

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

In the Matter of:

**No. 25A-004-INS**

**LOSS RATIO STANDARDS AND *PRIMA FACIE* RATES FOR CREDIT  
UNEMPLOYMENT 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 Revised Statutes §§ 20-1621.05(B) and (C), and appointed hearing officer Tom Zuppan, to take comments on a proposed order setting a loss ratio standard and establishing prima facie rates for credit unemployment 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 10:30 to 11:00 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 unemployment 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 2013 (*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](mailto:public_comments@difi.az.gov).

If submitting a written comment, please use "Credit Unemployment 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](mailto:tom.zuppan@difi.az.gov).

DATED this 10<sup>th</sup> 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 10<sup>th</sup> 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

9 AMI Risk Consultants, Inc.  
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[admin@mijaz.org](mailto:admin@mijaz.org)

*Mayra Kariem*

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Mayra Kariem

# **EXHIBIT A**

STATE OF ARIZONA

DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

In the Matter of:

**LOSS RATIO STANDARDS AND *PRIMA FACIE* RATES FOR CREDIT UNEMPLOYMENT INSURANCE**

**Docket No. 25A-004-INS**

**ORDER**

Pursuant to A.R.S. §20-1621.05(B), the Director shall, at least once every three years, establish by order a loss ratio standard for credit unemployment insurance. Concurrently, pursuant to A.R.S. §20-1621.05(C), the Director shall, by order, establish prima facie rates for credit unemployment insurance.

On January 9, 2013, the Director issued an Order In the Matter of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 13A-007-INS (“the 2013 Order”). The 2013 Order established a loss ratio standard of 50% for credit unemployment insurance to be effective January 15, 2013. The Director also established via the 2013 Order *prima facie* rates for credit unemployment insurance as set forth in Exhibit B to the 2013 Order.

After due consideration of the enumerated factors in A.R.S. §20-1621.05, the Director enters the following Order:

1. The loss ratio standard for credit unemployment insurance shall remain at 50%;
2. The *prima facie* rates for credit unemployment insurance are revised as set forth in Exhibit A;
3. Insurers may file for approval and use of deviated rates that are higher than the *prima facie* rates established in this Order. Deviations for credit unemployment insurance may be filed where loss ratios exceeded 50%. Deviations shall be filed in accordance with the process and standards set forth in A.R.S. §20-1610 for credit unemployment insurance. When filing

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deviations, insurers shall use the Credibility Table attached hereto as Exhibit B (credit unemployment).

4. Pursuant to A.R.S. §20-1610 and A.R.S. §20-1621.05(C), on or before April 1 of each year, each insurer that transacts credit unemployment insurance shall file with the Director an experience report containing information as required on a form specified by the Director.

5. This Order is effective [\_\_\_\_\_].

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 Central States Indemnity Co. of Omaha  
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**COPY** of the foregoing transmitted electronically the same date to:

**EXHIBIT A**

**ARIZONA CREDIT UNEMPLOYMENT PRIMA FACIE RATES**

**TABLE A\***

**SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED**

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.088	0.125
9	0.108	0.154
12	0.148	0.212
18	0.155	0.222
24	0.159	0.227
More than 24	0.162	0.231

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

**TABLE B\***

**MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED**

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.077	0.110
9	0.095	0.136
12	0.130	0.186
18	0.136	0.195
24	0.140	0.199
More than 24	0.142	0.203

**TABLE C\*\***

**MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE**

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.065	0.093
9	0.080	0.114
12	0.110	0.157
18	0.115	0.164
24	0.118	0.168
More than 24	0.120	0.171

\*Tables A and B are applicable to closed-end credit as defined in ARS §20-1610.01

\*\*Table C is applicable to open-end credit as defined in ARS §20-1610.01

**EXHIBIT B**  
**CREDIBILITY TABLE - IUI**

ANNUAL EARNED PREMIUM	CREDIBILITY FACTOR
<32,600	0.00
32,600 - 59,799	0.15
59,800 - 91,399	0.20
91,400 - 132,199	0.25
132,200 - 181,199	0.30
181,200 - 236,899	0.35
236,900 - 298,699	0.40
298,700 - 368,799	0.45
368,800 - 445,499	0.50
445,500 - 530,399	0.55
530,400 - 623,399	0.60
623,400 - 722,999	0.65
723,000 - 829,099	0.70
829,100 - 943,299	0.75
943,300 - 1,065,699	0.80
1,065,700 - 1,194,599	0.85
1,194,600 - 1,330,099	0.90
1,330,100 - 1,473,699	0.95
1,473,700 +	1.00

