to take comments on a proposed order establishing prima facie rates for credit disability insurers. The above-captioned matter will be conducted at the Department of Insurance and Financial Institutions (the “Department”) as an in-person hearing (call-in capabilities will also be provided).

Date of Hearing:

March 27, 2025 at 9:45 to 10:15 a.m. (MST)

Location of Hearing:

**100 N. 15th Ave.
Phoenix, Arizona 85007
1st Floor Board Room/Conference Room 101**

To attend remotely:

Meeting ID: <https://meet.google.com/ppf-rzoa-fob?hs=122&authuser=0>

**Phone Numbers
(US)+1 929-260-4536
PIN 827 321 634#**

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You may appear on the date and at the time and place specified in this Notice with or without the assistance of counsel. *See*, A.A.C. R20-6-102. An insurance company may be represented by a corporate officer pursuant to A.R.S § 20-161(B).

The purpose of the hearing is to take oral comments on the record from credit disability insurers on the Director’s proposed order (*see* Exhibit A). The actuarial report upon which the proposed order is based is also attached to this Notice (*see* Exhibit B). The Director intends that the proposed order will supersede the prior order issued by the Department in 2002 (*see* Exhibit C).

The Department will record the hearing. The recording will be available to interested parties three days after the hearing upon request.

Written comments may also be submitted to the Department and will be accepted until the close of the hearing at: public_comments@difi.az.gov.

If submitting a written comment, please use "Credit Disability Hearing" in the subject line of the e-mail. Persons submitting public comments should be aware that any comments submitted are “public” and may be published by the Department.

Questions concerning this Notice should be directed to the Hearing Officer at tom.zuppan@difi.az.gov.

DATED this 7th day of February, 2025.

Tom Zuppan

Tom Zuppan, Hearing Officer
Arizona Department of Insurance and
Financial Institutions

...
...

1 **COPY** of the foregoing electronically delivered
2 this 7th day of February, 2025, to:

3 Barbara D. Richardson, Director
4 Tom Zuppan, Hearing Officer
5 Alena Caravetta, Regulatory Legal Affairs Officer
6 Arizona Department of Insurance and Financial Institutions
7 100 North 15th Avenue, Suite 261
8 Phoenix, Arizona 85007

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24 American Council of Life Insurers
25 Joann Waiters
26 JoannWaiters@ACLI.com

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Danielle Fagre
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3 Consumer Credit Ins. Assoc.
4 info@fec.gov

5 Consumer Federation of America
6 cfa@consumerfed.org

7 AHIP
8 ahip@ahip.org

9 William E. Morris Institute for Justice
10 admin@mijaz.org

11

12 *Mayra Kariem*

13 Mayra Kariem

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EXHIBIT A

STATE OF ARIZONA

DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

In the Matter of:

**PRIMA FACIE CREDIT DISABILITY
INSURANCE RATES**

Docket No. 25A-003-INS

ORDER

Pursuant to A.A.C. R20-6-604.03(A) and A.A.C. R20-6-604.05(A), the Director shall, at least once every three years, establish by order prima facie rates for credit disability insurance.

On December 24, 2002, the Director issued an Order In the Matter of *Prima Facie* Rates for Credit Life Insurance Rates and Credit Disability Insurance Rates, Docket No. 02A-139-INS (“the 2002 Order”). The 2002 Order established *prima facie* rates for credit disability insurance as set forth in Exhibit B to the 2002 Order.

After due consideration of the enumerated factors in A.A.C. R20-6-604.05(A), the Director enters the following Order:

1. The *prima facie* rates for credit disability insurance are revised as set forth in Exhibit A;
2. Insurers may file for approval and use of deviated rates that are higher than the *prima facie* rates established in this Order. Deviations shall be filed in accordance with the process and standards set forth in A.A.C. R20-6-604.08 for credit disability insurance.
3. Pursuant to A.A.C. R20-6-604.07(A), on April 1 of each year, each insurer that transacts credit disability insurance shall file with the Director an experience report containing information as required on a form specified by the Director.
4. This Order is effective [_____].

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DATED this _____ day of _____ 2025.

Barbara D. Richardson, Director
Arizona Department of Insurance and Financial Institutions

1 **COPY** of the foregoing delivered and/or emailed same date to:

2 Barbara D. Richardson, Director
3 Tom Zuppan, Hearing Officer
4 Alena Caravetta, Regulatory Legal Affairs Officer
5 Arizona Department of Insurance and Financial Institutions
6 100 North 15th Avenue, Suite 261
7 Phoenix, Arizona 85007

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- 17 NAIC #97691
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13 M. Jones
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15 Transamerica Life
16 NAIC #86231

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William E. Morris Institute for Justice

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EXHIBIT A

***PRIMA FACIE* RATES FOR CREDIT DISABILITY INSURANCE**

1. If a debtor pays a single premium for coverage, the *prima facie* rate per \$100 of initial debt for single disability shall not exceed the amount set forth for the Plan of Benefits, Class of business, and Duration of coverage as set forth in Appendix A to this Exhibit.
2. If premiums are paid on the basis of a monthly premium rate, per \$1000 of outstanding insured gross debt, the insurer shall compute premiums according to the following formula or according to a formula that the Director has approved and that produces rates that are actuarially equivalent to the single premium rates in paragraph (1) above.

$$OP_n = (10 \times SP_n) / \sum_{t=1}^n [(v^{(t-1)}) \times (n-t+1) / n]$$

Where,

SP_n = Single life, single premium *prima facie* rate per \$100, per annum of coverage of initial insured debt.

OP_n = Single life, monthly premium rate per \$1000 of outstanding balance insured debt.

n = The number of months in the term of the insurance coverage.

V = 1/(1+ .0033) where the .0033 represents an annual discount rate of 4% for interest.

3. Rates for joint coverage shall not exceed 165% of the rates for single life coverage.
4. The outstanding balance rate may be either a term-specified rate or may be a single composite term outstanding balance rate.

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

NON-RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.62	0.46
12	1.14	0.84
24	1.70	1.37
36	2.17	1.83
48	2.57	2.22
60	2.91	2.58
72	3.21	2.87
84	3.45	3.14
96	3.66	3.37
108	3.86	3.58
120	4.03	3.75
132	4.23	3.96
144	4.44	4.17
156	4.64	4.37
168	4.85	4.58
180	5.06	4.78

RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.71	0.66
12	1.33	1.22
24	1.87	1.72
36	2.35	2.15
48	2.76	2.53
60	3.11	2.86
72	3.42	3.15
84	3.68	3.41
96	3.92	3.63
108	4.11	3.84
120	4.29	4.02
132	4.49	4.22
144	4.69	4.41
156	4.89	4.61
168	5.08	4.81
180	5.28	5.00

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 2 BANKS, SAVINGS AND LOAN INSTITUTIONS AND MORTGAGE COMPANIES

NON-RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.38	0.28
12	0.69	0.51
24	1.03	0.83
36	1.31	1.11
48	1.55	1.34
60	1.76	1.56
72	1.94	1.73
84	2.08	1.90
96	2.21	2.03
108	2.34	2.16
120	2.43	2.27
132	2.55	2.38
144	2.68	2.52
156	2.80	2.64
168	2.93	2.76
180	3.06	2.89

RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.43	0.40
12	0.80	0.74
24	1.13	1.04
36	1.42	1.30
48	1.66	1.53
60	1.88	1.73
72	2.07	1.90
84	2.22	2.06
96	2.37	2.19
108	2.49	2.32
120	2.59	2.43
132	2.71	2.54
144	2.83	2.66
156	2.95	2.78
168	3.07	2.90
180	3.19	3.02

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 3 FINANCE COMPANIES, SMALL LOAN COMPANIES, AND A.R.S. 6-501(5) CONSUMER LENDERS

NON-RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.45	0.33
12	0.81	0.60
24	1.22	0.97
36	1.55	1.31
48	1.83	1.59
60	2.08	1.84
72	2.30	2.05
84	2.47	2.24
96	2.61	2.40
108	2.76	2.55
120	2.87	2.68
132	3.02	2.82
144	3.17	2.98
156	3.31	3.12
168	3.47	3.27
180	3.61	3.42

RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.51	0.47
12	0.94	0.87
24	1.34	1.22
36	1.68	1.54
48	1.97	1.81
60	2.22	2.04
72	2.45	2.25
84	2.63	2.43
96	2.80	2.59
108	2.94	2.74
120	3.06	2.87
132	3.21	3.01
144	3.35	3.15
156	3.49	3.29
168	3.63	3.43
180	3.77	3.58

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 4 DEALERS, INCLUDING AUTO, TRUCK AND BOAT DEALERS, RETAIL STORES, AND OTHER PERSONS SELLING FINANCED GOODS

NON-RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.16	0.12
12	0.29	0.21
24	0.44	0.35
36	0.55	0.47
48	0.66	0.57
60	0.75	0.66
72	0.83	0.74
84	0.89	0.80
96	0.94	0.86
108	1.00	0.92
120	1.03	0.96
132	1.09	1.01
144	1.15	1.07
156	1.20	1.12
168	1.25	1.17
180	1.30	1.23

RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.18	0.17
12	0.34	0.31
24	0.48	0.44
36	0.60	0.55
48	0.71	0.65
60	0.80	0.73
72	0.88	0.81
84	0.95	0.87
96	1.01	0.93
108	1.06	0.99
120	1.10	1.03
132	1.16	1.08
144	1.21	1.13
156	1.26	1.18
168	1.31	1.23
180	1.36	1.29

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 5 ALL OTHER PERSONS SELLING CREDIT INSURANCE NOT SPECIFICALLY LISTED ABOVE

NON-RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.38	0.28
12	0.69	0.51
24	1.03	0.83
36	1.31	1.11
48	1.55	1.34
60	1.76	1.56
72	1.94	1.73
84	2.08	1.90
96	2.21	2.03
108	2.34	2.16
120	2.43	2.27
132	2.55	2.38
144	2.68	2.52
156	2.80	2.64
168	2.93	2.76
180	3.06	2.89

RETROACTIVE

Duration (Months)	14 Day Elimination Period	30 Day Elimination Period
6	0.43	0.40
12	0.80	0.74
24	1.13	1.04
36	1.42	1.30
48	1.66	1.53
60	1.88	1.73
72	2.07	1.90
84	2.22	2.06
96	2.37	2.19
108	2.49	2.32
120	2.59	2.43
132	2.71	2.54
144	2.83	2.66
156	2.95	2.78
168	3.07	2.90
180	3.19	3.02

EXHIBIT B

State of Arizona
Credit Disability
Prima Facie Rate Review
2025 Proposed Rates

Firm: **AMI Risk Consultants, Inc.**
1336 SW 146th Ct.
Miami, Florida 33184
(305) 273-1589

Contact: Aguedo Ingco, FCAS, MAAA, CPCU, ARM

Date: December 18, 2024

AMI Risk Consultants, Inc.

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Tel: (305) 273-1589
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2878 Loveland Dr. #2208
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Tel: (702) 478-5924

December 18, 2024

Mr. Tom Zuppan
Property and Casualty Supervisor
Arizona Department of Insurance and Financial Institutions
Product Filing Compliance Division
100 North 15th Avenue, Suite 261
Phoenix, AZ 85007

Via E-Mail
Tom.Zuppan@difi.az.gov

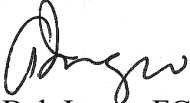
Dear Mr. Zuppan:

We are pleased to submit our final report on the State of Arizona Credit Disability Prima Facie Rate Review for the 2025 proposed rates.

We very much appreciate the cooperation and courtesies extended to us during the course of this engagement. Please do not hesitate to contact us should you have any questions regarding the report.

Thank you for the opportunity to work with you on this project.

Sincerely yours,



Bob Ingco, FCAS, MAAA, CPCU, ARM
President
AMI Risk Consultants, Inc

TABLE OF CONTENTS

<i>Actuarial Report</i>	<u>PAGE</u>
Purpose	1
Definitions and Actuarial Terminology.....	2-3
Executive Summary of Results.....	4
Data Collection and Summary.....	5-7
Permissible Loss Ratio	8
Credibility.....	9
Rate Level Change Indication	10
Classification Relativities	11
Proposed Rates	12
Reliance and Limitations.....	13
Acknowledgment of Qualifications.....	14
Attached Exhibits	15
Attached Appendices.....	16
<i>Actuarial Exhibits</i>	<u>EXHIBIT</u>
Summary of Rate Change.....	Summary
Overall Rate Change Indication	Exhibit I
Rate Change Allocation.....	Exhibit II
<i>Appendices</i>	<u>APPENDIX</u>
Credit Disability Data Call	Appendix A
DOCKET NO. 02A-139-INS	Appendix B

AMI Risk Consultants, Inc.

Actuarial Report

Credit Disability

Prima Facie Rate Review

August 2024

Purpose

AMI Risk Consultants, Inc. (AMI) was retained by the Arizona Department of Insurance and Financial Institutions (the Department) to review the State's current Credit Disability Prima Facie Rates as established by Docket No. 02A-139-INS dated December 24, 2002.

According to Arizona Administrative Code R20-6-604.03:

At least once every three years, the Director shall:

- 1. Determine the rate of expected claims on a statewide basis;*
- 2. Compare the rate of expected claims with the rate of actual claims for the past three years determined from the incurred claims and earned premiums at prima facie rates; and*
- 3. If the Director determines that the prima facie rates require adjustment, issue a notice of hearing and proposed order adjusting the actual statewide prima facie rates. The hearing date on the proposed order shall be no earlier than 45 days from the date of the notice.*

AMI's review consisted of the following component steps:

- A data call issued to all companies reporting credit insurance premium in Arizona between 2018 and 2022.
- Validating and compiling the data received in response to the call.
- Establishing a credibility standard
- Calculating an overall rate level indicated change.
- Allocating the selected rate change to the existing rate classifications.
- Recommending rates to be effective January 2025.

This report, including the attached exhibits, details the steps outlined above.

**Definitions
And Actuarial
Terminology**

Prima Facie Rates

Prima facie (literally “at first sight”) rates are standard, baseline rates established for credit insurance. An insurance company can charge these rates, or less, without filing for approval from the Department. To deviate upward from prima facie rates, however, a company must seek approval from and file supporting documentation with the Department.

Credit Disability Program Types/Coverage Classifications

Arizona’s current Credit Disability prima facie rates were established December 24, 2002 and are attached to this report in Appendix B. Single premium rates are provided for the following coverage classifications:

- Retroactive coverage with a 14-day elimination period
- Retroactive coverage with a 30-day elimination period
- Non-Retroactive coverage with a 14-day elimination period
- Non-Retroactive coverage with a 30-day elimination period.

The rates vary with the term of the loan and by lender type for the following lender types:

- Credit Unions
- Banks, Savings & Loan Institutions, Mortgage Companies
- Finance Companies, Small Loan Companies, A.R.S. 6-601(5) Consumer Lenders
- Dealers (Including Auto, Truck & Boat Dealers), Retail Stores, Other Persons Selling Financed Goods
- All Others Selling Credit Insurance.

Credit disability insurance makes loan payments to a lender in the event the borrower is disabled due to injury or illness. No payments are made during the elimination period of 14 or 30 days, but if disability persists beyond that period, Retroactive coverage will make those initial payments retroactively.

The single premium rates may be converted to equivalent monthly rates using a formula provided.

**Definitions
And Actuarial
Terminology
(Cont'd)**

Other Insurance & Actuarial Terminology

Other terms that may appear in this report are defined below.

Calendar Year Written Premium – premium charged by an insurance company during a calendar year period less any returned due to cancellations or other reasons.

Calendar Year Earned Premium – the portion of written premium from the current and past years taken into income during the calendar year, commonly, but not exclusively, in proportion to each policy's expired term.

Calendar Year Earned Premium at Prima Facie – earned premium adjusted by assuming all policies were issued at the prima facie rates.

Calendar Year Incurred Loss – Losses paid during the year plus any change in outstanding loss reserves.

Loss Adjustment Expense – expense incurred by an insurance company in the claims administration process.

Loss Ratio – the ratio of Incurred Loss divided by Earned Premium. Loss adjustment expense may be included, and Earned Premium may be stated at prima facie.

Trend Factor – an actuarial adjustment applied to Incurred Losses or to Loss Ratios to allow for anticipated future inflation or other impacts such as a change in the frequency of claims.

Credibility – a percentage that denotes the estimated reliability of an observed loss ratio as a predictor of future experience.

Permissible Loss Ratio – the target or allowable loss ratio, usually determined in ratemaking as 100% minus the expense and profit provisions for a coverage. Rates are adjusted in order to bring the experience loss ratio closer to this target.

Rate level indication – the percentage change in rate that is needed to raise or lower the experience-based loss ratio to the Permissible Loss Ratio.

**Executive
Summary of
Results**

Based on the experience collected, we recommend an **overall 25% reduction** to the Credit Disability prima facie rates. Furthermore, we recommend that the reduction be distributed as follows:

Lender Type & Coverage	Proposed % Rate Reduction	2022 AZ Written Premium
Credit Unions - Non-Retro	-20.0%	\$37,727
Credit Unions - Retro	-20.0%	58,633
Banks, Savings & Loans, Mortgage Companies - Non-Retro	-40.0%	89,924
Banks, Savings & Loans, Mortgage Companies - Retro	-20.0%	11,512
Finance Companies, Small Loan Companies - Non-Retro	-52.0%	0
Finance Companies, Small Loan Companies - Retro	-20.0%	3,594,872
Dealers, Retail Stores - Non-Retro	-72.0%	0
Dealers, Retail Stores -Retro	-64.0%	444,332
Other - Non-Retro	-50.0%	0
Other - Retro	-20.0%	0
Total	-25.0%	\$4,237,000

The overall reduction is consistent with the recommendation derived on Exhibit I, Page 1 following this written report.

The large reductions recommended for “Non-Retro” are intended to correct the relationship between Retro and Non-Retro as it exists in the current rates for all lender types except Credit Unions.

**Data Collection
and Summary**

Data Call

A data call was issued to all companies identified by the Department as writers of credit insurance in Arizona.

The call requested the following:

- 2018 – 2022 premium and loss experience by calendar year for Arizona. The most recent five years available were selected in order to collect a credible volume of data for review.

Arizona earned premium was requested on two bases:

1. Actual recorded
2. Restated at prima facie rates.

Experience was requested separately for:

- **Lender Type:** Credit Unions, Banks /Savings & Loans/ Mortgage Companies, Finance Companies/Small Loan Companies, Dealers/Retail Stores, and All Other.
- **Program Types:** Single Premium, Monthly Outstanding Balance.
- **Coverages:** Non-Retro 14-Day Elimination, Non-Retro 30-Day Elimination, Retro 14-Day Elimination, Retro 30-Day Elimination, Other Non-Retro, Other Retro.

The call document is attached to this report as **Appendix A**.

Data Collection and Summary (cont'd)

Data Received - Carriers

During 2022 there were **twelve** insurers actively writing Credit Disability insurance in Arizona, but **four** reported minimal annual premium of less than \$25,000 in the state.

An additional company, Protective Life Insurance Company (NAIC # 68136), reported written premium between 2018 and 2021, but no writings in 2022.

**Credit Disability
2022 Direct Written Premium - Arizona**

NAIC #	Company	Premium
10111	American Bankers Insurance Company of Florida	\$1,633
34274	Central States Indemnity Co. of Omaha	2,824
60275	American Bankers Life Assurance Co of Florida	93,082
60518	American Health and Life Insurance Company	1,671,313
60739	American National Insurance Company	74,447
62626	CMFG Life Insurance Company	49,306
66168	Minnesota Life	930,228
76007	Old United Life Insurance Company	978,297
77690	Trans City Life Insurance Company	380,963
86231	Transamerica Life Insurance Company	3,149
93742	Securian Life	1,700
97691	Life of the South Insurance Company	50,057
	Total	\$4,237,000

Data Received – Loss Experience

The insurers reported the following compiled experience:

Calendar Year	Arizona	
	Earned Premium at Prima Facie	Loss Ratio
2018	\$2,151,100	18.1%
2019	2,369,664	31.7%
2020	2,615,038	22.4%
2021	2,883,638	26.5%
2022	3,144,252	29.7%
Total	\$13,163,692	26.0%

** Loss Ratios include 1.5% addition for Loss Adjustment Expenses.

Deviations from Prima Facie

Based on the reported relationship between earned premium and earned premium at prima facie, two companies indicated their credit disability rates deviate upward from prima facie. All other companies reported writing at or below prima facie.

**Data Collection
and Summary
(cont'd)**

Data Testing

The experience data received from insurers was reviewed for reasonability and agreement in total with the transmittal forms submitted with the data.

Reported written premium for each company was compared to that from an external source, namely NAIC iSite data compiled from Annual Statements. Two companies reported more premium than expected. Overall, the data call produced 10% more premium than expected based on the external source data provided by the Department.

Data adjustments

We relied on Arizona Earned Premium at Prima Facie as reported by each company and made no adjustments to the data received beyond the inclusion of a load for loss adjustment expense and an allowance for loss ratio trend.

**Permissible
Loss Ratio**

The Permissible Loss Ratio for Credit Disability was established by the Arizona Department of Insurance and Financial Institutions as **60%**. See A.A.C. R20-6-604.02.

Credibility

We assumed a full credibility standard based on earned premium of **\$1,500,000**. This standard was selected judgmentally.

Partial credibility was assigned using the square root rule, i.e. the square root of actual earned premium divided by the full credibility standard.

**Rate Level
Change
Indication**

Development of the overall rate level change is shown on **Exhibit I** following this written report. The indicated rate change is based on calendar year 2018 – 2022 Arizona experience, i.e. Earned Premium at Prima Facie and Incurred Losses.

Incurred losses were increased **1.5%** to allow for loss adjustment expenses. That percentage was selected judgmentally.

Incurred losses were **trended at 10% per year** from the midpoint of the experience year to mid-2026. This assumes the revised rates will be in effect for the three-year period 2025 – 2027.

We selected the all year weighted experience average loss ratio of **45.1%**.

Due to the 5-year premium volume of **\$13,163692**, the loss ratio was assumed to be fully credible.

Compared to the Permissible Loss & LAE Ratio of 60%, the overall rate level change indication was **-24.9%**.

We are proposing a change of **-25.0%**, to be revisited in three years when the Credit Prima Facie Rates are again reviewed.

**Classification
Relativities**

The current rates are higher for Non-Retro compared to Retro for all lender types except Credit Unions. Therefore, we are proposing greater rate reductions for Non-Retro relative to Retro in order to correct this relationship. The current relativities between Retro and Non-Retro for Credit Unions were used as a model.

Proposed Rates

Proposed rates for the five lender types are shown on Summary Exhibit, Pages 1-5.

**Reliance and
Limitations**

In performing our analysis, we relied on the information provided by the insurers with only the modifications previously described. Although we reviewed the data for reasonability and completeness, no audit was performed and, with the exception of written premium, the totals were not balanced to any external source.

Our contact at the Department was Tom F. Zuppan, Property and Casualty Supervisor, Product Filing Compliance Division.

We have employed methods and assumptions that we consider reasonable and appropriate in this instance and have made every effort to comply with the Actuarial Standard's Board's Standards of Practice (ASOPs). Therefore, the rates and rating factors estimated in this report, in our opinion, are reasonable, given the information currently available. However, it should be recognized that future loss emergence relative to that anticipated by the proposed rates could deviate, perhaps substantially, from our estimates.

**Acknowledgment
of Qualifications**

Aguedo M. (Bob) Ingco is a consulting actuary and President of AMI Risk Consultants, Inc. He is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. Mr. Ingco meets the qualification standards of the American Academy of Actuaries to provide the estimates in this report.

Gail Flannery is a consulting actuary and employee of AMI Risk Consultants, Inc. She is a Fellow of the Casualty Actuarial Society and Member of the American Academy of Actuaries. Ms. Flannery meets the qualification standards of the American Academy of Actuaries to provide the estimates in this report.

Attached Exhibits

The following exhibits are attached to this report:

Summary Exhibit – Summary of Proposed Rate Change

- Page 1 - **Class 1:** Credit Unions
- Page 2 – **Class 2:** Banks, Savings and Loan Institutions and Mortgage Companies
- Page 3 – **Class 3:** Finance Companies, Small Loan Companies, and A.R.S. 6-6-1(5) Consumer Lenders
- Page 4 – **Class 4:** Dealers, Including Auto, Truck and Boat Dealers, Retail Stores and Other Persons Selling Financed Goods
- Page 5 – **Class 5:** All Other Persons Selling Credit Insurance not Specifically listed above.

Exhibit I – Overall Rate Change Indication

Exhibit II – Rate Change Allocation.

**Attached
Appendices**

The following appendices are attached to this report:

Appendix A – Credit Disability Data Call

Appendix B – Docket No. 02A-139-INS

AMI Risk Consultants, Inc.

Actuarial Exhibits

ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES
SUMMARY OF RATE CHANGE
CLASS 1 - CREDIT UNIONS

NON-RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period
6	0.78	0.57	6	0.62	0.46	6	-20.5%	-19.3%
12	1.43	1.05	12	1.14	0.84	12	-20.3%	-20.0%
24	2.13	1.71	24	1.70	1.37	24	-20.2%	-19.9%
36	2.71	2.29	36	2.17	1.83	36	-19.9%	-20.1%
48	3.21	2.78	48	2.57	2.22	48	-19.9%	-20.1%
60	3.64	3.22	60	2.91	2.58	60	-20.1%	-19.9%
72	4.01	3.59	72	3.21	2.87	72	-20.0%	-20.1%
84	4.31	3.92	84	3.45	3.14	84	-20.0%	-19.9%
96	4.58	4.21	96	3.66	3.37	96	-20.1%	-20.0%
108	4.82	4.47	108	3.86	3.58	108	-19.9%	-19.9%
120	5.04	4.69	120	4.03	3.75	120	-20.0%	-20.0%
132	5.29	4.95	132	4.23	3.96	132	-20.0%	-20.0%
144	5.55	5.21	144	4.44	4.17	144	-20.0%	-20.0%
156	5.80	5.46	156	4.64	4.37	156	-20.0%	-20.0%
168	6.06	5.72	168	4.85	4.58	168	-20.0%	-19.9%
180	6.32	5.98	180	5.06	4.78	180	-19.9%	-20.1%

RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.89	0.83	6	0.71	0.66	6	-20.2%	-20.5%
12	1.66	1.53	12	1.33	1.22	12	-19.9%	-20.3%
24	2.34	2.15	24	1.87	1.72	24	-20.1%	-20.0%
36	2.94	2.69	36	2.35	2.15	36	-20.1%	-20.1%
48	3.45	3.16	48	2.76	2.53	48	-20.0%	-19.9%
60	3.89	3.58	60	3.11	2.86	60	-20.1%	-20.1%
72	4.28	3.94	72	3.42	3.15	72	-20.1%	-20.1%
84	4.60	4.26	84	3.68	3.41	84	-20.0%	-20.0%
96	4.90	4.54	96	3.92	3.63	96	-20.0%	-20.0%
108	5.14	4.80	108	4.11	3.84	108	-20.0%	-20.0%
120	5.36	5.02	120	4.29	4.02	120	-20.0%	-19.9%
132	5.61	5.27	132	4.49	4.22	132	-20.0%	-19.9%
144	5.86	5.51	144	4.69	4.41	144	-20.0%	-20.0%
156	6.11	5.76	156	4.89	4.61	156	-20.0%	-20.0%
168	6.35	6.01	168	5.08	4.81	168	-20.0%	-20.0%
180	6.60	6.25	180	5.28	5.00	180	-20.0%	-20.0%

ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES
SUMMARY OF RATE CHANGE
CLASS 2 - BANKS, SAVINGS AND LOANS INSTITUTIONS AND MORTGAGE COMPANIES

NON-RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period
6	0.62	0.45	6	0.38	0.28	6	-39.4%	-38.0%
12	1.13	0.83	12	0.69	0.51	12	-39.3%	-38.6%
24	1.68	1.35	24	1.03	0.83	24	-38.9%	-38.6%
36	2.14	1.81	36	1.31	1.11	36	-38.7%	-38.9%
48	2.54	2.20	48	1.55	1.34	48	-39.1%	-39.0%
60	2.87	2.54	60	1.76	1.56	60	-38.7%	-38.6%
72	3.17	2.84	72	1.94	1.73	72	-38.7%	-39.0%
84	3.41	3.10	84	2.08	1.90	84	-39.0%	-38.8%
96	3.62	3.32	96	2.21	2.03	96	-38.9%	-38.8%
108	3.80	3.53	108	2.34	2.16	108	-38.5%	-38.7%
120	3.98	3.71	120	2.43	2.27	120	-38.9%	-38.9%
132	4.18	3.91	132	2.55	2.38	132	-38.9%	-39.0%
144	4.38	4.11	144	2.68	2.52	144	-38.8%	-38.8%
156	4.58	4.31	156	2.80	2.64	156	-38.9%	-38.9%
168	4.79	4.52	168	2.93	2.76	168	-38.8%	-38.9%
180	4.99	4.72	180	3.06	2.89	180	-38.7%	-38.8%

RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.54	0.50	6	0.43	0.40	6	-20.4%	-20.0%
12	1.00	0.92	12	0.80	0.74	12	-20.0%	-19.6%
24	1.41	1.30	24	1.13	1.04	24	-19.9%	-20.0%
36	1.78	1.63	36	1.42	1.30	36	-20.2%	-20.2%
48	2.08	1.91	48	1.66	1.53	48	-20.2%	-19.9%
60	2.35	2.16	60	1.88	1.73	60	-20.0%	-19.9%
72	2.59	2.38	72	2.07	1.90	72	-20.1%	-20.2%
84	2.78	2.57	84	2.22	2.06	84	-20.1%	-19.8%
96	2.96	2.74	96	2.37	2.19	96	-19.9%	-20.1%
108	3.11	2.90	108	2.49	2.32	108	-19.9%	-20.0%
120	3.24	3.04	120	2.59	2.43	120	-20.1%	-20.1%
132	3.39	3.18	132	2.71	2.54	132	-20.1%	-20.1%
144	3.54	3.33	144	2.83	2.66	144	-20.1%	-20.1%
156	3.69	3.48	156	2.95	2.78	156	-20.1%	-20.1%
168	3.84	3.63	168	3.07	2.90	168	-20.1%	-20.1%
180	3.99	3.78	180	3.19	3.02	180	-20.1%	-20.1%

ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES
SUMMARY OF RATE CHANGE
CLASS 3 - FINANCE COMPANIES, SMALL LOAN COMPANIES, AND A.R.S. 6-601(5) CONSUMER LENDERS

NON-RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period
6	0.93	0.68	6	0.45	0.33	6	-52.1%	-51.8%
12	1.72	1.25	12	0.81	0.60	12	-53.2%	-52.1%
24	2.55	2.05	24	1.22	0.97	24	-52.2%	-52.6%
36	3.25	2.75	36	1.55	1.31	36	-52.3%	-52.3%
48	3.85	3.34	48	1.83	1.59	48	-52.4%	-52.4%
60	4.37	3.86	60	2.08	1.84	60	-52.5%	-52.3%
72	4.81	4.31	72	2.30	2.05	72	-52.2%	-52.4%
84	5.18	4.71	84	2.47	2.24	84	-52.4%	-52.5%
96	5.49	5.05	96	2.61	2.40	96	-52.4%	-52.4%
108	5.78	5.36	108	2.76	2.55	108	-52.2%	-52.3%
120	6.04	5.63	120	2.87	2.68	120	-52.4%	-52.4%
132	6.35	5.94	132	3.02	2.82	132	-52.4%	-52.4%
144	6.66	6.25	144	3.17	2.98	144	-52.4%	-52.3%
156	6.97	6.56	156	3.31	3.12	156	-52.5%	-52.5%
168	7.27	6.86	168	3.47	3.27	168	-52.3%	-52.4%
180	7.58	7.17	180	3.61	3.42	180	-52.3%	-52.3%

RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.64	0.59	6	0.51	0.47	6	-20.3%	-20.3%
12	1.18	1.09	12	0.94	0.87	12	-20.3%	-20.2%
24	1.67	1.53	24	1.34	1.22	24	-19.8%	-20.3%
36	2.10	1.92	36	1.68	1.54	36	-20.0%	-19.8%
48	2.46	2.26	48	1.97	1.81	48	-19.9%	-19.9%
60	2.78	2.55	60	2.22	2.04	60	-20.1%	-20.0%
72	3.06	2.81	72	2.45	2.25	72	-19.9%	-19.9%
84	3.29	3.04	84	2.63	2.43	84	-20.1%	-20.1%
96	3.50	3.24	96	2.80	2.59	96	-20.0%	-20.1%
108	3.67	3.43	108	2.94	2.74	108	-19.9%	-20.1%
120	3.83	3.59	120	3.06	2.87	120	-20.1%	-20.1%
132	4.01	3.76	132	3.21	3.01	132	-20.0%	-19.9%
144	4.19	3.94	144	3.35	3.15	144	-20.0%	-20.1%
156	4.36	4.11	156	3.49	3.29	156	-20.0%	-20.0%
168	4.54	4.29	168	3.63	3.43	168	-20.0%	-20.0%
180	4.71	4.47	180	3.77	3.58	180	-20.0%	-19.9%

**ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES
SUMMARY OF RATE CHANGE**

CLASS 4 - DEALERS, INCLUDING AUTO, TRUCK AND BOAT DEALERS, RETAIL STORES AND OTHER PERSONS SELLING FINANCED GOODS

NON-RETROACTIVE

CURRENT SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			PROPOSED SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			CHANGE SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period
6	0.62	0.45	6	0.16	0.12	6	-74.6%	-73.7%
12	1.13	0.83	12	0.29	0.21	12	-74.2%	-74.3%
24	1.68	1.35	24	0.44	0.35	24	-74.0%	-74.0%
36	2.14	1.81	36	0.55	0.47	36	-74.1%	-74.1%
48	2.54	2.20	48	0.66	0.57	48	-74.0%	-74.1%
60	2.87	2.54	60	0.75	0.66	60	-73.9%	-74.1%
72	3.17	2.84	72	0.83	0.74	72	-73.9%	-74.0%
84	3.41	3.10	84	0.89	0.80	84	-73.9%	-74.2%
96	3.62	3.32	96	0.94	0.86	96	-73.9%	-74.0%
108	3.80	3.53	108	1.00	0.92	108	-73.8%	-73.9%
120	3.98	3.71	120	1.03	0.96	120	-74.0%	-74.1%
132	4.18	3.91	132	1.09	1.01	132	-73.9%	-74.1%
144	4.38	4.11	144	1.15	1.07	144	-73.8%	-74.0%
156	4.58	4.31	156	1.20	1.12	156	-73.9%	-74.0%
168	4.79	4.52	168	1.25	1.17	168	-73.9%	-74.1%
180	4.99	4.72	180	1.30	1.23	180	-73.9%	-73.9%

RETROACTIVE

CURRENT SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			PROPOSED SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			CHANGE SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.51	0.47	6	0.18	0.17	6	-64.7%	-63.8%
12	0.95	0.87	12	0.34	0.31	12	-64.2%	-64.4%
24	1.34	1.23	24	0.48	0.44	24	-64.2%	-64.2%
36	1.68	1.54	36	0.60	0.55	36	-64.3%	-64.3%
48	1.97	1.80	48	0.71	0.65	48	-64.0%	-63.9%
60	2.23	2.04	60	0.80	0.73	60	-64.1%	-64.2%
72	2.44	2.25	72	0.88	0.81	72	-63.9%	-64.0%
84	2.63	2.43	84	0.95	0.87	84	-63.9%	-64.2%
96	2.80	2.59	96	1.01	0.93	96	-63.9%	-64.1%
108	2.94	2.74	108	1.06	0.99	108	-63.9%	-63.9%
120	3.06	2.87	120	1.10	1.03	120	-64.1%	-64.1%
132	3.21	3.01	132	1.16	1.08	132	-63.9%	-64.1%
144	3.35	3.15	144	1.21	1.13	144	-63.9%	-64.1%
156	3.49	3.29	156	1.26	1.18	156	-63.9%	-64.1%
168	3.63	3.43	168	1.31	1.23	168	-63.9%	-64.1%
180	3.77	3.57	180	1.36	1.29	180	-63.9%	-63.9%

ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES
SUMMARY OF RATE CHANGE
CLASS 5 - ALL OTHER PERSONS SELLING CREDIT INSURANCE NOT SPECIFICALLY LISTED ABOVE

NON-RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period	Duration (Months)	Non-Retro Benefits 14 Day Elimination Period	Non-Retro Benefits 30 Day Elimination Period
6	0.71	0.52	6	0.38	0.28	6	-47.1%	-46.4%
12	1.30	0.95	12	0.69	0.51	12	-47.3%	-46.4%
24	1.93	1.55	24	1.03	0.83	24	-46.8%	-46.6%
36	2.45	2.07	36	1.31	1.11	36	-46.5%	-46.5%
48	2.91	2.52	48	1.55	1.34	48	-46.9%	-46.7%
60	3.29	2.92	60	1.76	1.56	60	-46.5%	-46.6%
72	3.63	3.25	72	1.94	1.73	72	-46.5%	-46.7%
84	3.90	3.55	84	2.08	1.90	84	-46.6%	-46.6%
96	4.15	3.81	96	2.21	2.03	96	-46.7%	-46.6%
108	4.36	4.04	108	2.34	2.16	108	-46.4%	-46.5%
120	4.56	4.25	120	2.43	2.27	120	-46.6%	-46.7%
132	4.79	4.48	132	2.55	2.38	132	-46.7%	-46.8%
144	5.02	4.71	144	2.68	2.52	144	-46.6%	-46.6%
156	5.25	4.95	156	2.80	2.64	156	-46.7%	-46.8%
168	5.49	5.18	168	2.93	2.76	168	-46.6%	-46.7%
180	5.72	5.41	180	3.06	2.89	180	-46.6%	-46.6%

RETROACTIVE

CURRENT			PROPOSED			CHANGE		
SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT			SINGLE PREMIUM RATES PER \$100 OF INITIAL DEBT		
Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period	Duration (Months)	Retro Benefits 14 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.54	0.50	6	0.43	0.40	6	-20.4%	-20.0%
12	1.00	0.92	12	0.80	0.74	12	-20.0%	-19.6%
24	1.41	1.30	24	1.13	1.04	24	-19.9%	-20.0%
36	1.78	1.63	36	1.42	1.30	36	-20.2%	-20.2%
48	2.08	1.91	48	1.66	1.53	48	-20.2%	-19.9%
60	2.35	2.16	60	1.88	1.73	60	-20.0%	-19.9%
72	2.59	2.38	72	2.07	1.90	72	-20.1%	-20.2%
84	2.78	2.57	84	2.22	2.06	84	-20.1%	-19.8%
96	2.96	2.74	96	2.37	2.19	96	-19.9%	-20.1%
108	3.11	2.90	108	2.49	2.32	108	-19.9%	-20.0%
120	3.24	3.04	120	2.59	2.43	120	-20.1%	-20.1%
132	3.39	3.18	132	2.71	2.54	132	-20.1%	-20.1%
144	3.54	3.33	144	2.83	2.66	144	-20.1%	-20.1%
156	3.69	3.48	156	2.95	2.78	156	-20.1%	-20.1%
168	3.84	3.63	168	3.07	2.90	168	-20.1%	-20.1%
180	3.99	3.78	180	3.19	3.02	180	-20.1%	-20.1%

**ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES**

OVERALL RATE CHANGE INDICATION

Calendar Year	Arizona Earned Premium at Prima Facie	Arizona Incurred Loss	Loss Adjustment Expense Factor	Loss & LAE Ratio	Loss Ratio Trend	Trended Loss & LAE Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
2018	2,151,100	383,380	1.015	18.1%	2.14	38.8%
2019	2,369,664	739,447	1.015	31.7%	1.95	61.7%
2020	2,615,038	578,230	1.015	22.4%	1.77	39.8%
2021	2,883,638	752,031	1.015	26.5%	1.61	42.6%
2022	3,144,252	919,106	1.015	29.7%	1.46	43.4%
Total	13,163,692	3,372,194	1.015	26.0%		45.1%

(7) All-year weighted average	45.1%
3-year weighted average	42.1%
All year average x-hi/lo	41.9%
(8) Selected Arizona Loss & LAE Ratio	45.1%
(9) Credibility	100.0%
(10) Permissible Loss & LAE Ratio	60.0%
(11) Overall Rate Level Indication	-24.9%
(12) Proposed Overall Rate Change	-25.0%

Notes:

- (1) & (2) - Per data call compilation
- (3) - Judgmental allowance for loss adjustment expenses.
- (4) = (2) x (3) / (1)
- (5), (8) & (12) - Per AMI selection
- (6) = (4) x (5)
- (7) - As described
- (9) = SQRT(Total of (1) / 1,500,000)
- (10) - Specified by Department regulation.
- (11) = (8) / (10) -1

**ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY
CREDIT DISABILITY
2025 PROPOSED RATES**

RATE CHANGE ALLOCATION

Lender Type & Coverage	Arizona Earned Premium at Prima Facie	Arizona Incurred Loss	Loss Adjustment Expense Factor	Loss & LAE Ratio	Loss Ratio Trend	Trended Loss & LAE Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
Credit Unions - Non-Retro	283,335	66,343	1.015	23.8%	1.00	23.8%
Credit Unions - Retro	390,470	118,420	1.015	30.8%	1.00	30.8%
Banks, Savings & Loans, Mortgage Companies - Non-Retro	533,063	(26,170)	1.015	-5.0%	1.00	-5.0%
Banks, Savings & Loans, Mortgage Companies - Retro	249,112	93,003	1.015	37.9%	1.00	37.9%
Finance Companies, Small Loan Companies - Non-Retro	0	0	1.015	0.0%	1.00	0.0%
Finance Companies, Small Loan Companies - Retro	9,698,133	3,117,837	1.015	32.6%	1.00	32.6%
Dealers, Retail Stores - Non-Retro	2,424	(45)	1.015	-1.9%	1.00	-1.9%
Dealers, Retail Stores -Retro	2,007,155	2,806	1.015	0.1%	1.00	0.1%
Other - Non-Retro	0	0	1.015	0.0%	1.00	0.0%
Other - Retro	0	0	1.015	0.0%	1.00	0.0%
Total	13,163,692	3,372,194	1.015	26.0%	1.00	26.0%

Lender Type & Coverage	Credibility	Credibility Adjusted Loss & LAE Ratio	Permissible Loss Ratio	Indicated Rate Change	Selected Rate Change
	(7)	(8)	(9)	(10)	(11)
Credit Unions - Non-Retro	43.5%	25.0%	60.0%	-58.3%	-20.0%
Credit Unions - Retro	51.0%	28.4%	60.0%	-52.6%	-20.0%
Banks, Savings & Loans, Mortgage Companies - Non-Retro	59.6%	7.5%	60.0%	-87.4%	-40.0%
Banks, Savings & Loans, Mortgage Companies - Retro	40.8%	30.8%	60.0%	-48.6%	-20.0%
Finance Companies, Small Loan Companies - Non-Retro	0.0%	N/A	60.0%	N/A	-52.0%
Finance Companies, Small Loan Companies - Retro	100.0%	32.6%	60.0%	-45.6%	-20.0%
Dealers, Retail Stores - Non-Retro	4.0%	24.9%	60.0%	-58.5%	-72.0%
Dealers, Retail Stores -Retro	100.0%	0.1%	60.0%	-99.8%	-64.0%
Other - Non-Retro	0.0%	N/A	60.0%	N/A	-50.0%
Other - Retro	0.0%	N/A	60.0%	N/A	-20.0%
Total	100.0%	26.3%	60.0%		-25.0%

Notes:

- (1) &(2) - Per data call compilation
- (4) = (2) x (3) / (1)
- (3), (5) & (10) - Per AMI selection
- (6) = (4) x (5)
- (7) = SQRT((1) / 1,500,000)
- (8) = (6) x (7) + (1-(7)) x Total of(6)
- (9) = (8) / Total of(8)
- (11) - (10) / Total (10)

AMI Risk Consultants, Inc.