# **EXHIBIT B**

**State of Arizona**  
**Credit Unemployment**  
**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.

1336 SW. 146<sup>th</sup> Ct.,  
Miami, Florida 33184

Tel: (305) 273-1589  
Fax: (305) 330-5427

2878 Loveland Dr. #2208  
Las Vegas, NV 89109

Tel: (702) 478-5924

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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](mailto:Tom.Zuppan@difi.az.gov)

Dear Mr. Zuppan:

We are pleased to submit our final report on the State of Arizona Credit Unemployment 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

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DOCKET NO. 13A-007-INS .....	Appendix B

**AMI Risk Consultants, Inc.**

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## **Actuarial Report**

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***Credit Unemployment  
Prima Facie Rate Review  
August 2024***

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**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 Unemployment Prima Facie Rates as established by Docket No. 13A-007-INS dated January 8, 2013.

The 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 permissible loss ratio
- 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.

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**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 Unemployment Program Types/Coverage Classifications**

Arizona’s current Credit Unemployment prima facie rates were established January 9, 2013 and are attached to this report in Appendix B. Rates are provided for the following coverage classifications:

- **Monthly Outstanding Balance – Open End Credit:** This coverage is appropriate for credit cards or revolving charge accounts and pays the account’s minimum monthly payment, subject to a maximum duration, during the account holder’s unemployment. Premium is paid monthly based on the account’s current balance.
- **Single Premium:** This coverage is appropriate for a fixed term loan and pays the loan’s minimum monthly payment, subject to a maximum duration, during the borrower’s unemployment. As the name suggests, the premium is paid in lump sum at the loan’s inception and is typically financed along with the loan.
- **Monthly Premium – Closed End Credit:** This coverage is appropriate for a fixed term loan and is similar to Single Premium coverage described above except that the premium is paid monthly based on the loan’s monthly payment.

Maximum benefit periods range from 6 months to more than 24 months. Benefits are typically not paid during an initial 30-day elimination period at the onset of unemployment. However, coverage may be provided as Retro or Non-Retro, with Retro benefits covering the first month’s loan payment retrospectively.

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**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 20% reduction** to the Credit Unemployment prima facie rates. Furthermore, we recommend that the reduction be distributed as follows:

Coverage Class	Proposed % Rate Reduction	2022 AZ Written Premium
Single Premium 12-Month Retro Benefits	-18.5%	\$1,227,744
Single Premium 18-Month Retro Benefits	-26.2%	171,092
Single Premium >24-Month Retro Benefits	-34.0%	22,259
Monthly Outstanding Balance 9-Month Retro Benefits	-43.5%	10,360
Monthly Outstanding Balance >24-Month Retro Benefits	-44.2%	9,885
All Other Coverage Classes	Varies**	3,443
<b>Total</b>	<b>-20.0%</b>	<b>\$1,444,783</b>

\*\*See Pages 10-12 or the Summary Exhibit following this written report.

Note from the last column above that in 2022, the latest year reviewed:

- Only Retro Benefit coverage was written, and
- Premiums for Monthly Outstanding Balance coverage were minimal.

Consequently, any rate change will almost exclusively impact current writers of Single Premium/Retropective Benefit coverage.

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## 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 both Arizona and Countrywide. The most recent five years available were selected in order to collect a credible volume of data for review.
- Insurance Expense Exhibits for 2020, 2021 and 2022. A 3-year average of expenses is commonly applied in determining a permissible loss ratio.

Arizona earned premium was requested on two bases:

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

Experience was requested separately for:

- **Program Types:** Single Premium, Monthly Premium – Closed End Credit, Monthly Outstanding Balance – Open End Credit.
- **Coverages:** Non-Retro 30 Day Elimination, Retro 30 Day Elimination, Other Non-Retro, Other Retro.
- **Maximum Benefit Period.**

The call also requested the **average rate charged** each year in Arizona and Countrywide.

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

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

**Data Received - Carriers**

During 2022 there were **eight** insurers actively writing Credit Unemployment insurance in Arizona, but **five** reported minimal annual premium of less than \$25,000 in the state. Only Triton, Securian Casualty and Standard Guaranty wrote any significant volume in Arizona.

An additional company, American Bankers Insurance Company of Florida (NAIC # 10111) reported declining written premium between 2018 and 2021, but no writings in 2022.

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

NAIC #	Company	Premium
42978	American Security Ins. Co. of FL	\$10,360
34274	Central States Indemnity Co. of Omaha	4,276
10051	Lyndon Southern Insurance Co.	22,259
10054	Securian Casualty Co.	327,253
42986	Standard Guaranty Ins. Co. of FL	171,092
10952	Transamerica Casualty Ins. Co.	5,609
41211	Triton Ins. Co.	900,491
25011	Wesco Insurance Company	3,443
	<b>Total</b>	<b>\$1,444,783</b>

**Data Received – Loss Experience**

The **eight** insurers reported the following compiled experience:

**Credit Unemployment  
5 – Year Experience**

Calendar Year	Arizona		Countrywide	
	Earned Premium at Prima Facie	Loss Ratio	Earned Premium at Prima Facie**	Loss Ratio
2018	\$1,068,786	5.7%	\$65,154,923	13.9%
2019	1,124,470	16.4%	76,643,334	16.6%
2020	1,234,663	54.2%	104,939,810	48.2%
2021	1,049,609	33.2%	79,469,797	37.1%
2022	1,199,544	13.9%	90,751,951	13.1%
<b>Total</b>	<b>\$5,677,072</b>	<b>25.2%</b>	<b>\$416,959,815</b>	<b>27.3%</b>

\*\*Countrywide earned premium at AZ prima facie was approximated by AMI.  
Loss Ratios include 3.3% addition for Loss Adjustment Expenses.

**Data Received – Expenses**

The compiled expenses from the various carriers are shown on Page 6 in the Permissible Loss Ratio section.

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**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. Premiums and losses could not be compared and balanced to any external source, as Credit Unemployment is not routinely reported separately in the NAIC Annual Statement or elsewhere.

It was expected that Credit Unemployment experience would be reported in the Annual Statement under NAIC Line of Business 28 – Credit, and potentially combined there with other credit coverages such as Credit Property. Several companies responding to the data call, however, indicated reporting under other Lines of Business, including Line 9 – Inland Marine and Write-In Lines 34.01 and 34.02.

**Data adjustments**

We relied on Arizona Earned Premium at Prima Facie as reported by each company. **Countrywide earned premium at prima facie** was approximated as follows:

$$C \times PF/AZ \times R_{az}/R_{cw}$$

where,

C = Countrywide Earned Premium  
 PF = Arizona Earned Premium at Prima Facie  
 AZ = Arizona Earned Premium  
 $R_{az}$  = Average Rate Charged in Arizona  
 $R_{cw}$  = Average Rate Charged Countrywide.

For companies not reporting an average rate charged countrywide, we assumed  $R_{az}/R_{cw} = .85$  which was the average for companies reporting average rates for both Arizona and Countrywide.

Incurred losses for the 2020 and 2021 years for **Triton Insurance Company** were replaced with the paid losses for those years. Wide swings in incurred losses between the two years suggested an unusual reserving practice for both Arizona and Countrywide.

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**Permissible  
Loss Ratio**

The permissible loss ratio was determined as 100% minus the sum of allowances for insurer expenses and profit, as shown below.

**DEVELOPMENT OF THE PERMISSIBLE LOSS RATIO**

<b>Expense Category</b>	<b>% Provision</b>
Commission	36.5%
Other Acquisition	1.2%
General	3.0%
Taxes, Licenses & Fees	2.7%
Profit & Contingencies	5.0%
Total Expense	48.5%
<b>Permissible Loss &amp; LAE Ratio</b>	<b>51.5%</b>

The expense percentages were compiled from the Insurance Expense Exhibits for 2020, 2021 and 2022 provided by the insurers.

The profit margin is unchanged from a prior review and was based on the stated margins from credit insurance rate filings. In checking more recent filings the margins ranged from 5% to 8%. However, assuming a margin higher than 5% would produce a permissible loss ratio below 50%. Furthermore, the commission percentage includes both advance and contingent/profit share compensation and therefore provides an additional allowance for company profit that is subsequently shared with the lending institution or retailer.

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**Credibility**

We assumed a full credibility standard based on earned premium of **\$1,473,696**.

This standard was derived by trending the standard in Table C1 of Docket No. 13A-007-INS from 2013 to 2024. The trend factor was based on the Consumer Price Index.

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

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**Rate Level  
Change  
Indication**

Development of the overall rate level change is shown on **Exhibit I, Page 1** 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 **3.3%** to allow for loss adjustment expenses. That percentage was derived from the Insurance Expense Exhibits of the various insurers.

Incurred losses were **not trended** because no trend was apparent in the compiled experience. The loss ratio was higher during the Covid pandemic but returned to pre-pandemic levels in 2022.

We selected the all year weighted average experience loss ratio of **25.2%**.

Due to the 5-year premium volume of **\$5,677,072**, the loss ratio was assumed to be fully credible.