Appendices

APPENDIX A

CREDIT DISABILITY DATA CALL

State of Arizona Credit Disability Data Call Instructions

1. Submit your company's (companies') credit disability experience in the format specified on the following page. Data for multiple companies may be combined in a single file or submitted in separate files with separate transmittals.
2. Complete the transmittal totals and information below.
3. Upload the data file and this transmittal form to:

<https://www.hightail.com/u/AMIRisk>

4. Please respond to this call by March 1, 2024.

CREDIT DISABILITY TRANSMITTAL

Company Name (s):

Company NAIC Number(s):

Data File Name:

	Grand Totals Submitted*
Arizona Written Premium	
Arizona Earned Premium	
Arizona Earned Premium at Prima Facie Rates	
Arizona Paid Losses	
Arizona Incurred Losses	

*All years combined

Please enter any comments on the submission here.

To the best of my knowledge the data submitted is complete and accurate.

Name:

Signature:

Title:

Date:

**State of Arizona Prima Facie Rate Study
Experience Data File Format Specifications**

**Credit Disability
Arizona**

Provide credit disability experience in a comma-separated values file (.csv) as specified below.
 Provide calendar year experience for each of the five years 2018 - 2022.
 Each line should contain one year's experience for a particular program, so each program is reported in 5 lines.
 If a program has no Arizona premium or losses in a given year, include a line for that year with zeroes for premiums and losses.
 Do not use commas within the fields' values (e.g., as thousand separators)
 Include the name of each field in the first line of the file.
 For fields that require a code, enter the code that most closely represents the data value.
 Only include Credit Disability programs in this file.
 Include the Company Name(s) and Credit Disability in the file's name.
 Note: The file can be created in a 13-column Excel file and then saved as .csv.

**Each line should contain a total of 13 attributes. Always provide all 13 attributes.
 Each Program should be reported in 5 lines.**

1	Coverage Group	Enter "Credit Disability"
2	Company Name	Enter the Company name.
3	Company NAIC Code	Enter the Company NAIC code.
4	Calendar Year of Experience	Enter one of the following: 2018, 2019, 2020, 2021 or 2022
5	Program Name	Enter the name of this program as filed with the AZ Department or an internal name by which this program is known.
6	Lender Type	Enter the most appropriate code for this program: 1 – Credit Unions 2 – Banks, Savings & Loans, Mortgage Companies 3 – Finance Companies, Small Loan Companies 4 – Dealers, Retail Stores 5 – All Others
7	Program Type	Enter the most appropriate code for this program: 1 – Single Premium 2 – Monthly Outstanding Balance
8	Coverage	Enter the most appropriate code for this program: 1 – Non-Retro 14-day 2 – Non-Retro 30-day 3 – Retro 14-day 4 – Retro 30-day 5 – Other Non-Retro 6 – Other Retro
9	Arizona Written Premium	For this program and calendar year (no commas)
10	Arizona Earned Premium	For this program and calendar year (no commas)
11	Arizona Earned Premium at Prima Facie Rates	For this program and calendar year (no commas)
12	Arizona Paid Losses	For this program and calendar year (no commas)
13	Arizona Incurred Losses	For this program and calendar year (no commas)

Example of data file:

**CoverageGroup,CompanyName,CompanyNAICCode,CalendarYearOfExperience,ProgramName,LenderType,ProgramType,Coverage,ArizonaWrittenPremium,ArizonaEarnedPremium,ArizonaEarnedPremiumatPrimaFacieRates,ArizonaPaidLosses,ArizonaIncurredLosses
 CreditDisability,XYZInsuranceCompany,99999,2018,Disability,3,2,1,10000,9000,8000,5000,7000**

APPENDIX B

DOCKET NO. 02A-139-INS CURRENT PRIMA FACIE DISABILITY RATES

STATE OF ARIZONA
FILED

STATE OF ARIZONA

DEC 24 2002

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY Kahn

In the Matter of:)
)
 PRIMA FACIE CREDIT LIFE INSURANCE)
 RATES AND CREDIT DISABILITY)
 INSURANCE RATES)
 _____)

Docket No. 02A-139-INS

ORDER

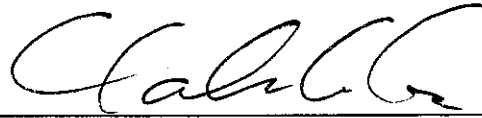
On August 6, 2002, the Director of Insurance initiated a proceeding to establish prima facie rates for credit life and credit disability insurance in accordance with A.R.S. §20-1601, et seq. and A.A.C. R20-6-604 et seq. Pursuant to the Notice of Hearing, interested persons were invited to submit written comments to the Director and to appear at the hearing on September 25, 2002. The record in this proceeding closed on December 2, 2002. On December 16, 2002, Hearing Officer Harold Merkow issued a "Report and Recommendation", a copy of which is attached and incorporated by this reference. Based upon the Hearing Officer's "Report and Recommendation", the Director enters the following Order:

1. The prima facie rates for credit life insurance set forth in Exhibit A shall be effective April 1, 2003.
2. The prima facie rates for credit disability insurance set forth in Exhibit B shall be effective April 1, 2003.
3. Deviations from prima facie rates for credit life insurance and credit disability insurance in effect prior to April 1, 2003 are not applicable to the prima facie rates established by this Order. Insurers may file for approval and use of deviated rates

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that are higher than the prima facie rates established by this Order in accordance with the process and standards set forth in A.R.S. §20-1610 and A.A.C. R20-6-604.08. Insurers may file such deviations immediately and are responsible to make such filings sufficiently in advance of April 1, 2003 to permit an April 1, 2003 effective date.

DATED this 23rd day of December, 2002.



CHARLES R. COHEN, DIRECTOR
Arizona Department of Insurance

1 COPY of the foregoing mailed
this 24th day of December, 2002 to:

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4 Phoenix, Arizona 85021

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Assistant Attorney General
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Baltimore, MD 21202

8
9 Larry Goodyear, Sr., Senior Vice President
Oxford Life Insurance Co.
2721 N. Central Ave.
10 Phoenix, AZ 85004

11 Arleen Tyndorf, Vice President, Compliance
The Prudential Insurance Company of America
12 751 Broad Street
Newark, NJ 07102

13
14 Major W. Park, Jr.
United Fidelity Life Insurance Co.
P.O. Box 13487
15 Kansas City, MO 64199

16 Laynce C. Roetzel, Ass't Vice President
USAA Life Insurance Co.
17 9800 Fredericksburg Road
San Antonio, TX 78288-3051

18
19 Mark B. Whiting
Western Diversified Life Insurance Co.
P.O. Box 0770
20 Deerfield, IL 60015-0770

21 Westward Life Insurance Co.
P.O. Box 6025
22 Lakewood, CA 90714-6025

23

24

1 Linda Kilmer, Vice President
American Bankers Insurance Co.
2 and American Bankers Life Assurance Co. of Florida
11222 Quail Roost Drive
3 Miami, FL 33157

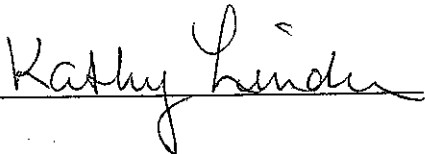
4 Deanna K. Yarbrough, Ass't Secretary
Merit Life Insurance Co.
5 P.O. Box 39
Evansville, IN 47701

6
7 Robert Wider, Counsel
8 Law Department
Minnesota Life Insurance Co.
9 400 Robert Street North
St. Paul, MN 55101

10 D.J. Powers
11 301 Park Lane
Austin, TX 78704

12 Gregory E. Williams,
13 Regional Director, State Government Relations
American Financial Services Association
14 1566 Saint Paul Street
Denver, CO 80206

15 Sara M. Begley, Deputy Director
16 Vista Brown, Exec. Assistant for Policy Affairs
Steven Ferguson, Assistant Director
17 Alexandra Shafer, Assistant Director
Deloris Williamson, Assistant Director
18 Mary Butterfield, Assistant Director
Dennis Babka, Life & Health Supervisor
19 William Robinson, Actuary
Arizona Department of Insurance
20 2910 North 44th Street
Phoenix, AZ 85018

21
22 

23
24

EXHIBIT A

PRIMA FACIE RATES FOR CREDIT LIFE INSURANCE

1. **Monthly Outstanding Balance.** If premiums are payable on a monthly outstanding balance, rates shall not exceed:
 - a. \$0.83 per month per \$1000 of outstanding insured debt on single life; and
 - b. \$1.37 per month per \$1000 of outstanding insured debt on joint lives.
2. **Single Premium.** If the insurer charges a single premium for decreasing or level benefits, the insurer shall compute the rate according to the following formula or according to a formula that produces substantially similar rates:

$$S_p = \sum_{t=1}^n [(O_p / 10) \times (I_t / I_i) \times (v^{t-1})]$$

Where,

S_p = Single life, single premium rate per \$100, per annum of coverage of initial insured indebtedness.

O_p = For single life decreasing benefits, the prima facie monthly premium rate O_p factor per \$1000 of outstanding balance insured indebtedness = \$0.47.

O_p = For single life level benefits, the prima facie monthly premium rate O_p factor per \$1000 of outstanding balance insured indebtedness = \$0.83.

n = The number of months in the term of the insurance coverage.

I_t = The scheduled amount of insurance for month t .

I_i = The initial amount of insurance, except for a net insurance plan, "Ii" is the initial principal loan balance.

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EXHIBIT A

***PRIMA FACIE* RATES FOR CREDIT LIFE INSURANCE**

$V = 1 / (1 + .0036)$ where the .0036 represents the sum of an annual discount rate of 4% for interest, plus 0.4% annual for mortality.

3. Joint Coverage. Rates for joint coverage shall not exceed 165% of the rates for single life coverage.

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EXHIBIT B

PRIMA FACIE RATES FOR CREDIT DISABILITY INSURANCE

1. If a debtor pays a single premium for coverage, the *prima facie* rate per \$100 of initial debt for single disability shall not exceed the amount set forth for the Plan of Benefits, Class of business, and Duration of coverage as set forth in Appendix A to this Exhibit.

2. If premiums are paid on the basis of a monthly premium rate, per \$1000 of outstanding insured gross debt, the insurer shall compute premiums according to the following formula or according to a formula that the Director has approved and that produces rates that are actuarially equivalent to the single premium rates in paragraph (1) above:

$$OP_n = (10 \times SP_n) / \sum_{t=1}^n [(v^{t-1}) \times (n-t+1) / n]$$

Where,

SP_n = Single life, single premium *prima facie* rate per \$100, per annum of coverage of initial insured debt.

OP_n = Single life, monthly premium rate per \$1000 of outstanding balance insured debt.

n = The number of months in the term of the insurance coverage.

$V = 1/(1 + .0033)$ where the .0033 represents an annual discount rate of 4% for interest.

EXHIBIT B

***PRIMA FACIE* RATES FOR CREDIT DISABILITY INSURANCE**

3. Rates for joint coverage shall not exceed 165% of the rates for single life coverage.
4. The outstanding balance rate may be either a term-specified rate or may be a single composite term outstanding balance rate.

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APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.22	0.00	61	3.67	3.26	121	5.05	4.72
2	0.33	0.25	62	3.71	3.29	122	5.07	4.74
3	0.45	0.33	63	3.73	3.33	123	5.09	4.76
4	0.56	0.41	64	3.77	3.35	124	5.12	4.78
5	0.67	0.48	65	3.80	3.38	125	5.14	4.81
6	0.78	0.57	66	3.83	3.41	126	5.16	4.83
7	0.88	0.65	67	3.87	3.44	127	5.18	4.85
8	1.00	0.73	68	3.90	3.48	128	5.21	4.86
9	1.10	0.82	69	3.92	3.51	129	5.23	4.89
10	1.22	0.89	70	3.95	3.53	130	5.24	4.91
11	1.33	0.97	71	3.98	3.56	131	5.26	4.93
12	1.43	1.05	72	4.01	3.59	132	5.29	4.95
13	1.50	1.10	73	4.04	3.62	133	5.31	4.98
14	1.56	1.16	74	4.07	3.65	134	5.33	5.00
15	1.62	1.22	75	4.09	3.68	135	5.35	5.02
16	1.67	1.27	76	4.11	3.71	136	5.38	5.04
17	1.73	1.33	77	4.14	3.73	137	5.40	5.06
18	1.79	1.39	78	4.16	3.76	138	5.42	5.08
19	1.84	1.44	79	4.19	3.79	139	5.43	5.10
20	1.90	1.50	80	4.22	3.82	140	5.46	5.12
21	1.96	1.56	81	4.24	3.84	141	5.48	5.15
22	2.01	1.61	82	4.27	3.87	142	5.50	5.17
23	2.07	1.66	83	4.29	3.90	143	5.52	5.19
24	2.13	1.71	84	4.31	3.92	144	5.55	5.21
25	2.18	1.76	85	4.34	3.95	145	5.57	5.23
26	2.22	1.81	86	4.36	3.97	146	5.59	5.25
27	2.27	1.86	87	4.38	4.00	147	5.61	5.27
28	2.33	1.91	88	4.41	4.02	148	5.63	5.29
29	2.38	1.96	89	4.44	4.04	149	5.65	5.32
30	2.43	2.01	90	4.46	4.07	150	5.67	5.34
31	2.47	2.06	91	4.47	4.09	151	5.69	5.36
32	2.53	2.10	92	4.49	4.11	152	5.72	5.38
33	2.57	2.16	93	4.52	4.14	153	5.74	5.41
34	2.61	2.19	94	4.54	4.16	154	5.76	5.42
35	2.67	2.24	95	4.56	4.18	155	5.78	5.44
36	2.71	2.29	96	4.58	4.21	156	5.80	5.46
37	2.76	2.33	97	4.61	4.23	157	5.82	5.49
38	2.80	2.38	98	4.63	4.26	158	5.84	5.51
39	2.84	2.41	99	4.64	4.28	159	5.86	5.53
40	2.89	2.46	100	4.66	4.29	160	5.89	5.55
41	2.93	2.50	101	4.68	4.32	161	5.91	5.58
42	2.97	2.55	102	4.70	4.34	162	5.93	5.60
43	3.01	2.58	103	4.72	4.36	163	5.95	5.61
44	3.05	2.63	104	4.74	4.38	164	5.98	5.63
45	3.10	2.67	105	4.76	4.41	165	5.99	5.66
46	3.14	2.71	106	4.78	4.43	166	6.01	5.68
47	3.17	2.76	107	4.80	4.44	167	6.03	5.70
48	3.21	2.78	108	4.82	4.47	168	6.06	5.72
49	3.25	2.83	109	4.84	4.48	169	6.08	5.75
50	3.29	2.87	110	4.85	4.50	170	6.10	5.77
51	3.33	2.90	111	4.87	4.52	171	6.12	5.79
52	3.36	2.94	112	4.89	4.55	172	6.15	5.80
53	3.40	2.98	113	4.91	4.56	173	6.17	5.83
54	3.44	3.01	114	4.92	4.58	174	6.18	5.85
55	3.47	3.05	115	4.95	4.61	175	6.20	5.87
56	3.51	3.09	116	4.96	4.63	176	6.23	5.89
57	3.54	3.12	117	4.98	4.64	177	6.25	5.92
58	3.57	3.15	118	5.00	4.66	178	6.27	5.94
59	3.61	3.18	119	5.01	4.68	179	6.29	5.96
60	3.64	3.22	120	5.04	4.69	180	6.32	5.98

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

RETROACTIVE			RETROACTIVE			RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.26	0.00	61	3.92	3.61	121	5.39	5.04
2	0.39	0.35	62	3.96	3.64	122	5.41	5.07
3	0.51	0.47	63	3.99	3.68	123	5.42	5.09
4	0.65	0.59	64	4.03	3.70	124	5.45	5.11
5	0.77	0.71	65	4.06	3.73	125	5.47	5.12
6	0.89	0.83	66	4.09	3.76	126	5.49	5.15
7	1.03	0.95	67	4.12	3.79	127	5.51	5.17
8	1.16	1.06	68	4.16	3.82	128	5.53	5.19
9	1.27	1.18	69	4.19	3.85	129	5.55	5.21
10	1.41	1.30	70	4.22	3.89	130	5.57	5.23
11	1.54	1.41	71	4.25	3.91	131	5.59	5.25
12	1.66	1.53	72	4.28	3.94	132	5.61	5.27
13	1.72	1.58	73	4.30	3.97	133	5.63	5.29
14	1.78	1.64	74	4.33	3.99	134	5.65	5.31
15	1.84	1.68	75	4.36	4.02	135	5.67	5.33
16	1.90	1.74	76	4.39	4.05	136	5.70	5.35
17	1.96	1.79	77	4.41	4.08	137	5.71	5.37
18	2.01	1.85	78	4.45	4.10	138	5.73	5.40
19	2.07	1.90	79	4.48	4.13	139	5.75	5.41
20	2.12	1.95	80	4.50	4.16	140	5.78	5.43
21	2.17	2.00	81	4.52	4.19	141	5.80	5.45
22	2.23	2.05	82	4.55	4.20	142	5.81	5.48
23	2.28	2.09	83	4.58	4.23	143	5.83	5.50
24	2.34	2.15	84	4.60	4.26	144	5.86	5.51
25	2.39	2.19	85	4.63	4.28	145	5.88	5.53
26	2.45	2.24	86	4.66	4.30	146	5.90	5.56
27	2.50	2.28	87	4.69	4.33	147	5.92	5.58
28	2.55	2.34	88	4.70	4.36	148	5.94	5.60
29	2.59	2.38	89	4.73	4.38	149	5.96	5.61
30	2.65	2.42	90	4.76	4.40	150	5.98	5.64
31	2.69	2.48	91	4.78	4.42	151	6.00	5.66
32	2.75	2.51	92	4.80	4.45	152	6.02	5.68
33	2.79	2.56	93	4.82	4.47	153	6.04	5.70
34	2.84	2.60	94	4.85	4.50	154	6.06	5.72
35	2.88	2.64	95	4.87	4.52	155	6.08	5.74
36	2.94	2.69	96	4.90	4.54	156	6.11	5.76
37	2.98	2.73	97	4.91	4.56	157	6.12	5.78
38	3.02	2.78	98	4.93	4.58	158	6.14	5.81
39	3.08	2.81	99	4.96	4.60	159	6.16	5.82
40	3.11	2.86	100	4.98	4.63	160	6.19	5.84
41	3.16	2.89	101	5.01	4.65	161	6.21	5.86
42	3.20	2.94	102	5.02	4.67	162	6.22	5.89
43	3.24	2.97	103	5.04	4.69	163	6.24	5.91
44	3.29	3.01	104	5.07	4.71	164	6.27	5.92
45	3.32	3.05	105	5.09	4.73	165	6.29	5.94
46	3.37	3.08	106	5.11	4.75	166	6.31	5.97
47	3.40	3.13	107	5.12	4.77	167	6.32	5.99
48	3.45	3.16	108	5.14	4.80	168	6.35	6.01
49	3.49	3.20	109	5.16	4.81	169	6.37	6.02
50	3.53	3.24	110	5.18	4.83	170	6.39	6.05
51	3.57	3.27	111	5.21	4.85	171	6.41	6.07
52	3.60	3.30	112	5.22	4.88	172	6.43	6.09
53	3.64	3.35	113	5.23	4.89	173	6.45	6.11
54	3.68	3.38	114	5.26	4.90	174	6.47	6.13
55	3.71	3.41	115	5.28	4.93	175	6.49	6.15
56	3.76	3.45	116	5.29	4.95	176	6.52	6.17
57	3.79	3.49	117	5.31	4.97	177	6.53	6.19
58	3.82	3.51	118	5.33	4.99	178	6.55	6.22
59	3.86	3.54	119	5.34	5.01	179	6.57	6.23
60	3.89	3.58	120	5.36	5.02	180	6.60	6.25