Compared to the Permissible Loss & LAE Ratio of **51.5%**, the overall rate level change indication was **-51.0%**. The indication would have been **more negative** had the experience period not included the higher loss ratios produced by the Covid years.

We are proposing an initial change of **-20.0%**, to be revisited in three years when the Credit Prima Facie Rates are again reviewed.

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**Classification  
Relativities**

Based on a combination of Arizona and Countrywide experience received, we selected the following relativities among rate classifications. The “base” class was chosen as Single Premium Retro Benefits with a 12-month Maximum Benefit Period.

TABLE A - INDICATED RELATIVITIES TO BASE  
SINGLE PREMIUM

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.41	0.59
9	0.51	0.73
12	0.70	<b>1.00 (Base)</b>
18	0.73	1.05
24	0.75	1.07
More than 24	0.76	1.09

TABLE B - INDICATED RELATIVITIES TO BASE  
MONTHLY PREMIUM

Multiply the above by 0.88

TABLE C - INDICATED RELATIVITIES TO BASE  
MONTHLY OUTSTANDING BALANCE

Multiply the above by 0.74

**Proposed Rates  
Table A  
Single Premium**

**TABLE A - CURRENT**

SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.12	0.18
9	0.15	0.23
12	0.17	0.26
18	0.20	0.30
24	0.22	0.33
More than 24	0.23	0.35

**TABLE A - PROPOSED**

SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.088	0.125
9	0.108	0.154
12	0.148	0.212
18	0.155	0.222
24	0.159	0.227
More than 24	0.162	0.231

**TABLE A - % CHANGE**

SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	-27.0%	-30.4%
9	-28.1%	-33.0%
12	-12.8%	-18.5%
18	-22.5%	-26.2%
24	-27.8%	-31.3%
More than 24	-29.7%	-34.0%

**Proposed Rates**  
**Table B**  
**Monthly Premium**  
**Closed-End Credit**

**TABLE B - CURRENT**

MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.14	0.18
9	0.17	0.23
12	0.19	0.27
18	0.21	0.30
24	0.23	0.33
More than 24	0.25	0.35

**TABLE B – PROPOSED**

MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.077	0.110
9	0.095	0.136
12	0.130	0.186
18	0.136	0.195
24	0.140	0.199
More than 24	0.142	0.203

**TABLE B - % CHANGE**

MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	-45.0%	-38.8%
9	-44.3%	-41.1%
12	-31.4%	-31.0%
18	-35.1%	-35.1%
24	-39.2%	-39.6%
More than 24	-43.1%	-41.9%

**Proposed Rates  
Table C  
Monthly  
Outstanding  
Balance**

**TABLE C- CURRENT**

MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.140	0.158
9	0.170	0.202
12	0.190	0.237
18	0.210	0.263
24	0.230	0.289
More than 24	0.250	0.307

**TABLE C - PROPOSED**

MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.065	0.093
9	0.080	0.114
12	0.110	0.157
18	0.115	0.164
24	0.118	0.168
More than 24	0.120	0.171

**TABLE C - % CHANGE**

MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	-53.7%	-41.3%
9	-53.1%	-43.5%
12	-42.2%	-33.8%
18	-45.4%	-37.6%
24	-48.8%	-41.9%
More than 24	-52.1%	-44.2%

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**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 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.

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**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.

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**Attached Exhibits**

The following exhibits are attached to this report:

*Summary Exhibit* – Summary of Rate Change

*Exhibit I*

- Page 1 – Overall Rate Change Indication
- Page 2 - Full Credibility Standard Based on Earned Premium
- Page 3 - Development of Permissible Loss Ratio

*Exhibit II* – Program Type Relativities

*Exhibit III* – Maximum Benefit Period Relativities

*Exhibit IV* - Coverage Relativities

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**Attached  
Appendices**

The following appendices are attached to this report:

*Appendix A* – Credit Unemployment Data Call

*Appendix B* – Docket No. 13A-007-INS

*Appendix C* – Summary of Relativities to Base Premium Rate

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**AMI Risk Consultants, Inc.**

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**Actuarial Exhibits**

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

TABLE A - CURRENT  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.12	0.18
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9	0.108	0.154
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More than 24	0.162	0.231

TABLE A - CHANGE  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

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9	-28.1%	-33.0%
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18	-22.5%	-26.2%
24	-27.8%	-31.3%
More than 24	-29.7%	-34.0%

TABLE B - CURRENT  
MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.14	0.18
9	0.17	0.23
12	0.19	0.27
18	0.21	0.30
24	0.23	0.33
More than 24	0.25	0.35

TABLE B - PROPOSED  
MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.077	0.110
9	0.095	0.136
12	0.130	0.186
18	0.136	0.195
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MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

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6	-45.0%	-38.8%
9	-44.3%	-41.1%
12	-31.4%	-31.0%
18	-35.1%	-35.1%
24	-39.2%	-39.6%
More than 24	-43.1%	-41.9%

TABLE C - CURRENT  
MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.140	0.158
9	0.170	0.202
12	0.190	0.237
18	0.210	0.263
24	0.230	0.289
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MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

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9	-53.1%	-43.5%
12	-42.2%	-33.8%
18	-45.4%	-37.6%
24	-48.8%	-41.9%
More than 24	-52.1%	-44.2%

**ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY  
CREDIT UNEMPLOYMENT  
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	1,068,786	59,066	1.033	5.7%	1.00	5.7%
2019	1,124,470	179,069	1.033	16.4%	1.00	16.4%
2020	1,234,663	648,482	1.033	54.2%	1.00	54.2%
2021	1,049,609	337,640	1.033	33.2%	1.00	33.2%
2022	1,199,544	161,660	1.033	13.9%	1.00	13.9%
<b>Total</b>	<b>5,677,072</b>	<b>1,385,917</b>	<b>1.033</b>	<b>25.2%</b>	<b>1.00</b>	<b>25.2%</b>

(7) All-year weighted average	25.2%
3-year weighted average	34.0%
All year average x-hi/lo	21.2%
(8) Selected Arizona Loss & LAE Ratio	25.2%
(9) Credibility	100.0%
(10) Permissible Loss & LAE Ratio	51.5%
(11) Overall Rate Level Indication	-51.0%
(12) Proposed Overall Rate Change	-20.0%
(13) Relativity Off-Balance	0.982
(14) Current Base Premium Rate per \$10 of Monthly Benefit (Single Premium, Retro-30 Day Elimination, 12 Month Max Benefits)	\$0.26
(15) Proposed Base Premium Rate per \$10 of Monthly Benefit	\$0.21

**Notes:**

(1) , (2) & (3) - Per data call compilation

(4) = (2) x (3) / (1)

(5), (8) & (12) - Per AMI selection

(6) = (4) x (5)

(7) - As described

(9) = SQRT(Total of (1) / full credibility standard from Exhibit I, Page 2)

(10) - Per Exhibit I, Page 3

(11) = (8) / (10) -1

(13) -Per Appendix C

(14) - Per Appendix B

(15) = (14) x (1+(12)) / (13)

**ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY**  
**CREDIT UNEMPLOYMENT**  
**2025 PROPOSED RATES**  
**FULL CREDIBILITY STANDARD BASED ON EARNED PREMIUM**

- |     |             |  |
|-----|-------------|--|
| (1) | \$1,083,600 | Full credibility standard in Table C1 - Docket No. 13A-007-INS dated January 9, 2013 |
| (2) | 1.36        | Trend from 2013 to 2024 based on CPI   |
| (3) | \$1,473,696 | Trended full credibility standard  |

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

**DEVELOPMENT OF PERMISSIBLE LOSS RATIO**

	Expense Category	
(1)	Commission	36.5%
(2)	Other Acquisition	1.2%
(3)	General	3.0%
(4)	Taxes, Licenses & Fees	2.7%
(5)	Underwriting Profit	5.0%
(6)	Total Expense	48.5%
(7)	Permissible Loss Ratio	51.5%

**Notes:**

(1) - (4): Company averages for 2020 - 2022.

Commission includes both advance and contingent.

(5) - Selected

(6) = Sum of (1) through (5).

(7) = 1 - (6),

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

**PROGRAM TYPE RELATIVITIES**

**2018 - 2022 COMBINED EXPERIENCE**

Program Type	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)
Single Premium	5,118,335	1,392,751	1.033	28.1%	1.00	28.1%
Monthly Premium - Closed End Credit	37,695	0	1.033	0.0%	1.00	0.0%
Monthly OB - Open End Credit	521,042	(6,834)	1.033	-1.4%	1.00	-1.4%
<b>Total</b>	<b>5,677,072</b>	<b>1,385,917</b>	<b>1.033</b>	<b>25.2%</b>	<b>1.00</b>	<b>25.2%</b>