APPENDIX A

ARIZONA CREDIT DISABILITY RATES
CLASS 2 BANKS, SAVINGS AND LOAN INSTITUTIONS, AND MORTGAGE COMPANIES

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.17	0.00	61	2.90	2.57	121	3.99	3.73
2	0.26	0.20	62	2.93	2.60	122	4.01	3.74
3	0.35	0.26	63	2.95	2.63	123	4.02	3.76
4	0.44	0.32	64	2.98	2.65	124	4.04	3.77
5	0.53	0.38	65	3.00	2.67	125	4.06	3.80
6	0.62	0.45	66	3.02	2.69	126	4.07	3.81
7	0.70	0.51	67	3.05	2.72	127	4.09	3.83
8	0.79	0.58	68	3.08	2.75	128	4.11	3.84
9	0.87	0.65	69	3.10	2.77	129	4.13	3.86
10	0.96	0.71	70	3.12	2.79	130	4.14	3.88
11	1.05	0.77	71	3.14	2.81	131	4.16	3.89
12	1.13	0.83	72	3.17	2.84	132	4.18	3.91
13	1.19	0.87	73	3.19	2.86	133	4.19	3.93
14	1.23	0.92	74	3.21	2.88	134	4.21	3.95
15	1.28	0.96	75	3.23	2.90	135	4.22	3.96
16	1.32	1.01	76	3.25	2.93	136	4.25	3.98
17	1.37	1.05	77	3.27	2.95	137	4.26	4.00
18	1.41	1.10	78	3.29	2.97	138	4.28	4.01
19	1.46	1.14	79	3.31	2.99	139	4.29	4.03
20	1.50	1.19	80	3.33	3.02	140	4.31	4.04
21	1.55	1.23	81	3.35	3.03	141	4.33	4.07
22	1.59	1.27	82	3.37	3.05	142	4.34	4.08
23	1.64	1.31	83	3.39	3.08	143	4.36	4.10
24	1.68	1.35	84	3.41	3.10	144	4.38	4.11
25	1.72	1.39	85	3.43	3.12	145	4.40	4.13
26	1.76	1.43	86	3.44	3.14	146	4.41	4.15
27	1.79	1.47	87	3.46	3.16	147	4.43	4.16
28	1.84	1.51	88	3.48	3.17	148	4.45	4.18
29	1.88	1.55	89	3.50	3.19	149	4.46	4.20
30	1.92	1.59	90	3.52	3.21	150	4.48	4.22
31	1.95	1.63	91	3.53	3.23	151	4.49	4.23
32	2.00	1.66	92	3.55	3.25	152	4.52	4.25
33	2.03	1.70	93	3.57	3.27	153	4.53	4.27
34	2.06	1.73	94	3.59	3.29	154	4.55	4.28
35	2.11	1.77	95	3.60	3.30	155	4.56	4.30
36	2.14	1.81	96	3.62	3.32	156	4.58	4.31
37	2.18	1.84	97	3.64	3.34	157	4.60	4.34
38	2.21	1.88	98	3.65	3.36	158	4.61	4.35
39	2.24	1.91	99	3.66	3.38	159	4.63	4.37
40	2.28	1.94	100	3.68	3.39	160	4.65	4.38
41	2.31	1.97	101	3.70	3.41	161	4.67	4.40
42	2.35	2.01	102	3.71	3.43	162	4.68	4.42
43	2.38	2.04	103	3.73	3.44	163	4.70	4.43
44	2.41	2.08	104	3.74	3.46	164	4.72	4.45
45	2.45	2.11	105	3.76	3.48	165	4.73	4.47
46	2.48	2.14	106	3.77	3.50	166	4.75	4.49
47	2.51	2.18	107	3.79	3.50	167	4.76	4.50
48	2.54	2.20	108	3.80	3.53	168	4.79	4.52
49	2.57	2.24	109	3.82	3.54	169	4.80	4.54
50	2.60	2.27	110	3.83	3.56	170	4.82	4.55
51	2.63	2.29	111	3.85	3.57	171	4.83	4.57
52	2.66	2.32	112	3.86	3.59	172	4.85	4.58
53	2.69	2.36	113	3.88	3.60	173	4.87	4.61
54	2.72	2.38	114	3.89	3.62	174	4.88	4.62
55	2.74	2.41	115	3.91	3.64	175	4.90	4.64
56	2.77	2.44	116	3.92	3.65	176	4.92	4.65
57	2.80	2.46	117	3.93	3.66	177	4.94	4.67
58	2.82	2.49	118	3.95	3.68	178	4.95	4.69
59	2.85	2.51	119	3.95	3.70	179	4.97	4.70
60	2.87	2.54	120	3.98	3.71	180	4.99	4.72

APPENDIX A

ARIZONA CREDIT DISABILITY RATES
CLASS 2 BANKS, SAVINGS AND LOAN INSTITUTIONS, AND MORTGAGE COMPANIES

RETROACTIVE			RETROACTIVE			RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.16	0.00	61	2.37	2.18	121	3.26	3.05
2	0.24	0.21	62	2.39	2.20	122	3.27	3.06
3	0.31	0.29	63	2.41	2.22	123	3.28	3.07
4	0.39	0.36	64	2.44	2.24	124	3.29	3.09
5	0.47	0.43	65	2.45	2.26	125	3.31	3.10
6	0.54	0.50	66	2.47	2.27	126	3.32	3.11
7	0.62	0.57	67	2.49	2.29	127	3.33	3.12
8	0.70	0.64	68	2.51	2.31	128	3.34	3.14
9	0.77	0.72	69	2.53	2.33	129	3.36	3.15
10	0.85	0.79	70	2.55	2.35	130	3.37	3.16
11	0.93	0.85	71	2.57	2.37	131	3.38	3.17
12	1.00	0.92	72	2.59	2.38	132	3.39	3.18
13	1.04	0.96	73	2.60	2.40	133	3.40	3.20
14	1.08	0.99	74	2.62	2.41	134	3.42	3.21
15	1.11	1.02	75	2.63	2.43	135	3.43	3.22
16	1.15	1.05	76	2.65	2.45	136	3.44	3.23
17	1.18	1.08	77	2.67	2.46	137	3.45	3.25
18	1.22	1.12	78	2.69	2.48	138	3.47	3.26
19	1.25	1.15	79	2.71	2.50	139	3.48	3.27
20	1.28	1.18	80	2.72	2.51	140	3.49	3.28
21	1.31	1.21	81	2.73	2.53	141	3.50	3.29
22	1.35	1.24	82	2.75	2.54	142	3.51	3.31
23	1.38	1.27	83	2.77	2.56	143	3.53	3.32
24	1.41	1.30	84	2.78	2.57	144	3.54	3.33
25	1.45	1.33	85	2.80	2.59	145	3.55	3.34
26	1.48	1.35	86	2.82	2.60	146	3.56	3.36
27	1.51	1.38	87	2.83	2.62	147	3.58	3.37
28	1.54	1.41	88	2.84	2.63	148	3.59	3.38
29	1.57	1.44	89	2.86	2.65	149	3.60	3.39
30	1.60	1.46	90	2.88	2.66	150	3.61	3.41
31	1.63	1.50	91	2.89	2.67	151	3.62	3.42
32	1.66	1.52	92	2.90	2.69	152	3.64	3.43
33	1.69	1.55	93	2.92	2.70	153	3.65	3.44
34	1.72	1.57	94	2.93	2.72	154	3.66	3.46
35	1.74	1.60	95	2.94	2.73	155	3.67	3.47
36	1.78	1.63	96	2.96	2.74	156	3.69	3.48
37	1.80	1.65	97	2.97	2.76	157	3.70	3.49
38	1.83	1.68	98	2.98	2.77	158	3.71	3.51
39	1.86	1.70	99	3.00	2.78	159	3.72	3.52
40	1.88	1.73	100	3.01	2.80	160	3.74	3.53
41	1.91	1.75	101	3.03	2.81	161	3.75	3.54
42	1.94	1.78	102	3.04	2.82	162	3.76	3.56
43	1.96	1.79	103	3.05	2.83	163	3.77	3.57
44	1.99	1.82	104	3.06	2.85	164	3.79	3.58
45	2.01	1.84	105	3.07	2.86	165	3.80	3.59
46	2.04	1.86	106	3.09	2.87	166	3.81	3.61
47	2.06	1.89	107	3.10	2.88	167	3.82	3.62
48	2.08	1.91	108	3.11	2.90	168	3.84	3.63
49	2.11	1.94	109	3.12	2.91	169	3.85	3.64
50	2.13	1.96	110	3.13	2.92	170	3.86	3.66
51	2.16	1.97	111	3.15	2.93	171	3.87	3.67
52	2.18	2.00	112	3.16	2.95	172	3.89	3.68
53	2.20	2.02	113	3.16	2.95	173	3.90	3.69
54	2.22	2.04	114	3.18	2.96	174	3.91	3.71
55	2.24	2.06	115	3.19	2.98	175	3.92	3.72
56	2.27	2.08	116	3.20	2.99	176	3.94	3.73
57	2.29	2.11	117	3.21	3.00	177	3.95	3.74
58	2.31	2.12	118	3.22	3.01	178	3.96	3.76
59	2.33	2.14	119	3.23	3.03	179	3.97	3.77
60	2.35	2.16	120	3.24	3.04	180	3.99	3.78

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 3 FINANCE COMPANIES, SMALL LOAN COMPANIES, AND A.R.S. 6-601(5) CONSUMER LENDERS

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.26	0.00	61	4.40	3.91	121	6.06	5.67
2	0.40	0.30	62	4.45	3.94	122	6.09	5.69
3	0.54	0.40	63	4.48	3.99	123	6.11	5.71
4	0.67	0.49	64	4.53	4.02	124	6.14	5.73
5	0.80	0.58	65	4.56	4.06	125	6.17	5.77
6	0.93	0.68	66	4.59	4.09	126	6.19	5.79
7	1.06	0.78	67	4.64	4.13	127	6.21	5.81
8	1.20	0.88	68	4.67	4.17	128	6.25	5.84
9	1.32	0.98	69	4.71	4.21	129	6.27	5.87
10	1.46	1.07	70	4.74	4.24	130	6.29	5.89
11	1.60	1.16	71	4.78	4.28	131	6.32	5.92
12	1.72	1.25	72	4.81	4.31	132	6.35	5.94
13	1.80	1.32	73	4.85	4.34	133	6.37	5.97
14	1.87	1.39	74	4.88	4.38	134	6.40	6.00
15	1.94	1.46	75	4.90	4.41	135	6.42	6.02
16	2.01	1.53	76	4.94	4.45	136	6.45	6.04
17	2.07	1.60	77	4.97	4.48	137	6.48	6.08
18	2.14	1.66	78	4.99	4.51	138	6.50	6.10
19	2.21	1.73	79	5.03	4.55	139	6.52	6.12
20	2.28	1.80	80	5.06	4.58	140	6.55	6.14
21	2.35	1.87	81	5.08	4.61	141	6.58	6.18
22	2.42	1.93	82	5.12	4.64	142	6.60	6.20
23	2.49	2.00	83	5.15	4.67	143	6.62	6.22
24	2.55	2.05	84	5.18	4.71	144	6.66	6.25
25	2.61	2.11	85	5.21	4.74	145	6.68	6.28
26	2.67	2.18	86	5.23	4.77	146	6.70	6.30
27	2.72	2.23	87	5.26	4.80	147	6.73	6.33
28	2.79	2.29	88	5.29	4.82	148	6.76	6.35
29	2.86	2.35	89	5.32	4.85	149	6.78	6.38
30	2.92	2.42	90	5.35	4.88	150	6.81	6.41
31	2.96	2.47	91	5.37	4.91	151	6.83	6.43
32	3.03	2.52	92	5.39	4.94	152	6.86	6.45
33	3.09	2.59	93	5.43	4.97	153	6.89	6.49
34	3.14	2.63	94	5.45	4.99	154	6.91	6.51
35	3.20	2.69	95	5.47	5.02	155	6.93	6.53
36	3.25	2.75	96	5.49	5.05	156	6.97	6.56
37	3.31	2.79	97	5.53	5.07	157	6.99	6.59
38	3.36	2.85	98	5.55	5.11	158	7.01	6.61
39	3.41	2.90	99	5.56	5.13	159	7.03	6.63
40	3.47	2.95	100	5.60	5.15	160	7.07	6.66
41	3.51	3.00	101	5.62	5.19	161	7.09	6.69
42	3.57	3.06	102	5.64	5.21	162	7.11	6.71
43	3.61	3.10	103	5.67	5.23	163	7.14	6.74
44	3.66	3.16	104	5.69	5.26	164	7.17	6.76
45	3.72	3.20	105	5.71	5.29	165	7.19	6.79
46	3.76	3.25	106	5.73	5.31	166	7.22	6.82
47	3.81	3.31	107	5.76	5.32	167	7.24	6.84
48	3.85	3.34	108	5.78	5.36	168	7.27	6.86
49	3.90	3.40	109	5.80	5.38	169	7.30	6.90
50	3.94	3.44	110	5.83	5.40	170	7.32	6.92
51	3.99	3.48	111	5.85	5.43	171	7.34	6.94
52	4.04	3.52	112	5.87	5.46	172	7.38	6.97
53	4.08	3.58	113	5.89	5.47	173	7.40	7.00
54	4.13	3.61	114	5.91	5.49	174	7.42	7.02
55	4.16	3.66	115	5.94	5.53	175	7.44	7.05
56	4.21	3.71	116	5.95	5.55	176	7.48	7.07
57	4.25	3.74	117	5.97	5.56	177	7.50	7.10
58	4.29	3.78	118	6.00	5.60	178	7.52	7.13
59	4.33	3.82	119	6.01	5.62	179	7.55	7.15
60	4.37	3.86	120	6.04	5.63	180	7.58	7.17

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 3 FINANCE COMPANIES, SMALL LOAN COMPANIES, AND A.R.S. 6-601(5) CONSUMER LENDERS

RETROACTIVE			RETROACTIVE			RETROACTIVE		
<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>
1	0.19	0.00	61	2.80	2.58	121	3.85	3.60
2	0.28	0.25	62	2.83	2.60	122	3.86	3.62
3	0.36	0.34	63	2.85	2.63	123	3.87	3.63
4	0.46	0.42	64	2.88	2.65	124	3.89	3.65
5	0.55	0.51	65	2.90	2.67	125	3.91	3.66
6	0.64	0.59	66	2.92	2.68	126	3.92	3.68
7	0.73	0.68	67	2.94	2.71	127	3.93	3.69
8	0.83	0.76	68	2.97	2.73	128	3.95	3.71
9	0.91	0.85	69	2.99	2.75	129	3.97	3.72
10	1.01	0.93	70	3.02	2.78	130	3.98	3.74
11	1.10	1.01	71	3.04	2.80	131	3.99	3.75
12	1.18	1.09	72	3.06	2.81	132	4.01	3.76
13	1.23	1.13	73	3.07	2.83	133	4.02	3.78
14	1.27	1.17	74	3.09	2.85	134	4.04	3.80
15	1.31	1.20	75	3.11	2.87	135	4.05	3.81
16	1.36	1.24	76	3.13	2.89	136	4.07	3.82
17	1.40	1.28	77	3.15	2.91	137	4.08	3.84
18	1.44	1.32	78	3.18	2.93	138	4.10	3.85
19	1.48	1.36	79	3.20	2.95	139	4.11	3.87
20	1.51	1.39	80	3.21	2.97	140	4.13	3.88
21	1.55	1.43	81	3.23	2.99	141	4.14	3.89
22	1.59	1.46	82	3.25	3.00	142	4.15	3.91
23	1.63	1.50	83	3.27	3.02	143	4.17	3.93
24	1.67	1.53	84	3.29	3.04	144	4.19	3.94
25	1.71	1.57	85	3.31	3.06	145	4.20	3.95
26	1.75	1.60	86	3.33	3.07	146	4.21	3.97
27	1.79	1.63	87	3.35	3.09	147	4.23	3.98
28	1.82	1.67	88	3.36	3.11	148	4.24	4.00
29	1.85	1.70	89	3.38	3.13	149	4.26	4.01
30	1.89	1.73	90	3.40	3.15	150	4.27	4.03
31	1.92	1.77	91	3.41	3.16	151	4.28	4.04
32	1.96	1.79	92	3.43	3.18	152	4.30	4.06
33	2.00	1.83	93	3.45	3.19	153	4.32	4.07
34	2.03	1.86	94	3.46	3.21	154	4.33	4.09
35	2.06	1.89	95	3.48	3.23	155	4.34	4.10
36	2.10	1.92	96	3.50	3.24	156	4.36	4.11
37	2.13	1.95	97	3.51	3.26	157	4.37	4.13
38	2.16	1.98	98	3.52	3.27	158	4.39	4.15
39	2.20	2.01	99	3.54	3.29	159	4.40	4.16
40	2.22	2.04	100	3.56	3.31	160	4.42	4.17
41	2.26	2.07	101	3.58	3.32	161	4.43	4.19
42	2.29	2.10	102	3.59	3.33	162	4.45	4.21
43	2.31	2.12	103	3.60	3.35	163	4.46	4.22
44	2.35	2.15	104	3.62	3.37	164	4.48	4.23
45	2.37	2.18	105	3.63	3.38	165	4.49	4.24
46	2.41	2.20	106	3.65	3.39	166	4.50	4.26
47	2.43	2.24	107	3.66	3.41	167	4.52	4.28
48	2.46	2.26	108	3.67	3.43	168	4.54	4.29
49	2.49	2.29	109	3.69	3.44	169	4.55	4.30
50	2.52	2.31	110	3.70	3.45	170	4.56	4.32
51	2.55	2.33	111	3.72	3.46	171	4.58	4.34
52	2.57	2.36	112	3.73	3.48	172	4.60	4.35
53	2.60	2.39	113	3.74	3.49	173	4.61	4.36
54	2.63	2.41	114	3.76	3.50	174	4.62	4.38
55	2.65	2.44	115	3.77	3.52	175	4.63	4.39
56	2.68	2.46	116	3.78	3.54	176	4.65	4.41
57	2.70	2.49	117	3.80	3.55	177	4.67	4.42
58	2.73	2.51	118	3.81	3.56	178	4.68	4.44
59	2.76	2.53	119	3.82	3.58	179	4.69	4.45
60	2.78	2.55	120	3.83	3.59	180	4.71	4.47

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

**CLASS 4 DEALERS, INCLUDING AUTO, TRUCK AND BOAT DEALERS, RETAIL STORES, AND OTHER PERSONS
SELLING FINANCED GOODS**

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.17	0.00	61	2.90	2.57	121	3.99	3.73
2	0.26	0.20	62	2.93	2.60	122	4.01	3.74
3	0.35	0.26	63	2.95	2.63	123	4.02	3.76
4	0.44	0.32	64	2.98	2.65	124	4.04	3.77
5	0.53	0.38	65	3.00	2.67	125	4.06	3.80
6	0.62	0.45	66	3.02	2.69	126	4.07	3.81
7	0.70	0.51	67	3.05	2.72	127	4.09	3.83
8	0.79	0.58	68	3.08	2.75	128	4.11	3.84
9	0.87	0.65	69	3.10	2.77	129	4.13	3.86
10	0.96	0.71	70	3.12	2.79	130	4.14	3.88
11	1.05	0.77	71	3.14	2.81	131	4.16	3.89
12	1.13	0.83	72	3.17	2.84	132	4.18	3.91
13	1.19	0.87	73	3.19	2.86	133	4.19	3.93
14	1.23	0.92	74	3.21	2.88	134	4.21	3.95
15	1.28	0.96	75	3.23	2.90	135	4.22	3.96
16	1.32	1.01	76	3.25	2.93	136	4.25	3.98
17	1.37	1.05	77	3.27	2.95	137	4.26	4.00
18	1.41	1.10	78	3.29	2.97	138	4.28	4.01
19	1.46	1.14	79	3.31	2.99	139	4.29	4.03
20	1.50	1.19	80	3.33	3.02	140	4.31	4.04
21	1.55	1.23	81	3.35	3.03	141	4.33	4.07
22	1.59	1.27	82	3.37	3.05	142	4.34	4.08
23	1.64	1.31	83	3.39	3.08	143	4.36	4.10
24	1.68	1.35	84	3.41	3.10	144	4.38	4.11
25	1.72	1.39	85	3.43	3.12	145	4.40	4.13
26	1.76	1.43	86	3.44	3.14	146	4.41	4.15
27	1.79	1.47	87	3.46	3.16	147	4.43	4.16
28	1.84	1.51	88	3.48	3.17	148	4.45	4.18
29	1.88	1.55	89	3.50	3.19	149	4.46	4.20
30	1.92	1.59	90	3.52	3.21	150	4.48	4.22
31	1.95	1.63	91	3.53	3.23	151	4.49	4.23
32	2.00	1.66	92	3.55	3.25	152	4.52	4.25
33	2.03	1.70	93	3.57	3.27	153	4.53	4.27
34	2.06	1.73	94	3.59	3.29	154	4.55	4.28
35	2.11	1.77	95	3.60	3.30	155	4.56	4.30
36	2.14	1.81	96	3.62	3.32	156	4.58	4.31
37	2.18	1.84	97	3.64	3.34	157	4.60	4.34
38	2.21	1.88	98	3.65	3.36	158	4.61	4.35
39	2.24	1.91	99	3.66	3.38	159	4.63	4.37
40	2.28	1.94	100	3.68	3.39	160	4.65	4.38
41	2.31	1.97	101	3.70	3.41	161	4.67	4.40
42	2.35	2.01	102	3.71	3.43	162	4.68	4.42
43	2.38	2.04	103	3.73	3.44	163	4.70	4.43
44	2.41	2.08	104	3.74	3.46	164	4.72	4.45
45	2.45	2.11	105	3.76	3.48	165	4.73	4.47
46	2.48	2.14	106	3.77	3.50	166	4.75	4.49
47	2.51	2.18	107	3.79	3.50	167	4.76	4.50
48	2.54	2.20	108	3.80	3.53	168	4.79	4.52
49	2.57	2.24	109	3.82	3.54	169	4.80	4.54
50	2.60	2.27	110	3.83	3.56	170	4.82	4.55
51	2.63	2.29	111	3.85	3.57	171	4.83	4.57
52	2.66	2.32	112	3.86	3.59	172	4.85	4.58
53	2.69	2.36	113	3.88	3.60	173	4.87	4.61
54	2.72	2.38	114	3.89	3.62	174	4.88	4.62
55	2.74	2.41	115	3.91	3.64	175	4.90	4.64
56	2.77	2.44	116	3.92	3.65	176	4.92	4.65
57	2.80	2.46	117	3.93	3.66	177	4.94	4.67
58	2.82	2.49	118	3.95	3.68	178	4.95	4.69
59	2.85	2.51	119	3.95	3.70	179	4.97	4.70
60	2.87	2.54	120	3.98	3.71	180	4.99	4.72