Program Type	Credibility	Credibility Adjusted Loss & LAE Ratio	Indicated Relativity Arizona	Indicated Relativity Countrywide	Selected Relativity	Selected Relativity Normalized
	(7)	(8)	(9)	(10)	(11)	(12)
Single Premium	100.0%	28.1%	1.07	1.11	1.11	<b>1.03</b>
Monthly Premium - Closed End Credit	16.0%	21.2%	0.80	0.06	0.95	<b>0.88</b>
Monthly OB - Open End Credit	59.5%	9.4%	0.36	0.06	0.8	<b>0.74</b>
<b>Total</b>	<b>100.0%</b>	<b>26.3%</b>	<b>1.00</b>	<b>1.00</b>	<b>1.08</b>	<b>1.00</b>

**Notes:**

- (1) , (2) & (3) - Per data call compilation
- (4) = (2) x (3) / (1)
- (5), (11) & (12) - Per AMI selection
- (6) = (4) x (5)
- (7) = SQRT( (1) / full credibility standard from Exhibit I, Page 2)
- (8) = (6) x (7) + (1-(7)) x Total of (6)
- (9) = (8) / Total of (8)
- (10) - Per Exhibit II, Page 2

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

**PROGRAM TYPE RELATIVITIES - COUNTRYWIDE**

**2018 - 2022 COMBINED EXPERIENCE**

Program Type	Countrywide Earned Premium at AZ Prima Facie	Countrywide Incurred Loss	Loss Adjustment Expense Factor	Loss & LAE Ratio	Loss Ratio Trend	Trended Loss & LAE Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
Single Premium	371,916,002	109,445,532	1.033	30.4%	1.00	30.4%
Monthly Premium - Closed End Credit	1,849,178	26,926	1.033	1.5%	1.00	1.5%
Monthly OB - Open End Credit	43,194,635	678,661	1.033	1.6%	1.00	1.6%
<b>Total</b>	<b>416,959,815</b>	<b>110,151,119</b>	<b>1.033</b>	<b>27.3%</b>	<b>1.00</b>	<b>27.3%</b>

Program Type	Credibility	Credibility Adjusted Loss & LAE Ratio	Indicated Relativity Countrywide
	(7)	(8)	(9)
Single Premium	100.0%	30.4%	1.11
Monthly Premium - Closed End Credit	100.0%	1.5%	0.06
Monthly OB - Open End Credit	100.0%	1.6%	0.06
<b>Total</b>	<b>100.0%</b>	<b>27.3%</b>	<b>1.00</b>

**Notes:**

- (1) , (2) & (3) - Per data call compilation
- (4) = (2) x (3) / (1)
- (5) - Per AMI selection
- (6) = (4) x (5)
- (7) = SQRT( (1) / full credibility standard from Exhibit I, Page 2)
- (8) = (6) x (7) + (1-(7)) x Total of (6)
- (9) = (8) / Total of (8)

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

**MAXIMUM BENEFIT PERIOD RELATIVITIES**

**2018 - 2022 COMBINED EXPERIENCE**

Maximum Benefit Period (Months)	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)
6	37,695	0	1.033	0.0%	1.00	0.0%
9 or 10	226,718	(11,452)	1.033	-5.2%	1.00	-5.2%
12 or 12.5	4,468,623	1,379,522	1.033	31.9%	1.00	31.9%
18	725,748	2,598	1.033	0.4%	1.00	0.4%
>24	218,288	15,249	1.033	7.2%	1.00	7.2%
<b>Total</b>	<b>5,677,072</b>	<b>1,385,917</b>	<b>1.033</b>	<b>25.2%</b>	<b>1.00</b>	<b>25.2%</b>

Maximum Benefit Period (Months)	Credibility	Credibility Adjusted Loss & LAE Ratio	Indicated Relativity Arizona	Indicated Relativity Countrywide	Selected Relativity	Selected Relativity Normalized
	(7)	(8)	(9)	(10)	(11)	(12)
6	16.0%	21.2%	0.77	0.03	0.65	<b>0.59</b>
9 or 10	39.2%	13.3%	0.48	0.01	0.8	<b>0.73</b>
12 or 12.5	100.0%	31.9%	1.16	1.09	1.1	<b>1.00</b>
18	70.2%	7.8%	0.28	0.29	1.15	<b>1.05</b>
>24	38.5%	18.3%	0.67	0.29	1.2	<b>1.10</b>
<b>Total</b>	<b>100.0%</b>	<b>27.5%</b>	<b>1.00</b>	<b>1.00</b>	<b>1.10</b>	<b>1.00</b>

**Notes:**

- (1) , (2) & (3) - Per data call compilation
- (4) = (2) x (3) / (1)
- (5), (11) & (12) - Per AMI selection
- (6) = (4) x (5)
- (7) = SQRT( (1) / full credibility standard from Exhibit I, Page 2)
- (8) = (6) x (7) + (1-(7)) x Total of (6)
- (9) = (8) / Total of (8)
- (10) - Per Exhibit II, Page 2