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

**CLASS 4 DEALERS, INCLUDING AUTO, TRUCK AND BOAT DEALERS, RETAIL STORES, AND OTHER PERSONS
SELLING FINANCED GOODS**

RETROACTIVE			RETROACTIVE			RETROACTIVE		
Duration	14-DAY	30-DAY	Duration	14-DAY	30-DAY	Duration	14-DAY	30-DAY
1	0.15	0.00	61	2.24	2.06	121	3.08	2.88
2	0.22	0.20	62	2.26	2.08	122	3.09	2.90
3	0.29	0.27	63	2.28	2.10	123	3.10	2.91
4	0.37	0.34	64	2.30	2.12	124	3.11	2.92
5	0.44	0.41	65	2.32	2.13	125	3.13	2.93
6	0.51	0.47	66	2.33	2.15	126	3.14	2.94
7	0.59	0.54	67	2.36	2.17	127	3.15	2.95
8	0.66	0.61	68	2.38	2.18	128	3.16	2.96
9	0.73	0.68	69	2.39	2.20	129	3.17	2.97
10	0.81	0.74	70	2.41	2.22	130	3.18	2.99
11	0.88	0.81	71	2.43	2.24	131	3.19	3.00
12	0.95	0.87	72	2.44	2.25	132	3.21	3.01
13	0.98	0.90	73	2.46	2.27	133	3.22	3.02
14	1.02	0.94	74	2.48	2.28	134	3.23	3.04
15	1.05	0.96	75	2.49	2.30	135	3.24	3.05
16	1.09	0.99	76	2.51	2.31	136	3.26	3.06
17	1.12	1.02	77	2.52	2.33	137	3.27	3.07
18	1.15	1.06	78	2.54	2.35	138	3.28	3.08
19	1.18	1.09	79	2.56	2.36	139	3.29	3.09
20	1.21	1.11	80	2.57	2.38	140	3.30	3.10
21	1.24	1.14	81	2.58	2.39	141	3.31	3.11
22	1.27	1.17	82	2.60	2.40	142	3.32	3.13
23	1.31	1.20	83	2.62	2.42	143	3.33	3.14
24	1.34	1.23	84	2.63	2.43	144	3.35	3.15
25	1.37	1.25	85	2.65	2.44	145	3.36	3.16
26	1.40	1.28	86	2.66	2.46	146	3.37	3.18
27	1.43	1.31	87	2.68	2.48	147	3.38	3.19
28	1.46	1.34	88	2.69	2.49	148	3.40	3.20
29	1.48	1.36	89	2.70	2.50	149	3.41	3.21
30	1.51	1.38	90	2.72	2.52	150	3.42	3.22
31	1.54	1.41	91	2.73	2.53	151	3.43	3.23
32	1.57	1.44	92	2.74	2.54	152	3.44	3.24
33	1.60	1.46	93	2.76	2.55	153	3.45	3.26
34	1.62	1.49	94	2.77	2.57	154	3.46	3.27
35	1.65	1.51	95	2.78	2.58	155	3.47	3.28
36	1.68	1.54	96	2.80	2.59	156	3.49	3.29
37	1.70	1.56	97	2.81	2.61	157	3.50	3.30
38	1.73	1.59	98	2.82	2.62	158	3.51	3.32
39	1.76	1.61	99	2.83	2.63	159	3.52	3.33
40	1.78	1.63	100	2.84	2.65	160	3.54	3.34
41	1.80	1.65	101	2.86	2.66	161	3.55	3.35
42	1.83	1.68	102	2.87	2.67	162	3.56	3.36
43	1.85	1.70	103	2.88	2.68	163	3.57	3.37
44	1.88	1.72	104	2.90	2.69	164	3.58	3.39
45	1.90	1.74	105	2.91	2.70	165	3.59	3.40
46	1.92	1.76	106	2.92	2.71	166	3.60	3.41
47	1.94	1.79	107	2.93	2.72	167	3.61	3.42
48	1.97	1.80	108	2.94	2.74	168	3.63	3.43
49	1.99	1.83	109	2.95	2.75	169	3.64	3.44
50	2.02	1.85	110	2.96	2.76	170	3.65	3.46
51	2.04	1.87	111	2.97	2.77	171	3.66	3.47
52	2.06	1.89	112	2.98	2.79	172	3.68	3.48
53	2.08	1.91	113	2.99	2.79	173	3.69	3.49
54	2.10	1.93	114	3.01	2.80	174	3.70	3.50
55	2.12	1.95	115	3.02	2.82	175	3.71	3.52
56	2.15	1.97	116	3.02	2.83	176	3.72	3.53
57	2.16	1.99	117	3.04	2.84	177	3.73	3.54
58	2.18	2.01	118	3.05	2.85	178	3.74	3.55
59	2.20	2.02	119	3.05	2.86	179	3.75	3.56
60	2.23	2.04	120	3.06	2.87	180	3.77	3.57

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 5 ALL OTHER PERSONS SELLING CREDIT INSURANCE NOT SPECIFICALLY LISTED ABOVE

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>
1	0.20	0.00	61	3.32	2.95	121	4.58	4.27
2	0.30	0.22	62	3.35	2.98	122	4.59	4.29
3	0.40	0.30	63	3.38	3.01	123	4.61	4.31
4	0.51	0.37	64	3.41	3.04	124	4.64	4.33
5	0.60	0.44	65	3.44	3.06	125	4.65	4.35
6	0.71	0.52	66	3.47	3.09	126	4.67	4.37
7	0.80	0.58	67	3.50	3.11	127	4.69	4.39
8	0.90	0.66	68	3.53	3.15	128	4.71	4.40
9	1.00	0.74	69	3.55	3.17	129	4.73	4.43
10	1.10	0.81	70	3.58	3.20	130	4.75	4.45
11	1.20	0.88	71	3.60	3.23	131	4.76	4.46
12	1.30	0.95	72	3.63	3.25	132	4.79	4.48
13	1.36	1.00	73	3.66	3.28	133	4.81	4.51
14	1.41	1.05	74	3.68	3.30	134	4.82	4.52
15	1.46	1.10	75	3.70	3.33	135	4.84	4.54
16	1.51	1.15	76	3.72	3.35	136	4.87	4.56
17	1.57	1.20	77	3.75	3.38	137	4.88	4.58
18	1.62	1.26	78	3.77	3.41	138	4.90	4.60
19	1.67	1.31	79	3.79	3.43	139	4.92	4.62
20	1.72	1.36	80	3.82	3.46	140	4.95	4.64
21	1.77	1.41	81	3.84	3.47	141	4.96	4.66
22	1.82	1.45	82	3.86	3.50	142	4.98	4.68
23	1.87	1.51	83	3.89	3.53	143	5.00	4.70
24	1.93	1.55	84	3.90	3.55	144	5.02	4.71
25	1.97	1.59	85	3.93	3.58	145	5.04	4.74
26	2.01	1.64	86	3.95	3.59	146	5.06	4.76
27	2.06	1.69	87	3.96	3.62	147	5.07	4.77
28	2.11	1.73	88	3.99	3.64	148	5.10	4.79
29	2.16	1.77	89	4.02	3.66	149	5.12	4.82
30	2.20	1.82	90	4.03	3.68	150	5.13	4.83
31	2.24	1.87	91	4.05	3.71	151	5.15	4.85
32	2.29	1.90	92	4.07	3.72	152	5.18	4.87
33	2.33	1.95	93	4.09	3.75	153	5.19	4.89
34	2.37	1.99	94	4.11	3.77	154	5.21	4.91
35	2.42	2.03	95	4.13	3.78	155	5.23	4.93
36	2.45	2.07	96	4.15	3.81	156	5.25	4.95
37	2.49	2.11	97	4.17	3.83	157	5.27	4.97
38	2.54	2.15	98	4.19	3.85	158	5.29	4.99
39	2.57	2.18	99	4.20	3.87	159	5.31	5.01
40	2.61	2.23	100	4.22	3.89	160	5.33	5.02
41	2.65	2.26	101	4.24	3.91	161	5.35	5.05
42	2.69	2.30	102	4.26	3.93	162	5.37	5.07
43	2.73	2.34	103	4.27	3.95	163	5.38	5.08
44	2.76	2.38	104	4.29	3.96	164	5.41	5.10
45	2.80	2.42	105	4.31	3.99	165	5.43	5.13
46	2.84	2.45	106	4.33	4.01	166	5.44	5.14
47	2.87	2.49	107	4.34	4.02	167	5.46	5.16
48	2.91	2.52	108	4.36	4.04	168	5.49	5.18
49	2.94	2.56	109	4.38	4.06	169	5.50	5.20
50	2.98	2.60	110	4.39	4.08	170	5.52	5.22
51	3.01	2.62	111	4.41	4.09	171	5.54	5.24
52	3.04	2.66	112	4.43	4.12	172	5.56	5.25
53	3.08	2.70	113	4.45	4.13	173	5.58	5.28
54	3.11	2.73	114	4.45	4.15	174	5.60	5.30
55	3.14	2.76	115	4.48	4.17	175	5.62	5.31
56	3.17	2.80	116	4.49	4.19	176	5.64	5.33
57	3.21	2.82	117	4.51	4.20	177	5.66	5.36
58	3.23	2.86	118	4.52	4.22	178	5.68	5.38
59	3.27	2.88	119	4.53	4.24	179	5.69	5.39
60	3.29	2.92	120	4.56	4.25	180	5.72	5.41

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 5 ALL OTHER PERSONS SELLING CREDIT INSURANCE NOT SPECIFICALLY LISTED ABOVE

Duration	RETROACTIVE		Duration	RETROACTIVE		Duration	RETROACTIVE	
	14 - DAY	30 - DAY		14 - DAY	30 - DAY		14 - DAY	30 - DAY
1	0.16	0.00	61	2.37	2.18	121	3.26	3.05
2	0.24	0.21	62	2.39	2.20	122	3.27	3.06
3	0.31	0.29	63	2.41	2.22	123	3.28	3.07
4	0.39	0.36	64	2.44	2.24	124	3.29	3.09
5	0.47	0.43	65	2.45	2.26	125	3.31	3.10
6	0.54	0.50	66	2.47	2.27	126	3.32	3.11
7	0.62	0.57	67	2.49	2.29	127	3.33	3.12
8	0.70	0.64	68	2.51	2.31	128	3.34	3.14
9	0.77	0.72	69	2.53	2.33	129	3.36	3.15
10	0.85	0.79	70	2.55	2.35	130	3.37	3.16
11	0.93	0.85	71	2.57	2.37	131	3.38	3.17
12	1.00	0.92	72	2.59	2.38	132	3.39	3.18
13	1.04	0.96	73	2.60	2.40	133	3.40	3.20
14	1.08	0.99	74	2.62	2.41	134	3.42	3.21
15	1.11	1.02	75	2.63	2.43	135	3.43	3.22
16	1.15	1.05	76	2.65	2.45	136	3.44	3.23
17	1.18	1.08	77	2.67	2.46	137	3.45	3.25
18	1.22	1.12	78	2.69	2.48	138	3.47	3.26
19	1.25	1.15	79	2.71	2.50	139	3.48	3.27
20	1.28	1.18	80	2.72	2.51	140	3.49	3.28
21	1.31	1.21	81	2.73	2.53	141	3.50	3.29
22	1.35	1.24	82	2.75	2.54	142	3.51	3.31
23	1.38	1.27	83	2.77	2.56	143	3.53	3.32
24	1.41	1.30	84	2.78	2.57	144	3.54	3.33
25	1.45	1.33	85	2.80	2.59	145	3.55	3.34
26	1.48	1.35	86	2.82	2.60	146	3.56	3.36
27	1.51	1.38	87	2.83	2.62	147	3.58	3.37
28	1.54	1.41	88	2.84	2.63	148	3.59	3.38
29	1.57	1.44	89	2.86	2.65	149	3.60	3.39
30	1.60	1.46	90	2.88	2.66	150	3.61	3.41
31	1.63	1.50	91	2.89	2.67	151	3.62	3.42
32	1.66	1.52	92	2.90	2.69	152	3.64	3.43
33	1.69	1.55	93	2.92	2.70	153	3.65	3.44
34	1.72	1.57	94	2.93	2.72	154	3.66	3.46
35	1.74	1.60	95	2.94	2.73	155	3.67	3.47
36	1.78	1.63	96	2.96	2.74	156	3.69	3.48
37	1.80	1.65	97	2.97	2.76	157	3.70	3.49
38	1.83	1.68	98	2.98	2.77	158	3.71	3.51
39	1.86	1.70	99	3.00	2.78	159	3.72	3.52
40	1.88	1.73	100	3.01	2.80	160	3.74	3.53
41	1.91	1.75	101	3.03	2.81	161	3.75	3.54
42	1.94	1.78	102	3.04	2.82	162	3.76	3.56
43	1.96	1.79	103	3.05	2.83	163	3.77	3.57
44	1.99	1.82	104	3.06	2.85	164	3.79	3.58
45	2.01	1.84	105	3.07	2.86	165	3.80	3.59
46	2.04	1.86	106	3.09	2.87	166	3.81	3.61
47	2.06	1.89	107	3.10	2.88	167	3.82	3.62
48	2.08	1.91	108	3.11	2.90	168	3.84	3.63
49	2.11	1.94	109	3.12	2.91	169	3.85	3.64
50	2.13	1.96	110	3.13	2.92	170	3.86	3.66
51	2.16	1.97	111	3.15	2.93	171	3.87	3.67
52	2.18	2.00	112	3.16	2.95	172	3.89	3.68
53	2.20	2.02	113	3.16	2.95	173	3.90	3.69
54	2.22	2.04	114	3.18	2.96	174	3.91	3.71
55	2.24	2.06	115	3.19	2.98	175	3.92	3.72
56	2.27	2.08	116	3.20	2.99	176	3.94	3.73
57	2.29	2.11	117	3.21	3.00	177	3.95	3.74
58	2.31	2.12	118	3.22	3.01	178	3.96	3.76
59	2.33	2.14	119	3.23	3.03	179	3.97	3.77
60	2.35	2.16	120	3.24	3.04	180	3.99	3.78

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

Prima facie RATES FOR CREDIT
LIFE INSURANCE AND CREDIT
DISABILITY INSURANCE

Docket No. 02A-139-INS

HEARING OFFICER'S
REPORT AND RECOMMENDATION

A Public Hearing was conducted on September 25, 2002 to consider objections to the Department's proposed *prima facie* rate adjustments for credit life insurance and credit disability insurance, which rates have been proposed pursuant to Arizona Administrative Code provisions R20-6-604.04 and R20-6-604.05.

The basis for the Department's actions is found in Arizona Revised Statutes §20-1610 which provides in part:

- (A) The amount charged to a debtor for credit life insurance or credit disability insurance [shall not] exceed the premium for the particular coverage that is specified in the schedule of rates then on file with the Director...
- (B) Each schedule of premium and revision thereof pertaining to the sale or provision in Arizona of any credit life insurance or credit disability insurance shall be filed with the director by each insurer engaged in these transactions...The Director shall disapprove the schedule if in the director's opinion the premium

rates charged or to be charged are excessive in relationship to benefits that may be awarded. In determining whether to disapprove the schedule the director shall accord due consideration to past and prospective loss experience within and outside Arizona, to underwriting practice and judgment to and all other factors relevant to the relationship between premium rates and benefits.

To that end, the Department has promulgated regulations which establish standards for meeting the requirements of the above-cited statute. Those standards require a rate for credit life insurance that yields a loss ratio of no less than 50% and yields a loss ratio of no less than 60% for credit disability insurance, see A.A.C. R20-6-604.02. Additional regulations promulgated by the Department allow the Department to set *prima facie* rates for these insurance products and those rates are presumed to comply with the required loss ratios, see A.A.C. R20-6-603.03, R20-6-604.04 and R20-604.05.

The Department is required to review *prima facie* rates every three years using three criteria, to-wit: 1) Determine the rate of expected claims on a statewide basis; 2) Compare the rate of expected claims with the rate of actual claims for the past three years determined from the incurred claims and earned premiums at *prima facie* rates; and, 3) If the Director determines that the *prima facie* rates require adjustment, issue a notice of hearing and proposed order adjusting the actual statewide *prima facie* rates. The instant hearing is the result of the three year rate review process.

Based on the information and documentation presented at the public hearing, the undersigned finds the following:

1. The Department undertook two actuarial reviews of the credit life and credit disability insurance industries during 2001 and 2002, each of which examined the loss experience results of various classes of lenders and types of plans offered by the lenders. The first review covered the period of 1997 through 1999. The second review covered the period of 1998 through 2000;

2. Actual loss ratios for the various plans by the classes of lenders were sorted by the Department and charted from information filed with the Department by the insurers on their Form A submissions;

3. Based on the actual loss ratios, the Department concluded that all plans offered by all classes of lenders required adjustment in order to comply with the required loss ratios;

4. The Department prepared schedules of such adjustments for each plan offered by the various classes of lenders, which schedules are presented in this public hearing as the proposed adjustments to the *prima facie* rates allowed by law;

5. The Department's analysis recognized an anomaly in the area of credit disability insurance between the issuance and sale of retroactive and non-retroactive policies. The Department concluded that the anomaly exists due to the classes of lenders offering the two different forms of disability insurance, namely, the non-retroactive disability policies typically issued by credit unions offered less consumer value than the retroactive disability policies typically issued by sales finance lenders;

6. The Department's methodology in assessing the need for adjusting *prima facie* rates for credit life and credit disability insurance was contested. One of the bases for the contest is that the Department should have used a component rating method for

determining whether loss ratios by insurers meet the statutory requirements. The contestants argued that the Department should look at each company's costs of doing business as well as its commission schedules when determining whether its rates meet the loss ratios demanded by the statute and, the contestants argue, if the Department had applied component rating, the rates proposed by the Department are too low;

7. The Department's methodology for calculating adjustments to *prima facie* rates was also contested on the basis that the Department did not give "due consideration" to prospective loss experiences of insurers;

8. The Department's conclusions about rate adjustments for credit life and credit disability insurance were also contested on the basis that, if the Department adjusted rates too low, lenders would stop offering credit life and credit disability insurance as part of a sales finance transaction;

9. The Department's process of rate adjustments for credit life and credit disability insurance were also contested on the basis that the Department was examining data from macroeconomic periods which may not represent the economic conditions in Arizona for forward periods of time and, because in the last few years economic conditions have been favorable, the loss ratios experienced by insurers under the Department's proposed rules may far exceed the anticipated loss ratios in years to come;

10. The Department's methodology and results of assessing the need for adjusting *prima facie* rates for credit life and credit disability insurance was supported by the Center for Economic Justice;

11. The effective date for implementing adjustments to *prima facie* rates for

credit life and credit disability insurance must be reasonably established in order to give insurers enough time to re-program their systems.

Based on the comments received and the Department's responses to those comments, the undersigned recommends that the Director ADOPT the analysis of the Department's actuaries, that the Director ADOPT the *prima facie* rate adjustments proposed by the Department for credit life and credit disability insurance rates and that the Director ORDER that such adjusted rates take effect ninety (90) days from the date of the Director's Order.

The Department has responded to the concerns raised regarding credit disability *prima facie* rates by separating the retroactive class of insurance from the non-retroactive class of insurance and the logic for such separation is compelling. The anomaly that was created by comparing loss ratios from the two types of credit disability insurance led to the absurd result that consumers would receive less value from an insurance product that provided disability coverage, solely because the classes of lenders who offer credit disability insurance prefer one product over the other. Borrowers from credit unions would be sold non-retroactive credit disability policies which, if implemented as originally proposed by the Department, would be at the same premium cost as credit finance lenders who sold retroactive credit disability policies. Clearly, that result would not be in the best interests of consumers and the Department realized that, in the area of credit disability insurance, the class of lender matters more than the creation of a blanket rate adjustment for the type of insurance and the Department's

credit life and credit disability insurance must be reasonably established in order to give insurers enough time to re-program their systems.

Based on the comments received and the Department's responses to those comments, the undersigned recommends that the Director ADOPT the analysis of the Department's actuaries, that the Director ADOPT the *prima facie* rate adjustments proposed by the Department for credit life and credit disability insurance rates and that the Director ORDER that such adjusted rates take effect ninety (90) days from the date of the Director's Order.

The Department has responded to the concerns raised regarding credit disability *prima facie* rates by separating the retroactive class of insurance from the non-retroactive class of insurance and the logic for such separation is compelling. The anomaly that was created by comparing loss ratios from the two types of credit disability insurance led to the absurd result that consumers would receive less value from an insurance product that provided disability coverage, solely because the classes of lenders who offer credit disability insurance prefer one product over the other. Borrowers from credit unions would be sold non-retroactive credit disability policies which, if implemented as originally proposed by the Department, would be at the same premium cost as credit finance lenders who sold retroactive credit disability policies. Clearly, that result would not be in the best interests of consumers and the Department realized that, in the area of credit disability insurance, the class of lender matters more than the creation of a blanket rate adjustment for the type of insurance and the Department's

proposed rate adjustments which split the two forms of credit disability insurance eliminates the anomaly that such blanket rates would create. As such, the undersigned believes that the Department has equalized consumer cost vs. benefit for this type of insurance and therefore recommends that the proposed *prima facie* rates for credit disability insurance be adopted by the Director.

The attack on the Department's methodology, namely, using loss ratios instead of component ratings cannot be sustained. The rules for establishing rates, as they presently exist, do not allow the Department to consider anything other than loss ratios and the proposed rates were recommended based on compliance with the 50% and 60% mandates of the regulations. As such, the proposed adjustments to the *prima facie* rates for credit life and credit disability insurance should be adopted based on the Department's methodology of calculating loss ratios without regard to component ratings.

Further, since these rates are *prima facie*, if an individual insurer presents cogent evidence to the Department that the *prima facie* rates are unfavorable, that insurer may be granted a deviation from the *prima facie* rates. Calculating credit life and credit disability rates for each insurer who does business in the State of Arizona would lead to fragmented and disparate rates. Because consumers are typically not free to compare rates among insurers at the time credit life and credit disability insurance is sold, theoretical rate comparison ability would be a chimera. A unitary rate structure for credit life and credit disability insurance sales is more protective of the consumer and, since the Department has been more than generous in factoring in margins for insurers' protection, component rating should not be a consideration for the adjustment of rates

for credit life and credit disability insurance. Anyway, for companies which do not have established histories, *prima facie* rates are required.

The protest regarding the failure to give "due consideration" to the insurers' present and future claims experiences is not supported in the record. The Department made two analyses of loss experiences, one for the period of 1997 through 1999 and one for the period of 1998 through 2000. When there was no appreciable difference in the loss ratios between the two periods, the Department was content that current experience was reflected in its proposed adjustments. Nothing was presented at the public hearing to rebut the Department's conclusions. Future loss experiences are purely speculative and cannot form the basis for calculating *prima facie* rates. The undersigned is satisfied that the Department used due care in considering insurers' actual loss experiences when it recommended adjustments to the credit life and credit disability *prima facie* rates.

Overall, the objections raised to the proposed credit life insurance *prima facie* rate adjustments are not persuasive. The Department's actuaries carefully calculated insurers' experiences for successive three year periods in order to ascertain the level of losses associated with writing credit life insurance, which loss experience was far below the mandated 50% requirement. Adjustments to the credit life insurance *prima facie* rates was certainly in order and the Department's actuaries carefully calculated the necessary adjustment amounts in order to satisfy the 50% rule. Accordingly, the undersigned recommends that the Director adopt the Department's proposed *prima facie* credit life rates.

The undersigned further recommends that the Director adopt the Department's revised proposed *prima facie* credit disability rates. The Department's initial proposed rate adjustments were re-crafted in order to eliminate the anomaly created by the analysis showing that consumers receive less value for more money, depending on the circumstances under which the insurance is purchased and from whom. Elimination of the anomaly strikes a fair balance between insurers and consumers and should be adopted by the Director as recast by the Department's actuaries. Accordingly, the undersigned recommends that the Director adopt the Department's proposed *prima facie* credit disability rates.

The Department seeks implementation of these rate adjustments in 60 days from the date of the Director's Order. The Department suggests that, since the insurers were on notice that rate adjustments were being considered by the Department, they had sufficient time to prepare for such adjustments. The insurers, however, plead for a longer transition period on the basis that the network of lenders for these insurance products is far-flung and each of them needs time to implement changes to the *prima facie* rates. The undersigned believes that, although rate adjustment was well-known to the insurers, the actual rates have not been designated by the Director and the undersigned further acknowledges that some length of time will be necessary to implement the rate adjustments. The undersigned believes that 90 days from the date of the Director's Order is a fair amount of time to allow all of the insurers who offer these products to distribute the rate adjustments throughout their networks.

The Department has also asked that the Director's Order include a proscription to insurers who have previously obtained deviation rates not to piggyback those

deviations on the newly-ordered adjusted rates. The undersigned agrees that, for any insurer who obtained an order from the Department allowing a deviation from *prima facie* rates, that insurer should either conform to the newly-ordered *prima facie* rates or submit a new application for deviations from the adjusted rates. To that end, the undersigned recommends that the Director's Order contain a provision making all approved existing deviations to be null and void upon the effective date of the Director's Order. The undersigned further recommends that the Director's Order allow insurers to immediately apply for deviations from the newly-ordered adjusted rates and that any approved deviations will be effective at the time the adjusted *prima facie* rates take effect.

Respectfully submitted this 16th day of December 2002.

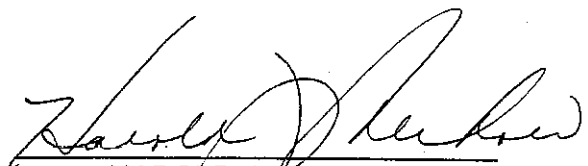

HAROLD J. MERKOW
Hearing Officer

EXHIBIT C

STATE OF ARIZONA
FILED

STATE OF ARIZONA

DEC 24 2002

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY Kahn

In the Matter of:)
)
) **PRIMA FACIE CREDIT LIFE INSURANCE**)
) **RATES AND CREDIT DISABILITY**)
) **INSURANCE RATES**)
)
)
)
_____)

Docket No. 02A-139-INS

ORDER

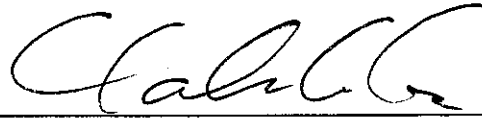
On August 6, 2002, the Director of Insurance initiated a proceeding to establish prima facie rates for credit life and credit disability insurance in accordance with A.R.S. §20-1601, et seq. and A.A.C. R20-6-604 et seq. Pursuant to the Notice of Hearing, interested persons were invited to submit written comments to the Director and to appear at the hearing on September 25, 2002. The record in this proceeding closed on December 2, 2002. On December 16, 2002, Hearing Officer Harold Merkow issued a "Report and Recommendation", a copy of which is attached and incorporated by this reference. Based upon the Hearing Officer's "Report and Recommendation", the Director enters the following Order:

1. The prima facie rates for credit life insurance set forth in Exhibit A shall be effective April 1, 2003.
2. The prima facie rates for credit disability insurance set forth in Exhibit B shall be effective April 1, 2003.
3. Deviations from prima facie rates for credit life insurance and credit disability insurance in effect prior to April 1, 2003 are not applicable to the prima facie rates established by this Order. Insurers may file for approval and use of deviated rates

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that are higher than the prima facie rates established by this Order in accordance with the process and standards set forth in A.R.S. §20-1610 and A.A.C. R20-6-604.08. Insurers may file such deviations immediately and are responsible to make such filings sufficiently in advance of April 1, 2003 to permit an April 1, 2003 effective date.

DATED this 23rd day of December, 2002.



CHARLES R. COHEN, DIRECTOR
Arizona Department of Insurance

1 COPY of the foregoing mailed
this 24th day of December, 2002 to:

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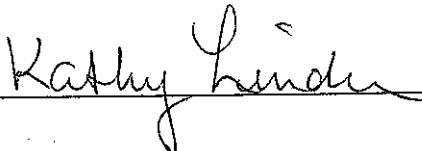
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EXHIBIT A

PRIMA FACIE RATES FOR CREDIT LIFE INSURANCE

1. **Monthly Outstanding Balance.** If premiums are payable on a monthly outstanding balance, rates shall not exceed:
 - a. \$0.83 per month per \$1000 of outstanding insured debt on single life; and
 - b. \$1.37 per month per \$1000 of outstanding insured debt on joint lives.
2. **Single Premium.** If the insurer charges a single premium for decreasing or level benefits, the insurer shall compute the rate according to the following formula or according to a formula that produces substantially similar rates:

$$S_p = \sum_{t=1}^n [(O_p / 10) \times (I_t / I_i) \times (v^{t-1})]$$

Where,

S_p = Single life, single premium rate per \$100, per annum of coverage of initial insured indebtedness.

O_p = For single life decreasing benefits, the prima facie monthly premium rate O_p factor per \$1000 of outstanding balance insured indebtedness = \$0.47.

O_p = For single life level benefits, the prima facie monthly premium rate O_p factor per \$1000 of outstanding balance insured indebtedness = \$0.83.

n = The number of months in the term of the insurance coverage.

I_t = The scheduled amount of insurance for month t .

I_i = The initial amount of insurance, except for a net insurance plan, "Ii" is the initial principal loan balance.

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EXHIBIT A

***PRIMA FACIE* RATES FOR CREDIT LIFE INSURANCE**

$V = 1 / (1 + .0036)$ where the .0036 represents the sum of an annual discount rate of 4% for interest, plus 0.4% annual for mortality.

3. Joint Coverage. Rates for joint coverage shall not exceed 165% of the rates for single life coverage.

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EXHIBIT B

PRIMA FACIE RATES FOR CREDIT DISABILITY INSURANCE

1. If a debtor pays a single premium for coverage, the *prima facie* rate per \$100 of initial debt for single disability shall not exceed the amount set forth for the Plan of Benefits, Class of business, and Duration of coverage as set forth in Appendix A to this Exhibit.

2. If premiums are paid on the basis of a monthly premium rate, per \$1000 of outstanding insured gross debt, the insurer shall compute premiums according to the following formula or according to a formula that the Director has approved and that produces rates that are actuarially equivalent to the single premium rates in paragraph (1) above:

$$OP_n = (10 \times SP_n) / \sum_{t=1}^n [(v^{(t-1)}) \times (n-t+1) / n]$$

Where,

SP_n = Single life, single premium *prima facie* rate per \$100, per annum of coverage of initial insured debt.

OP_n = Single life, monthly premium rate per \$1000 of outstanding balance insured debt.

n = The number of months in the term of the insurance coverage.

$V = 1/(1 + .0033)$ where the .0033 represents an annual discount rate of 4% for interest.

EXHIBIT B

***PRIMA FACIE* RATES FOR CREDIT DISABILITY INSURANCE**

3. Rates for joint coverage shall not exceed 165% of the rates for single life coverage.
4. The outstanding balance rate may be either a term-specified rate or may be a single composite term outstanding balance rate.

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.22	0.00	61	3.67	3.26	121	5.05	4.72
2	0.33	0.25	62	3.71	3.29	122	5.07	4.74
3	0.45	0.33	63	3.73	3.33	123	5.09	4.76
4	0.56	0.41	64	3.77	3.35	124	5.12	4.78
5	0.67	0.48	65	3.80	3.38	125	5.14	4.81
6	0.78	0.57	66	3.83	3.41	126	5.16	4.83
7	0.88	0.65	67	3.87	3.44	127	5.18	4.85
8	1.00	0.73	68	3.90	3.48	128	5.21	4.86
9	1.10	0.82	69	3.92	3.51	129	5.23	4.89
10	1.22	0.89	70	3.95	3.53	130	5.24	4.91
11	1.33	0.97	71	3.98	3.56	131	5.26	4.93
12	1.43	1.05	72	4.01	3.59	132	5.29	4.95
13	1.50	1.10	73	4.04	3.62	133	5.31	4.98
14	1.56	1.16	74	4.07	3.65	134	5.33	5.00
15	1.62	1.22	75	4.09	3.68	135	5.35	5.02
16	1.67	1.27	76	4.11	3.71	136	5.38	5.04
17	1.73	1.33	77	4.14	3.73	137	5.40	5.06
18	1.79	1.39	78	4.16	3.76	138	5.42	5.08
19	1.84	1.44	79	4.19	3.79	139	5.43	5.10
20	1.90	1.50	80	4.22	3.82	140	5.46	5.12
21	1.96	1.56	81	4.24	3.84	141	5.48	5.15
22	2.01	1.61	82	4.27	3.87	142	5.50	5.17
23	2.07	1.66	83	4.29	3.90	143	5.52	5.19
24	2.13	1.71	84	4.31	3.92	144	5.55	5.21
25	2.18	1.76	85	4.34	3.95	145	5.57	5.23
26	2.22	1.81	86	4.36	3.97	146	5.59	5.25
27	2.27	1.86	87	4.38	4.00	147	5.61	5.27
28	2.33	1.91	88	4.41	4.02	148	5.63	5.29
29	2.38	1.96	89	4.44	4.04	149	5.65	5.32
30	2.43	2.01	90	4.46	4.07	150	5.67	5.34
31	2.47	2.06	91	4.47	4.09	151	5.69	5.36
32	2.53	2.10	92	4.49	4.11	152	5.72	5.38
33	2.57	2.16	93	4.52	4.14	153	5.74	5.41
34	2.61	2.19	94	4.54	4.16	154	5.76	5.42
35	2.67	2.24	95	4.56	4.18	155	5.78	5.44
36	2.71	2.29	96	4.58	4.21	156	5.80	5.46
37	2.76	2.33	97	4.61	4.23	157	5.82	5.49
38	2.80	2.38	98	4.63	4.26	158	5.84	5.51
39	2.84	2.41	99	4.64	4.28	159	5.86	5.53
40	2.89	2.46	100	4.66	4.29	160	5.89	5.55
41	2.93	2.50	101	4.68	4.32	161	5.91	5.58
42	2.97	2.55	102	4.70	4.34	162	5.93	5.60
43	3.01	2.58	103	4.72	4.36	163	5.95	5.61
44	3.05	2.63	104	4.74	4.38	164	5.98	5.63
45	3.10	2.67	105	4.76	4.41	165	5.99	5.66
46	3.14	2.71	106	4.78	4.43	166	6.01	5.68
47	3.17	2.76	107	4.80	4.44	167	6.03	5.70
48	3.21	2.78	108	4.82	4.47	168	6.06	5.72
49	3.25	2.83	109	4.84	4.48	169	6.08	5.75
50	3.29	2.87	110	4.85	4.50	170	6.10	5.77
51	3.33	2.90	111	4.87	4.52	171	6.12	5.79
52	3.36	2.94	112	4.89	4.55	172	6.15	5.80
53	3.40	2.98	113	4.91	4.56	173	6.17	5.83
54	3.44	3.01	114	4.92	4.58	174	6.18	5.85
55	3.47	3.05	115	4.95	4.61	175	6.20	5.87
56	3.51	3.09	116	4.96	4.63	176	6.23	5.89
57	3.54	3.12	117	4.98	4.64	177	6.25	5.92
58	3.57	3.15	118	5.00	4.66	178	6.27	5.94
59	3.61	3.18	119	5.01	4.68	179	6.29	5.96
60	3.64	3.22	120	5.04	4.69	180	6.32	5.98

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

RETROACTIVE			RETROACTIVE			RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.26	0.00	61	3.92	3.61	121	5.39	5.04
2	0.39	0.35	62	3.96	3.64	122	5.41	5.07
3	0.51	0.47	63	3.99	3.68	123	5.42	5.09
4	0.65	0.59	64	4.03	3.70	124	5.45	5.11
5	0.77	0.71	65	4.06	3.73	125	5.47	5.12
6	0.89	0.83	66	4.09	3.76	126	5.49	5.15
7	1.03	0.95	67	4.12	3.79	127	5.51	5.17
8	1.16	1.06	68	4.16	3.82	128	5.53	5.19
9	1.27	1.18	69	4.19	3.85	129	5.55	5.21
10	1.41	1.30	70	4.22	3.89	130	5.57	5.23
11	1.54	1.41	71	4.25	3.91	131	5.59	5.25
12	1.66	1.53	72	4.28	3.94	132	5.61	5.27
13	1.72	1.58	73	4.30	3.97	133	5.63	5.29
14	1.78	1.64	74	4.33	3.99	134	5.65	5.31
15	1.84	1.68	75	4.36	4.02	135	5.67	5.33
16	1.90	1.74	76	4.39	4.05	136	5.70	5.35
17	1.96	1.79	77	4.41	4.08	137	5.71	5.37
18	2.01	1.85	78	4.45	4.10	138	5.73	5.40
19	2.07	1.90	79	4.48	4.13	139	5.75	5.41
20	2.12	1.95	80	4.50	4.16	140	5.78	5.43
21	2.17	2.00	81	4.52	4.19	141	5.80	5.45
22	2.23	2.05	82	4.55	4.20	142	5.81	5.48
23	2.28	2.09	83	4.58	4.23	143	5.83	5.50
24	2.34	2.15	84	4.60	4.26	144	5.86	5.51
25	2.39	2.19	85	4.63	4.28	145	5.88	5.53
26	2.45	2.24	86	4.66	4.30	146	5.90	5.56
27	2.50	2.28	87	4.69	4.33	147	5.92	5.58
28	2.55	2.34	88	4.70	4.36	148	5.94	5.60
29	2.59	2.38	89	4.73	4.38	149	5.96	5.61
30	2.65	2.42	90	4.76	4.40	150	5.98	5.64
31	2.69	2.48	91	4.78	4.42	151	6.00	5.66
32	2.75	2.51	92	4.80	4.45	152	6.02	5.68
33	2.79	2.56	93	4.82	4.47	153	6.04	5.70
34	2.84	2.60	94	4.85	4.50	154	6.06	5.72
35	2.88	2.64	95	4.87	4.52	155	6.08	5.74
36	2.94	2.69	96	4.90	4.54	156	6.11	5.76
37	2.98	2.73	97	4.91	4.56	157	6.12	5.78
38	3.02	2.78	98	4.93	4.58	158	6.14	5.81
39	3.08	2.81	99	4.96	4.60	159	6.16	5.82
40	3.11	2.86	100	4.98	4.63	160	6.19	5.84
41	3.16	2.89	101	5.01	4.65	161	6.21	5.86
42	3.20	2.94	102	5.02	4.67	162	6.22	5.89
43	3.24	2.97	103	5.04	4.69	163	6.24	5.91
44	3.29	3.01	104	5.07	4.71	164	6.27	5.92
45	3.32	3.05	105	5.09	4.73	165	6.29	5.94
46	3.37	3.08	106	5.11	4.75	166	6.31	5.97
47	3.40	3.13	107	5.12	4.77	167	6.32	5.99
48	3.45	3.16	108	5.14	4.80	168	6.35	6.01
49	3.49	3.20	109	5.16	4.81	169	6.37	6.02
50	3.53	3.24	110	5.18	4.83	170	6.39	6.05
51	3.57	3.27	111	5.21	4.85	171	6.41	6.07
52	3.60	3.30	112	5.22	4.88	172	6.43	6.09
53	3.64	3.35	113	5.23	4.89	173	6.45	6.11
54	3.68	3.38	114	5.26	4.90	174	6.47	6.13
55	3.71	3.41	115	5.28	4.93	175	6.49	6.15
56	3.76	3.45	116	5.29	4.95	176	6.52	6.17
57	3.79	3.49	117	5.31	4.97	177	6.53	6.19
58	3.82	3.51	118	5.33	4.99	178	6.55	6.22
59	3.86	3.54	119	5.34	5.01	179	6.57	6.23
60	3.89	3.58	120	5.36	5.02	180	6.60	6.25

APPENDIX A

ARIZONA CREDIT DISABILITY RATES
CLASS 2 BANKS, SAVINGS AND LOAN INSTITUTIONS, AND MORTGAGE COMPANIES

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.17	0.00	61	2.90	2.57	121	3.99	3.73
2	0.26	0.20	62	2.93	2.60	122	4.01	3.74
3	0.35	0.26	63	2.95	2.63	123	4.02	3.76
4	0.44	0.32	64	2.98	2.65	124	4.04	3.77
5	0.53	0.38	65	3.00	2.67	125	4.06	3.80
6	0.62	0.45	66	3.02	2.69	126	4.07	3.81
7	0.70	0.51	67	3.05	2.72	127	4.09	3.83
8	0.79	0.58	68	3.08	2.75	128	4.11	3.84
9	0.87	0.65	69	3.10	2.77	129	4.13	3.86
10	0.96	0.71	70	3.12	2.79	130	4.14	3.88
11	1.05	0.77	71	3.14	2.81	131	4.16	3.89
12	1.13	0.83	72	3.17	2.84	132	4.18	3.91
13	1.19	0.87	73	3.19	2.86	133	4.19	3.93
14	1.23	0.92	74	3.21	2.88	134	4.21	3.95
15	1.28	0.96	75	3.23	2.90	135	4.22	3.96
16	1.32	1.01	76	3.25	2.93	136	4.25	3.98
17	1.37	1.05	77	3.27	2.95	137	4.26	4.00
18	1.41	1.10	78	3.29	2.97	138	4.28	4.01
19	1.46	1.14	79	3.31	2.99	139	4.29	4.03
20	1.50	1.19	80	3.33	3.02	140	4.31	4.04
21	1.55	1.23	81	3.35	3.03	141	4.33	4.07
22	1.59	1.27	82	3.37	3.05	142	4.34	4.08
23	1.64	1.31	83	3.39	3.08	143	4.36	4.10
24	1.68	1.35	84	3.41	3.10	144	4.38	4.11
25	1.72	1.39	85	3.43	3.12	145	4.40	4.13
26	1.76	1.43	86	3.44	3.14	146	4.41	4.15
27	1.79	1.47	87	3.46	3.16	147	4.43	4.16
28	1.84	1.51	88	3.48	3.17	148	4.45	4.18
29	1.88	1.55	89	3.50	3.19	149	4.46	4.20
30	1.92	1.59	90	3.52	3.21	150	4.48	4.22
31	1.95	1.63	91	3.53	3.23	151	4.49	4.23
32	2.00	1.66	92	3.55	3.25	152	4.52	4.25
33	2.03	1.70	93	3.57	3.27	153	4.53	4.27
34	2.06	1.73	94	3.59	3.29	154	4.55	4.28
35	2.11	1.77	95	3.60	3.30	155	4.56	4.30
36	2.14	1.81	96	3.62	3.32	156	4.58	4.31
37	2.18	1.84	97	3.64	3.34	157	4.60	4.34
38	2.21	1.88	98	3.65	3.36	158	4.61	4.35
39	2.24	1.91	99	3.66	3.38	159	4.63	4.37
40	2.28	1.94	100	3.68	3.39	160	4.65	4.38
41	2.31	1.97	101	3.70	3.41	161	4.67	4.40
42	2.35	2.01	102	3.71	3.43	162	4.68	4.42
43	2.38	2.04	103	3.73	3.44	163	4.70	4.43
44	2.41	2.08	104	3.74	3.46	164	4.72	4.45
45	2.45	2.11	105	3.76	3.48	165	4.73	4.47
46	2.48	2.14	106	3.77	3.50	166	4.75	4.49
47	2.51	2.18	107	3.79	3.50	167	4.76	4.50
48	2.54	2.20	108	3.80	3.53	168	4.79	4.52
49	2.57	2.24	109	3.82	3.54	169	4.80	4.54
50	2.60	2.27	110	3.83	3.56	170	4.82	4.55
51	2.63	2.29	111	3.85	3.57	171	4.83	4.57
52	2.66	2.32	112	3.86	3.59	172	4.85	4.58
53	2.69	2.36	113	3.88	3.60	173	4.87	4.61
54	2.72	2.38	114	3.89	3.62	174	4.88	4.62
55	2.74	2.41	115	3.91	3.64	175	4.90	4.64
56	2.77	2.44	116	3.92	3.65	176	4.92	4.65
57	2.80	2.46	117	3.93	3.66	177	4.94	4.67
58	2.82	2.49	118	3.95	3.68	178	4.95	4.69
59	2.85	2.51	119	3.95	3.70	179	4.97	4.70
60	2.87	2.54	120	3.98	3.71	180	4.99	4.72