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

**MAXIMUM BENEFIT PERIOD RELATIVITIES - COUNTRYWIDE**

**2018 - 2022 COMBINED EXPERIENCE**

Maximum Benefit Period (Months)	Countrywide Earned Premium at Prima Facie	Countrywide Incurred Loss	Loss Adjustment Expense Factor	Loss & LAE Ratio	Loss Ratio Trend	Trended Loss & LAE Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
6	1,585,477	12,286	1.033	0.8%	1.00	0.8%
9 or 10	7,172,151	16,913	1.033	0.2%	1.00	0.2%
12 or 12.5	368,597,484	107,273,899	1.033	30.1%	1.00	30.1%
18	1,166,857	62,750	1.033	5.6%	1.00	5.6%
>24	31,558,324	2,425,076	1.033	7.9%	1.00	7.9%
<b>Total</b>	<b>410,080,294</b>	<b>109,790,924</b>	<b>1.033</b>	<b>27.7%</b>	<b>1.00</b>	<b>27.7%</b>

Maximum Benefit Period (Months)	Credibility	Credibility Adjusted Loss & LAE Ratio	Indicated Relativity Countrywide
	(7)	(8)	(9)
6	100.0%	0.8%	0.03
9 or 10	100.0%	0.2%	0.01
12 or 12.5	100.0%	30.1%	1.09
18	89.0%	8.0%	0.29
>24	100.0%	7.9%	0.29
<b>Total</b>	<b>100.0%</b>	<b>27.7%</b>	<b>1.00</b>

**Notes:**

- (1) , (2) & (3) - Per data call compilation
- (4) = (2) x (3) / (1)
- (5) - Per AMI selection
- (6) = (4) x (5)
- (7) = SQRT( (1) / full credibility standard from Exhibit I, Page 2)
- (8) = (6) x (7) + (1-(7)) x Total of (6)
- (9) = (8) / Total of (8)

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

**COVERAGE RELATIVITIES - COUNTRYWIDE**

**2018 - 2022 COMBINED EXPERIENCE**

Program Type	Countrywide Earned Premium at Prima Facie	Countrywide Incurred Loss	Loss Adjustment Expense Factor	Loss & LAE Ratio	Loss Ratio Trend	Trended Loss & LAE Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
Non-Retro, 30 Day Elimination	623,800	17,643	1.033	2.9%	1.00	2.9%
Retro, 30 Day Elimination	414,750,538	110,121,190	1.033	27.4%	1.00	27.4%
<b>Total</b>	<b>415,374,338</b>	<b>110,138,833</b>	<b>1.033</b>	<b>27.4%</b>	<b>1.00</b>	<b>27.4%</b>

Program Type	Credibility	Credibility Adjusted Loss & LAE Ratio	Indicated Relativity Countrywide	Selected Relativity Countrywide
	(7)	(8)	(9)	(10)
Non-Retro, 30 Day Elimination	65.1%	11.5%	0.42	0.70
Retro, 30 Day Elimination	100.0%	27.4%	1.00	1.00
<b>Total</b>	<b>100.0%</b>	<b>27.4%</b>	<b>1.00</b>	<b>1.00</b>

**Notes:**

- (1) , (2) & (3) - Per data call compilation
- (4) = (2) x (3) / (1)
- (5) & (10) - Per AMI selection
- (6) = (4) x (5)
- (7) = SQRT( (1) / full credibility standard from Exhibit I, Page 2)
- (8) = (6) x (7) + (1-(7)) x Total of (6)
- (9) = (8) / Total of (8)

**AMI Risk Consultants, Inc.**

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## **Appendices**

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# **APPENDIX A**

## **CREDIT UNEMPLOYMENT DATA CALL**

## State of Arizona Credit Unemployment Data Call Instructions

1. Submit your company's (companies') credit unemployment 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, this transmittal form and Insurance Expense Exhibits for 2020, 2021 and 2022 to:

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

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

### CREDIT UNEMPLOYMENT TRANSMITTAL

Company Name (s):

Company NAIC Number(s):

Data File Name:

	<b>Grand Totals Submitted*</b>
Arizona Written Premium	
Countrywide Written Premium	
Arizona Earned Premium	
Arizona Earned Premium at Prima Facie Rates	
Countrywide Earned Premium	
Arizona Paid Losses	
Countrywide Paid Losses	
Arizona Incurred Losses	
Countrywide 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 Unemployment  
Arizona and Countrywide**

Provide credit unemployment 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 Unemployment programs in this file.  
 Include the Company Name(s) and Credit Unemployment in the file’s name.  
 Note: The file can be created in a 20-column Excel file and then saved as .csv.