APPENDIX A

ARIZONA CREDIT DISABILITY RATES
CLASS 2 BANKS, SAVINGS AND LOAN INSTITUTIONS, AND MORTGAGE COMPANIES

RETROACTIVE			RETROACTIVE			RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.16	0.00	61	2.37	2.18	121	3.26	3.05
2	0.24	0.21	62	2.39	2.20	122	3.27	3.06
3	0.31	0.29	63	2.41	2.22	123	3.28	3.07
4	0.39	0.36	64	2.44	2.24	124	3.29	3.09
5	0.47	0.43	65	2.45	2.26	125	3.31	3.10
6	0.54	0.50	66	2.47	2.27	126	3.32	3.11
7	0.62	0.57	67	2.49	2.29	127	3.33	3.12
8	0.70	0.64	68	2.51	2.31	128	3.34	3.14
9	0.77	0.72	69	2.53	2.33	129	3.36	3.15
10	0.85	0.79	70	2.55	2.35	130	3.37	3.16
11	0.93	0.85	71	2.57	2.37	131	3.38	3.17
12	1.00	0.92	72	2.59	2.38	132	3.39	3.18
13	1.04	0.96	73	2.60	2.40	133	3.40	3.20
14	1.08	0.99	74	2.62	2.41	134	3.42	3.21
15	1.11	1.02	75	2.63	2.43	135	3.43	3.22
16	1.15	1.05	76	2.65	2.45	136	3.44	3.23
17	1.18	1.08	77	2.67	2.46	137	3.45	3.25
18	1.22	1.12	78	2.69	2.48	138	3.47	3.26
19	1.25	1.15	79	2.71	2.50	139	3.48	3.27
20	1.28	1.18	80	2.72	2.51	140	3.49	3.28
21	1.31	1.21	81	2.73	2.53	141	3.50	3.29
22	1.35	1.24	82	2.75	2.54	142	3.51	3.31
23	1.38	1.27	83	2.77	2.56	143	3.53	3.32
24	1.41	1.30	84	2.78	2.57	144	3.54	3.33
25	1.45	1.33	85	2.80	2.59	145	3.55	3.34
26	1.48	1.35	86	2.82	2.60	146	3.56	3.36
27	1.51	1.38	87	2.83	2.62	147	3.58	3.37
28	1.54	1.41	88	2.84	2.63	148	3.59	3.38
29	1.57	1.44	89	2.86	2.65	149	3.60	3.39
30	1.60	1.46	90	2.88	2.66	150	3.61	3.41
31	1.63	1.50	91	2.89	2.67	151	3.62	3.42
32	1.66	1.52	92	2.90	2.69	152	3.64	3.43
33	1.69	1.55	93	2.92	2.70	153	3.65	3.44
34	1.72	1.57	94	2.93	2.72	154	3.66	3.46
35	1.74	1.60	95	2.94	2.73	155	3.67	3.47
36	1.78	1.63	96	2.96	2.74	156	3.69	3.48
37	1.80	1.65	97	2.97	2.76	157	3.70	3.49
38	1.83	1.68	98	2.98	2.77	158	3.71	3.51
39	1.86	1.70	99	3.00	2.78	159	3.72	3.52
40	1.88	1.73	100	3.01	2.80	160	3.74	3.53
41	1.91	1.75	101	3.03	2.81	161	3.75	3.54
42	1.94	1.78	102	3.04	2.82	162	3.76	3.56
43	1.96	1.79	103	3.05	2.83	163	3.77	3.57
44	1.99	1.82	104	3.06	2.85	164	3.79	3.58
45	2.01	1.84	105	3.07	2.86	165	3.80	3.59
46	2.04	1.86	106	3.09	2.87	166	3.81	3.61
47	2.06	1.89	107	3.10	2.88	167	3.82	3.62
48	2.08	1.91	108	3.11	2.90	168	3.84	3.63
49	2.11	1.94	109	3.12	2.91	169	3.85	3.64
50	2.13	1.96	110	3.13	2.92	170	3.86	3.66
51	2.16	1.97	111	3.15	2.93	171	3.87	3.67
52	2.18	2.00	112	3.16	2.95	172	3.89	3.68
53	2.20	2.02	113	3.16	2.95	173	3.90	3.69
54	2.22	2.04	114	3.18	2.96	174	3.91	3.71
55	2.24	2.06	115	3.19	2.98	175	3.92	3.72
56	2.27	2.08	116	3.20	2.99	176	3.94	3.73
57	2.29	2.11	117	3.21	3.00	177	3.95	3.74
58	2.31	2.12	118	3.22	3.01	178	3.96	3.76
59	2.33	2.14	119	3.23	3.03	179	3.97	3.77
60	2.35	2.16	120	3.24	3.04	180	3.99	3.78

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 3 FINANCE COMPANIES, SMALL LOAN COMPANIES, AND A.R.S. 6-601(5) CONSUMER LENDERS

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.26	0.00	61	4.40	3.91	121	6.06	5.67
2	0.40	0.30	62	4.45	3.94	122	6.09	5.69
3	0.54	0.40	63	4.48	3.99	123	6.11	5.71
4	0.67	0.49	64	4.53	4.02	124	6.14	5.73
5	0.80	0.58	65	4.56	4.06	125	6.17	5.77
6	0.93	0.68	66	4.59	4.09	126	6.19	5.79
7	1.06	0.78	67	4.64	4.13	127	6.21	5.81
8	1.20	0.88	68	4.67	4.17	128	6.25	5.84
9	1.32	0.98	69	4.71	4.21	129	6.27	5.87
10	1.46	1.07	70	4.74	4.24	130	6.29	5.89
11	1.60	1.16	71	4.78	4.28	131	6.32	5.92
12	1.72	1.25	72	4.81	4.31	132	6.35	5.94
13	1.80	1.32	73	4.85	4.34	133	6.37	5.97
14	1.87	1.39	74	4.88	4.38	134	6.40	6.00
15	1.94	1.46	75	4.90	4.41	135	6.42	6.02
16	2.01	1.53	76	4.94	4.45	136	6.45	6.04
17	2.07	1.60	77	4.97	4.48	137	6.48	6.08
18	2.14	1.66	78	4.99	4.51	138	6.50	6.10
19	2.21	1.73	79	5.03	4.55	139	6.52	6.12
20	2.28	1.80	80	5.06	4.58	140	6.55	6.14
21	2.35	1.87	81	5.08	4.61	141	6.58	6.18
22	2.42	1.93	82	5.12	4.64	142	6.60	6.20
23	2.49	2.00	83	5.15	4.67	143	6.62	6.22
24	2.55	2.05	84	5.18	4.71	144	6.66	6.25
25	2.61	2.11	85	5.21	4.74	145	6.68	6.28
26	2.67	2.18	86	5.23	4.77	146	6.70	6.30
27	2.72	2.23	87	5.26	4.80	147	6.73	6.33
28	2.79	2.29	88	5.29	4.82	148	6.76	6.35
29	2.86	2.35	89	5.32	4.85	149	6.78	6.38
30	2.92	2.42	90	5.35	4.88	150	6.81	6.41
31	2.96	2.47	91	5.37	4.91	151	6.83	6.43
32	3.03	2.52	92	5.39	4.94	152	6.86	6.45
33	3.09	2.59	93	5.43	4.97	153	6.89	6.49
34	3.14	2.63	94	5.45	4.99	154	6.91	6.51
35	3.20	2.69	95	5.47	5.02	155	6.93	6.53
36	3.25	2.75	96	5.49	5.05	156	6.97	6.56
37	3.31	2.79	97	5.53	5.07	157	6.99	6.59
38	3.36	2.85	98	5.55	5.11	158	7.01	6.61
39	3.41	2.90	99	5.56	5.13	159	7.03	6.63
40	3.47	2.95	100	5.60	5.15	160	7.07	6.66
41	3.51	3.00	101	5.62	5.19	161	7.09	6.69
42	3.57	3.06	102	5.64	5.21	162	7.11	6.71
43	3.61	3.10	103	5.67	5.23	163	7.14	6.74
44	3.66	3.16	104	5.69	5.26	164	7.17	6.76
45	3.72	3.20	105	5.71	5.29	165	7.19	6.79
46	3.76	3.25	106	5.73	5.31	166	7.22	6.82
47	3.81	3.31	107	5.76	5.32	167	7.24	6.84
48	3.85	3.34	108	5.78	5.36	168	7.27	6.86
49	3.90	3.40	109	5.80	5.38	169	7.30	6.90
50	3.94	3.44	110	5.83	5.40	170	7.32	6.92
51	3.99	3.48	111	5.85	5.43	171	7.34	6.94
52	4.04	3.52	112	5.87	5.46	172	7.38	6.97
53	4.08	3.58	113	5.89	5.47	173	7.40	7.00
54	4.13	3.61	114	5.91	5.49	174	7.42	7.02
55	4.16	3.66	115	5.94	5.53	175	7.44	7.05
56	4.21	3.71	116	5.95	5.55	176	7.48	7.07
57	4.25	3.74	117	5.97	5.56	177	7.50	7.10
58	4.29	3.78	118	6.00	5.60	178	7.52	7.13
59	4.33	3.82	119	6.01	5.62	179	7.55	7.15
60	4.37	3.86	120	6.04	5.63	180	7.58	7.17

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 3 FINANCE COMPANIES, SMALL LOAN COMPANIES, AND A.R.S. 6-601(5) CONSUMER LENDERS

RETROACTIVE			RETROACTIVE			RETROACTIVE		
<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>
1	0.19	0.00	61	2.80	2.58	121	3.85	3.60
2	0.28	0.25	62	2.83	2.60	122	3.86	3.62
3	0.36	0.34	63	2.85	2.63	123	3.87	3.63
4	0.46	0.42	64	2.88	2.65	124	3.89	3.65
5	0.55	0.51	65	2.90	2.67	125	3.91	3.66
6	0.64	0.59	66	2.92	2.68	126	3.92	3.68
7	0.73	0.68	67	2.94	2.71	127	3.93	3.69
8	0.83	0.76	68	2.97	2.73	128	3.95	3.71
9	0.91	0.85	69	2.99	2.75	129	3.97	3.72
10	1.01	0.93	70	3.02	2.78	130	3.98	3.74
11	1.10	1.01	71	3.04	2.80	131	3.99	3.75
12	1.18	1.09	72	3.06	2.81	132	4.01	3.76
13	1.23	1.13	73	3.07	2.83	133	4.02	3.78
14	1.27	1.17	74	3.09	2.85	134	4.04	3.80
15	1.31	1.20	75	3.11	2.87	135	4.05	3.81
16	1.36	1.24	76	3.13	2.89	136	4.07	3.82
17	1.40	1.28	77	3.15	2.91	137	4.08	3.84
18	1.44	1.32	78	3.18	2.93	138	4.10	3.85
19	1.48	1.36	79	3.20	2.95	139	4.11	3.87
20	1.51	1.39	80	3.21	2.97	140	4.13	3.88
21	1.55	1.43	81	3.23	2.99	141	4.14	3.89
22	1.59	1.46	82	3.25	3.00	142	4.15	3.91
23	1.63	1.50	83	3.27	3.02	143	4.17	3.93
24	1.67	1.53	84	3.29	3.04	144	4.19	3.94
25	1.71	1.57	85	3.31	3.06	145	4.20	3.95
26	1.75	1.60	86	3.33	3.07	146	4.21	3.97
27	1.79	1.63	87	3.35	3.09	147	4.23	3.98
28	1.82	1.67	88	3.36	3.11	148	4.24	4.00
29	1.85	1.70	89	3.38	3.13	149	4.26	4.01
30	1.89	1.73	90	3.40	3.15	150	4.27	4.03
31	1.92	1.77	91	3.41	3.16	151	4.28	4.04
32	1.96	1.79	92	3.43	3.18	152	4.30	4.06
33	2.00	1.83	93	3.45	3.19	153	4.32	4.07
34	2.03	1.86	94	3.46	3.21	154	4.33	4.09
35	2.06	1.89	95	3.48	3.23	155	4.34	4.10
36	2.10	1.92	96	3.50	3.24	156	4.36	4.11
37	2.13	1.95	97	3.51	3.26	157	4.37	4.13
38	2.16	1.98	98	3.52	3.27	158	4.39	4.15
39	2.20	2.01	99	3.54	3.29	159	4.40	4.16
40	2.22	2.04	100	3.56	3.31	160	4.42	4.17
41	2.26	2.07	101	3.58	3.32	161	4.43	4.19
42	2.29	2.10	102	3.59	3.33	162	4.45	4.21
43	2.31	2.12	103	3.60	3.35	163	4.46	4.22
44	2.35	2.15	104	3.62	3.37	164	4.48	4.23
45	2.37	2.18	105	3.63	3.38	165	4.49	4.24
46	2.41	2.20	106	3.65	3.39	166	4.50	4.26
47	2.43	2.24	107	3.66	3.41	167	4.52	4.28
48	2.46	2.26	108	3.67	3.43	168	4.54	4.29
49	2.49	2.29	109	3.69	3.44	169	4.55	4.30
50	2.52	2.31	110	3.70	3.45	170	4.56	4.32
51	2.55	2.33	111	3.72	3.46	171	4.58	4.34
52	2.57	2.36	112	3.73	3.48	172	4.60	4.35
53	2.60	2.39	113	3.74	3.49	173	4.61	4.36
54	2.63	2.41	114	3.76	3.50	174	4.62	4.38
55	2.65	2.44	115	3.77	3.52	175	4.63	4.39
56	2.68	2.46	116	3.78	3.54	176	4.65	4.41
57	2.70	2.49	117	3.80	3.55	177	4.67	4.42
58	2.73	2.51	118	3.81	3.56	178	4.68	4.44
59	2.76	2.53	119	3.82	3.58	179	4.69	4.45
60	2.78	2.55	120	3.83	3.59	180	4.71	4.47

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

**CLASS 4 DEALERS, INCLUDING AUTO, TRUCK AND BOAT DEALERS, RETAIL STORES, AND OTHER PERSONS
SELLING FINANCED GOODS**

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY	Duration	14 - DAY	30 - DAY
1	0.17	0.00	61	2.90	2.57	121	3.99	3.73
2	0.26	0.20	62	2.93	2.60	122	4.01	3.74
3	0.35	0.26	63	2.95	2.63	123	4.02	3.76
4	0.44	0.32	64	2.98	2.65	124	4.04	3.77
5	0.53	0.38	65	3.00	2.67	125	4.06	3.80
6	0.62	0.45	66	3.02	2.69	126	4.07	3.81
7	0.70	0.51	67	3.05	2.72	127	4.09	3.83
8	0.79	0.58	68	3.08	2.75	128	4.11	3.84
9	0.87	0.65	69	3.10	2.77	129	4.13	3.86
10	0.96	0.71	70	3.12	2.79	130	4.14	3.88
11	1.05	0.77	71	3.14	2.81	131	4.16	3.89
12	1.13	0.83	72	3.17	2.84	132	4.18	3.91
13	1.19	0.87	73	3.19	2.86	133	4.19	3.93
14	1.23	0.92	74	3.21	2.88	134	4.21	3.95
15	1.28	0.96	75	3.23	2.90	135	4.22	3.96
16	1.32	1.01	76	3.25	2.93	136	4.25	3.98
17	1.37	1.05	77	3.27	2.95	137	4.26	4.00
18	1.41	1.10	78	3.29	2.97	138	4.28	4.01
19	1.46	1.14	79	3.31	2.99	139	4.29	4.03
20	1.50	1.19	80	3.33	3.02	140	4.31	4.04
21	1.55	1.23	81	3.35	3.03	141	4.33	4.07
22	1.59	1.27	82	3.37	3.05	142	4.34	4.08
23	1.64	1.31	83	3.39	3.08	143	4.36	4.10
24	1.68	1.35	84	3.41	3.10	144	4.38	4.11
25	1.72	1.39	85	3.43	3.12	145	4.40	4.13
26	1.76	1.43	86	3.44	3.14	146	4.41	4.15
27	1.79	1.47	87	3.46	3.16	147	4.43	4.16
28	1.84	1.51	88	3.48	3.17	148	4.45	4.18
29	1.88	1.55	89	3.50	3.19	149	4.46	4.20
30	1.92	1.59	90	3.52	3.21	150	4.48	4.22
31	1.95	1.63	91	3.53	3.23	151	4.49	4.23
32	2.00	1.66	92	3.55	3.25	152	4.52	4.25
33	2.03	1.70	93	3.57	3.27	153	4.53	4.27
34	2.06	1.73	94	3.59	3.29	154	4.55	4.28
35	2.11	1.77	95	3.60	3.30	155	4.56	4.30
36	2.14	1.81	96	3.62	3.32	156	4.58	4.31
37	2.18	1.84	97	3.64	3.34	157	4.60	4.34
38	2.21	1.88	98	3.65	3.36	158	4.61	4.35
39	2.24	1.91	99	3.66	3.38	159	4.63	4.37
40	2.28	1.94	100	3.68	3.39	160	4.65	4.38
41	2.31	1.97	101	3.70	3.41	161	4.67	4.40
42	2.35	2.01	102	3.71	3.43	162	4.68	4.42
43	2.38	2.04	103	3.73	3.44	163	4.70	4.43
44	2.41	2.08	104	3.74	3.46	164	4.72	4.45
45	2.45	2.11	105	3.76	3.48	165	4.73	4.47
46	2.48	2.14	106	3.77	3.50	166	4.75	4.49
47	2.51	2.18	107	3.79	3.50	167	4.76	4.50
48	2.54	2.20	108	3.80	3.53	168	4.79	4.52
49	2.57	2.24	109	3.82	3.54	169	4.80	4.54
50	2.60	2.27	110	3.83	3.56	170	4.82	4.55
51	2.63	2.29	111	3.85	3.57	171	4.83	4.57
52	2.66	2.32	112	3.86	3.59	172	4.85	4.58
53	2.69	2.36	113	3.88	3.60	173	4.87	4.61
54	2.72	2.38	114	3.89	3.62	174	4.88	4.62
55	2.74	2.41	115	3.91	3.64	175	4.90	4.64
56	2.77	2.44	116	3.92	3.65	176	4.92	4.65
57	2.80	2.46	117	3.93	3.66	177	4.94	4.67
58	2.82	2.49	118	3.95	3.68	178	4.95	4.69
59	2.85	2.51	119	3.95	3.70	179	4.97	4.70
60	2.87	2.54	120	3.98	3.71	180	4.99	4.72

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

**CLASS 4 DEALERS, INCLUDING AUTO, TRUCK AND BOAT DEALERS, RETAIL STORES, AND OTHER PERSONS
SELLING FINANCED GOODS**

RETROACTIVE			RETROACTIVE			RETROACTIVE		
Duration	14-DAY	30-DAY	Duration	14-DAY	30-DAY	Duration	14-DAY	30-DAY
1	0.15	0.00	61	2.24	2.06	121	3.08	2.88
2	0.22	0.20	62	2.26	2.08	122	3.09	2.90
3	0.29	0.27	63	2.28	2.10	123	3.10	2.91
4	0.37	0.34	64	2.30	2.12	124	3.11	2.92
5	0.44	0.41	65	2.32	2.13	125	3.13	2.93
6	0.51	0.47	66	2.33	2.15	126	3.14	2.94
7	0.59	0.54	67	2.36	2.17	127	3.15	2.95
8	0.66	0.61	68	2.38	2.18	128	3.16	2.96
9	0.73	0.68	69	2.39	2.20	129	3.17	2.97
10	0.81	0.74	70	2.41	2.22	130	3.18	2.99
11	0.88	0.81	71	2.43	2.24	131	3.19	3.00
12	0.95	0.87	72	2.44	2.25	132	3.21	3.01
13	0.98	0.90	73	2.46	2.27	133	3.22	3.02
14	1.02	0.94	74	2.48	2.28	134	3.23	3.04
15	1.05	0.96	75	2.49	2.30	135	3.24	3.05
16	1.09	0.99	76	2.51	2.31	136	3.26	3.06
17	1.12	1.02	77	2.52	2.33	137	3.27	3.07
18	1.15	1.06	78	2.54	2.35	138	3.28	3.08
19	1.18	1.09	79	2.56	2.36	139	3.29	3.09
20	1.21	1.11	80	2.57	2.38	140	3.30	3.10
21	1.24	1.14	81	2.58	2.39	141	3.31	3.11
22	1.27	1.17	82	2.60	2.40	142	3.32	3.13
23	1.31	1.20	83	2.62	2.42	143	3.33	3.14
24	1.34	1.23	84	2.63	2.43	144	3.35	3.15
25	1.37	1.25	85	2.65	2.44	145	3.36	3.16
26	1.40	1.28	86	2.66	2.46	146	3.37	3.18
27	1.43	1.31	87	2.68	2.48	147	3.38	3.19
28	1.46	1.34	88	2.69	2.49	148	3.40	3.20
29	1.48	1.36	89	2.70	2.50	149	3.41	3.21
30	1.51	1.38	90	2.72	2.52	150	3.42	3.22
31	1.54	1.41	91	2.73	2.53	151	3.43	3.23
32	1.57	1.44	92	2.74	2.54	152	3.44	3.24
33	1.60	1.46	93	2.76	2.55	153	3.45	3.26
34	1.62	1.49	94	2.77	2.57	154	3.46	3.27
35	1.65	1.51	95	2.78	2.58	155	3.47	3.28
36	1.68	1.54	96	2.80	2.59	156	3.49	3.29
37	1.70	1.56	97	2.81	2.61	157	3.50	3.30
38	1.73	1.59	98	2.82	2.62	158	3.51	3.32
39	1.76	1.61	99	2.83	2.63	159	3.52	3.33
40	1.78	1.63	100	2.84	2.65	160	3.54	3.34
41	1.80	1.65	101	2.86	2.66	161	3.55	3.35
42	1.83	1.68	102	2.87	2.67	162	3.56	3.36
43	1.85	1.70	103	2.88	2.68	163	3.57	3.37
44	1.88	1.72	104	2.90	2.69	164	3.58	3.39
45	1.90	1.74	105	2.91	2.70	165	3.59	3.40
46	1.92	1.76	106	2.92	2.71	166	3.60	3.41
47	1.94	1.79	107	2.93	2.72	167	3.61	3.42
48	1.97	1.80	108	2.94	2.74	168	3.63	3.43
49	1.99	1.83	109	2.95	2.75	169	3.64	3.44
50	2.02	1.85	110	2.96	2.76	170	3.65	3.46
51	2.04	1.87	111	2.97	2.77	171	3.66	3.47
52	2.06	1.89	112	2.98	2.79	172	3.68	3.48
53	2.08	1.91	113	2.99	2.79	173	3.69	3.49
54	2.10	1.93	114	3.01	2.80	174	3.70	3.50
55	2.12	1.95	115	3.02	2.82	175	3.71	3.52
56	2.15	1.97	116	3.02	2.83	176	3.72	3.53
57	2.16	1.99	117	3.04	2.84	177	3.73	3.54
58	2.18	2.01	118	3.05	2.85	178	3.74	3.55
59	2.20	2.02	119	3.05	2.86	179	3.75	3.56
60	2.23	2.04	120	3.06	2.87	180	3.77	3.57

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 5 ALL OTHER PERSONS SELLING CREDIT INSURANCE NOT SPECIFICALLY LISTED ABOVE

NON-RETROACTIVE			NON-RETROACTIVE			NON-RETROACTIVE		
<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>	<u>Duration</u>	<u>14 - DAY</u>	<u>30 - DAY</u>
1	0.20	0.00	61	3.32	2.95	121	4.58	4.27
2	0.30	0.22	62	3.35	2.98	122	4.59	4.29
3	0.40	0.30	63	3.38	3.01	123	4.61	4.31
4	0.51	0.37	64	3.41	3.04	124	4.64	4.33
5	0.60	0.44	65	3.44	3.06	125	4.65	4.35
6	0.71	0.52	66	3.47	3.09	126	4.67	4.37
7	0.80	0.58	67	3.50	3.11	127	4.69	4.39
8	0.90	0.66	68	3.53	3.15	128	4.71	4.40
9	1.00	0.74	69	3.55	3.17	129	4.73	4.43
10	1.10	0.81	70	3.58	3.20	130	4.75	4.45
11	1.20	0.88	71	3.60	3.23	131	4.76	4.46
12	1.30	0.95	72	3.63	3.25	132	4.79	4.48
13	1.36	1.00	73	3.66	3.28	133	4.81	4.51
14	1.41	1.05	74	3.68	3.30	134	4.82	4.52
15	1.46	1.10	75	3.70	3.33	135	4.84	4.54
16	1.51	1.15	76	3.72	3.35	136	4.87	4.56
17	1.57	1.20	77	3.75	3.38	137	4.88	4.58
18	1.62	1.26	78	3.77	3.41	138	4.90	4.60
19	1.67	1.31	79	3.79	3.43	139	4.92	4.62
20	1.72	1.36	80	3.82	3.46	140	4.95	4.64
21	1.77	1.41	81	3.84	3.47	141	4.96	4.66
22	1.82	1.45	82	3.86	3.50	142	4.98	4.68
23	1.87	1.51	83	3.89	3.53	143	5.00	4.70
24	1.93	1.55	84	3.90	3.55	144	5.02	4.71
25	1.97	1.59	85	3.93	3.58	145	5.04	4.74
26	2.01	1.64	86	3.95	3.59	146	5.06	4.76
27	2.06	1.69	87	3.96	3.62	147	5.07	4.77
28	2.11	1.73	88	3.99	3.64	148	5.10	4.79
29	2.16	1.77	89	4.02	3.66	149	5.12	4.82
30	2.20	1.82	90	4.03	3.68	150	5.13	4.83
31	2.24	1.87	91	4.05	3.71	151	5.15	4.85
32	2.29	1.90	92	4.07	3.72	152	5.18	4.87
33	2.33	1.95	93	4.09	3.75	153	5.19	4.89
34	2.37	1.99	94	4.11	3.77	154	5.21	4.91
35	2.42	2.03	95	4.13	3.78	155	5.23	4.93
36	2.45	2.07	96	4.15	3.81	156	5.25	4.95
37	2.49	2.11	97	4.17	3.83	157	5.27	4.97
38	2.54	2.15	98	4.19	3.85	158	5.29	4.99
39	2.57	2.18	99	4.20	3.87	159	5.31	5.01
40	2.61	2.23	100	4.22	3.89	160	5.33	5.02
41	2.65	2.26	101	4.24	3.91	161	5.35	5.05
42	2.69	2.30	102	4.26	3.93	162	5.37	5.07
43	2.73	2.34	103	4.27	3.95	163	5.38	5.08
44	2.76	2.38	104	4.29	3.96	164	5.41	5.10
45	2.80	2.42	105	4.31	3.99	165	5.43	5.13
46	2.84	2.45	106	4.33	4.01	166	5.44	5.14
47	2.87	2.49	107	4.34	4.02	167	5.46	5.16
48	2.91	2.52	108	4.36	4.04	168	5.49	5.18
49	2.94	2.56	109	4.38	4.06	169	5.50	5.20
50	2.98	2.60	110	4.39	4.08	170	5.52	5.22
51	3.01	2.62	111	4.41	4.09	171	5.54	5.24
52	3.04	2.66	112	4.43	4.12	172	5.56	5.25
53	3.08	2.70	113	4.45	4.13	173	5.58	5.28
54	3.11	2.73	114	4.45	4.15	174	5.60	5.30
55	3.14	2.76	115	4.48	4.17	175	5.62	5.31
56	3.17	2.80	116	4.49	4.19	176	5.64	5.33
57	3.21	2.82	117	4.51	4.20	177	5.66	5.36
58	3.23	2.86	118	4.52	4.22	178	5.68	5.38
59	3.27	2.88	119	4.53	4.24	179	5.69	5.39
60	3.29	2.92	120	4.56	4.25	180	5.72	5.41

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 5 ALL OTHER PERSONS SELLING CREDIT INSURANCE NOT SPECIFICALLY LISTED ABOVE

Duration	RETROACTIVE		Duration	RETROACTIVE		Duration	RETROACTIVE	
	14 - DAY	30 - DAY		14 - DAY	30 - DAY		14 - DAY	30 - DAY
1	0.16	0.00	61	2.37	2.18	121	3.26	3.05
2	0.24	0.21	62	2.39	2.20	122	3.27	3.06
3	0.31	0.29	63	2.41	2.22	123	3.28	3.07
4	0.39	0.36	64	2.44	2.24	124	3.29	3.09
5	0.47	0.43	65	2.45	2.26	125	3.31	3.10
6	0.54	0.50	66	2.47	2.27	126	3.32	3.11
7	0.62	0.57	67	2.49	2.29	127	3.33	3.12
8	0.70	0.64	68	2.51	2.31	128	3.34	3.14
9	0.77	0.72	69	2.53	2.33	129	3.36	3.15
10	0.85	0.79	70	2.55	2.35	130	3.37	3.16
11	0.93	0.85	71	2.57	2.37	131	3.38	3.17
12	1.00	0.92	72	2.59	2.38	132	3.39	3.18
13	1.04	0.96	73	2.60	2.40	133	3.40	3.20
14	1.08	0.99	74	2.62	2.41	134	3.42	3.21
15	1.11	1.02	75	2.63	2.43	135	3.43	3.22
16	1.15	1.05	76	2.65	2.45	136	3.44	3.23
17	1.18	1.08	77	2.67	2.46	137	3.45	3.25
18	1.22	1.12	78	2.69	2.48	138	3.47	3.26
19	1.25	1.15	79	2.71	2.50	139	3.48	3.27
20	1.28	1.18	80	2.72	2.51	140	3.49	3.28
21	1.31	1.21	81	2.73	2.53	141	3.50	3.29
22	1.35	1.24	82	2.75	2.54	142	3.51	3.31
23	1.38	1.27	83	2.77	2.56	143	3.53	3.32
24	1.41	1.30	84	2.78	2.57	144	3.54	3.33
25	1.45	1.33	85	2.80	2.59	145	3.55	3.34
26	1.48	1.35	86	2.82	2.60	146	3.56	3.36
27	1.51	1.38	87	2.83	2.62	147	3.58	3.37
28	1.54	1.41	88	2.84	2.63	148	3.59	3.38
29	1.57	1.44	89	2.86	2.65	149	3.60	3.39
30	1.60	1.46	90	2.88	2.66	150	3.61	3.41
31	1.63	1.50	91	2.89	2.67	151	3.62	3.42
32	1.66	1.52	92	2.90	2.69	152	3.64	3.43
33	1.69	1.55	93	2.92	2.70	153	3.65	3.44
34	1.72	1.57	94	2.93	2.72	154	3.66	3.46
35	1.74	1.60	95	2.94	2.73	155	3.67	3.47
36	1.78	1.63	96	2.96	2.74	156	3.69	3.48
37	1.80	1.65	97	2.97	2.76	157	3.70	3.49
38	1.83	1.68	98	2.98	2.77	158	3.71	3.51
39	1.86	1.70	99	3.00	2.78	159	3.72	3.52
40	1.88	1.73	100	3.01	2.80	160	3.74	3.53
41	1.91	1.75	101	3.03	2.81	161	3.75	3.54
42	1.94	1.78	102	3.04	2.82	162	3.76	3.56
43	1.96	1.79	103	3.05	2.83	163	3.77	3.57
44	1.99	1.82	104	3.06	2.85	164	3.79	3.58
45	2.01	1.84	105	3.07	2.86	165	3.80	3.59
46	2.04	1.86	106	3.09	2.87	166	3.81	3.61
47	2.06	1.89	107	3.10	2.88	167	3.82	3.62
48	2.08	1.91	108	3.11	2.90	168	3.84	3.63
49	2.11	1.94	109	3.12	2.91	169	3.85	3.64
50	2.13	1.96	110	3.13	2.92	170	3.86	3.66
51	2.16	1.97	111	3.15	2.93	171	3.87	3.67
52	2.18	2.00	112	3.16	2.95	172	3.89	3.68
53	2.20	2.02	113	3.16	2.95	173	3.90	3.69
54	2.22	2.04	114	3.18	2.96	174	3.91	3.71
55	2.24	2.06	115	3.19	2.98	175	3.92	3.72
56	2.27	2.08	116	3.20	2.99	176	3.94	3.73
57	2.29	2.11	117	3.21	3.00	177	3.95	3.74
58	2.31	2.12	118	3.22	3.01	178	3.96	3.76
59	2.33	2.14	119	3.23	3.03	179	3.97	3.77
60	2.35	2.16	120	3.24	3.04	180	3.99	3.78

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

Prima facie RATES FOR CREDIT
LIFE INSURANCE AND CREDIT
DISABILITY INSURANCE

Docket No. 02A-139-INS

HEARING OFFICER'S
REPORT AND RECOMMENDATION

A Public Hearing was conducted on September 25, 2002 to consider objections to the Department's proposed *prima facie* rate adjustments for credit life insurance and credit disability insurance, which rates have been proposed pursuant to Arizona Administrative Code provisions R20-6-604.04 and R20-6-604.05.

The basis for the Department's actions is found in Arizona Revised Statutes §20-1610 which provides in part:

- (A) The amount charged to a debtor for credit life insurance or credit disability insurance [shall not] exceed the premium for the particular coverage that is specified in the schedule of rates then on file with the Director...
- (B) Each schedule of premium and revision thereof pertaining to the sale or provision in Arizona of any credit life insurance or credit disability insurance shall be filed with the director by each insurer engaged in these transactions...The Director shall disapprove the schedule if in the director's opinion the premium

rates charged or to be charged are excessive in relationship to benefits that may be awarded. In determining whether to disapprove the schedule the director shall accord due consideration to past and prospective loss experience within and outside Arizona, to underwriting practice and judgment to and all other factors relevant to the relationship between premium rates and benefits.

To that end, the Department has promulgated regulations which establish standards for meeting the requirements of the above-cited statute. Those standards require a rate for credit life insurance that yields a loss ratio of no less than 50% and yields a loss ratio of no less than 60% for credit disability insurance, see A.A.C. R20-6-604.02. Additional regulations promulgated by the Department allow the Department to set *prima facie* rates for these insurance products and those rates are presumed to comply with the required loss ratios, see A.A.C. R20-6-603.03, R20-6-604.04 and R20-604.05.

The Department is required to review *prima facie* rates every three years using three criteria, to-wit: 1) Determine the rate of expected claims on a statewide basis; 2) Compare the rate of expected claims with the rate of actual claims for the past three years determined from the incurred claims and earned premiums at *prima facie* rates; and, 3) If the Director determines that the *prima facie* rates require adjustment, issue a notice of hearing and proposed order adjusting the actual statewide *prima facie* rates. The instant hearing is the result of the three year rate review process.

Based on the information and documentation presented at the public hearing, the undersigned finds the following:

1. The Department undertook two actuarial reviews of the credit life and credit disability insurance industries during 2001 and 2002, each of which examined the loss experience results of various classes of lenders and types of plans offered by the lenders. The first review covered the period of 1997 through 1999. The second review covered the period of 1998 through 2000;

2. Actual loss ratios for the various plans by the classes of lenders were sorted by the Department and charted from information filed with the Department by the insurers on their Form A submissions;

3. Based on the actual loss ratios, the Department concluded that all plans offered by all classes of lenders required adjustment in order to comply with the required loss ratios;

4. The Department prepared schedules of such adjustments for each plan offered by the various classes of lenders, which schedules are presented in this public hearing as the proposed adjustments to the *prima facie* rates allowed by law;

5. The Department's analysis recognized an anomaly in the area of credit disability insurance between the issuance and sale of retroactive and non-retroactive policies. The Department concluded that the anomaly exists due to the classes of lenders offering the two different forms of disability insurance, namely, the non-retroactive disability policies typically issued by credit unions offered less consumer value than the retroactive disability policies typically issued by sales finance lenders;

6. The Department's methodology in assessing the need for adjusting *prima facie* rates for credit life and credit disability insurance was contested. One of the bases for the contest is that the Department should have used a component rating method for

determining whether loss ratios by insurers meet the statutory requirements. The contestants argued that the Department should look at each company's costs of doing business as well as its commission schedules when determining whether its rates meet the loss ratios demanded by the statute and, the contestants argue, if the Department had applied component rating, the rates proposed by the Department are too low;

7. The Department's methodology for calculating adjustments to *prima facie* rates was also contested on the basis that the Department did not give "due consideration" to prospective loss experiences of insurers;

8. The Department's conclusions about rate adjustments for credit life and credit disability insurance were also contested on the basis that, if the Department adjusted rates too low, lenders would stop offering credit life and credit disability insurance as part of a sales finance transaction;

9. The Department's process of rate adjustments for credit life and credit disability insurance were also contested on the basis that the Department was examining data from macroeconomic periods which may not represent the economic conditions in Arizona for forward periods of time and, because in the last few years economic conditions have been favorable, the loss ratios experienced by insurers under the Department's proposed rules may far exceed the anticipated loss ratios in years to come;

10. The Department's methodology and results of assessing the need for adjusting *prima facie* rates for credit life and credit disability insurance was supported by the Center for Economic Justice;

11. The effective date for implementing adjustments to *prima facie* rates for

credit life and credit disability insurance must be reasonably established in order to give insurers enough time to re-program their systems.

Based on the comments received and the Department's responses to those comments, the undersigned recommends that the Director ADOPT the analysis of the Department's actuaries, that the Director ADOPT the *prima facie* rate adjustments proposed by the Department for credit life and credit disability insurance rates and that the Director ORDER that such adjusted rates take effect ninety (90) days from the date of the Director's Order.

The Department has responded to the concerns raised regarding credit disability *prima facie* rates by separating the retroactive class of insurance from the non-retroactive class of insurance and the logic for such separation is compelling. The anomaly that was created by comparing loss ratios from the two types of credit disability insurance led to the absurd result that consumers would receive less value from an insurance product that provided disability coverage, solely because the classes of lenders who offer credit disability insurance prefer one product over the other. Borrowers from credit unions would be sold non-retroactive credit disability policies which, if implemented as originally proposed by the Department, would be at the same premium cost as credit finance lenders who sold retroactive credit disability policies. Clearly, that result would not be in the best interests of consumers and the Department realized that, in the area of credit disability insurance, the class of lender matters more than the creation of a blanket rate adjustment for the type of insurance and the Department's

credit life and credit disability insurance must be reasonably established in order to give insurers enough time to re-program their systems.

Based on the comments received and the Department's responses to those comments, the undersigned recommends that the Director ADOPT the analysis of the Department's actuaries, that the Director ADOPT the *prima facie* rate adjustments proposed by the Department for credit life and credit disability insurance rates and that the Director ORDER that such adjusted rates take effect ninety (90) days from the date of the Director's Order.

The Department has responded to the concerns raised regarding credit disability *prima facie* rates by separating the retroactive class of insurance from the non-retroactive class of insurance and the logic for such separation is compelling. The anomaly that was created by comparing loss ratios from the two types of credit disability insurance led to the absurd result that consumers would receive less value from an insurance product that provided disability coverage, solely because the classes of lenders who offer credit disability insurance prefer one product over the other. Borrowers from credit unions would be sold non-retroactive credit disability policies which, if implemented as originally proposed by the Department, would be at the same premium cost as credit finance lenders who sold retroactive credit disability policies. Clearly, that result would not be in the best interests of consumers and the Department realized that, in the area of credit disability insurance, the class of lender matters more than the creation of a blanket rate adjustment for the type of insurance and the Department's

proposed rate adjustments which split the two forms of credit disability insurance eliminates the anomaly that such blanket rates would create. As such, the undersigned believes that the Department has equalized consumer cost vs. benefit for this type of insurance and therefore recommends that the proposed *prima facie* rates for credit disability insurance be adopted by the Director.

The attack on the Department's methodology, namely, using loss ratios instead of component ratings cannot be sustained. The rules for establishing rates, as they presently exist, do not allow the Department to consider anything other than loss ratios and the proposed rates were recommended based on compliance with the 50% and 60% mandates of the regulations. As such, the proposed adjustments to the *prima facie* rates for credit life and credit disability insurance should be adopted based on the Department's methodology of calculating loss ratios without regard to component ratings.

Further, since these rates are *prima facie*, if an individual insurer presents cogent evidence to the Department that the *prima facie* rates are unfavorable, that insurer may be granted a deviation from the *prima facie* rates. Calculating credit life and credit disability rates for each insurer who does business in the State of Arizona would lead to fragmented and disparate rates. Because consumers are typically not free to compare rates among insurers at the time credit life and credit disability insurance is sold, theoretical rate comparison ability would be a chimera. A unitary rate structure for credit life and credit disability insurance sales is more protective of the consumer and, since the Department has been more than generous in factoring in margins for insurers' protection, component rating should not be a consideration for the adjustment of rates

for credit life and credit disability insurance. Anyway, for companies which do not have established histories, *prima facie* rates are required.

The protest regarding the failure to give "due consideration" to the insurers' present and future claims experiences is not supported in the record. The Department made two analyses of loss experiences, one for the period of 1997 through 1999 and one for the period of 1998 through 2000. When there was no appreciable difference in the loss ratios between the two periods, the Department was content that current experience was reflected in its proposed adjustments. Nothing was presented at the public hearing to rebut the Department's conclusions. Future loss experiences are purely speculative and cannot form the basis for calculating *prima facie* rates. The undersigned is satisfied that the Department used due care in considering insurers' actual loss experiences when it recommended adjustments to the credit life and credit disability *prima facie* rates.

Overall, the objections raised to the proposed credit life insurance *prima facie* rate adjustments are not persuasive. The Department's actuaries carefully calculated insurers' experiences for successive three year periods in order to ascertain the level of losses associated with writing credit life insurance, which loss experience was far below the mandated 50% requirement. Adjustments to the credit life insurance *prima facie* rates was certainly in order and the Department's actuaries carefully calculated the necessary adjustment amounts in order to satisfy the 50% rule. Accordingly, the undersigned recommends that the Director adopt the Department's proposed *prima facie* credit life rates.

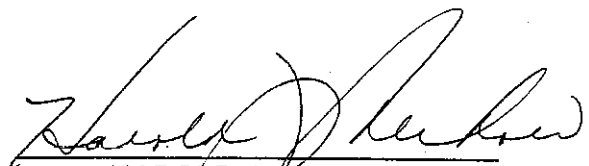
The undersigned further recommends that the Director adopt the Department's revised proposed *prima facie* credit disability rates. The Department's initial proposed rate adjustments were re-crafted in order to eliminate the anomaly created by the analysis showing that consumers receive less value for more money, depending on the circumstances under which the insurance is purchased and from whom. Elimination of the anomaly strikes a fair balance between insurers and consumers and should be adopted by the Director as recast by the Department's actuaries. Accordingly, the undersigned recommends that the Director adopt the Department's proposed *prima facie* credit disability rates.

The Department seeks implementation of these rate adjustments in 60 days from the date of the Director's Order. The Department suggests that, since the insurers were on notice that rate adjustments were being considered by the Department, they had sufficient time to prepare for such adjustments. The insurers, however, plead for a longer transition period on the basis that the network of lenders for these insurance products is far-flung and each of them needs time to implement changes to the *prima facie* rates. The undersigned believes that, although rate adjustment was well-known to the insurers, the actual rates have not been designated by the Director and the undersigned further acknowledges that some length of time will be necessary to implement the rate adjustments. The undersigned believes that 90 days from the date of the Director's Order is a fair amount of time to allow all of the insurers who offer these products to distribute the rate adjustments throughout their networks.

The Department has also asked that the Director's Order include a proscription to insurers who have previously obtained deviation rates not to piggyback those

deviations on the newly-ordered adjusted rates. The undersigned agrees that, for any insurer who obtained an order from the Department allowing a deviation from *prima facie* rates, that insurer should either conform to the newly-ordered *prima facie* rates or submit a new application for deviations from the adjusted rates. To that end, the undersigned recommends that the Director's Order contain a provision making all approved existing deviations to be null and void upon the effective date of the Director's Order. The undersigned further recommends that the Director's Order allow insurers to immediately apply for deviations from the newly-ordered adjusted rates and that any approved deviations will be effective at the time the adjusted *prima facie* rates take effect.

Respectfully submitted this 16th day of December 2002.


HAROLD J. MERKOW
Hearing Officer