**Each line should contain a total of 20 attributes. Always provide all 20 attributes.  
Each Program should be reported in 5 lines.**

1	Coverage Group	Enter “Credit Unemployment”
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	ASL	Enter the NAIC Annual Statement Line Number in which this program is reported, e.g. “28” for Credit
7	Program Type	Enter the most appropriate code for this program: 1- Single Premium 2 - Monthly Premium - Closed End Credit 3 - Monthly Outstanding Balance – Open End Credit
8	Coverage	Enter the most appropriate code for this program: 1 – Non-Retro, 30-day elimination period 2 – Retro, 30-day elimination period 3 – Other Non-Retro 4 – Other Retro
9	Maximum Benefit Period	Enter the maximum benefit period for this program in months
10	Arizona Written Premium	For this program and calendar year (no commas)
11	Countrywide Written Premium	For this program and calendar year (no commas)
12	Arizona Earned Premium	For this program and calendar year (no commas)
13	Arizona Earned Premium at Prima Facie Rates	For this program and calendar year (no commas)
14	Countrywide Earned Premium	For this program and calendar year (no commas)
15	Arizona Paid Losses	For this program and calendar year (no commas)
16	Countrywide Paid Losses	For this program and calendar year (no commas)
17	Arizona Incurred Losses	For this program and calendar year (no commas)
18	Countrywide Incurred Losses	For this program and calendar year (no commas)
19	Average Rate Charged – AZ *	For this program and calendar year (no commas)
20	Average Rate Charged – Countrywide *	For this program and calendar year (no commas)

\* Per \$10 of monthly benefit or per \$100 of outstanding balance

Example of data file:

**CoverageGroup,CompanyName,CompanyNAICCode,CalendarYearOfExperience,ProgramName,ASL,ProgramType,Coverage,MaximumBenefitPeriod,ArizonaWrittenPremium,CountrywideWrittenPremium,ArizonaEarnedPremium,ArizonaEarnedPremiumatPrimaFacieRates,CountrywideEarnedPremium,ArizonaPaidLosses,CountrywidePaidLosses,ArizonaIncurredLosses,CountrywideIncurredLosses,AverageRateCharged-AZ,AverageRateCharged-Countrywide**  
 CreditUnemployment,XYZInsuranceCompany,99999,2018,RetailUnemployment,28,18,2,1,10000,100000,15000,12000,300000,5000,50000,7000,70000,19,15

# **APPENDIX B**

## **DOCKET NO. 13A-007-INS**

### **CURRENT PRIMA FACIE UNEMPLOYMENT RATES**

STATE OF ARIZONA  
FILED

JAN 9 2013

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY 

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

Docket No. 13A-007-INS  
**ORDER**

Pursuant to A.R.S. §20-1621.05(B), the Director shall, at least once every three years, establish by order a loss ratio standard for credit property and credit unemployment insurance. Concurrently, pursuant to A.R.S. §20-1621.05(C), the Director shall, by order, establish prima facie rates for both credit property and credit unemployment insurance.

On October 15, 2003, the Director issued an Order In The Matter Of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 03A-092-INS ("the 2003 Order"). The 2003 Order established a loss ratio standard of 50% for credit property and credit unemployment insurance to be effective January 15, 2004. The Director also established via the 2003 Order *prima facie* rates for credit property insurance and credit unemployment insurance as set forth in Exhibits A and B to the 2003 Order.

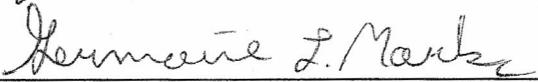
On January 15, 2007 and January 15, 2010, the Director issued Orders In The Matter of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 07A-005-INS and Docket No. 10A-003-INS . Neither Order changed the loss ratio standard or the *prima facie* rates for credit property or credit unemployment insurance.

1 After due consideration of the enumerated factors in A.R.S. §20-1621.05, the Director  
2 enters the following Order:

- 3 1. The loss ratio standard for both credit property and credit unemployment  
4 insurance shall remain at 50%;
- 5 2. The *prima facie* rates for credit property insurance are revised as set forth in  
6 Exhibit A;
- 7 3. The *prima facie* rates for credit unemployment insurance are revised as set  
8 forth in Exhibit B ;
- 9 4. Insurers may file for approval and use of deviated rates that are higher than  
10 the *prima facie* rates established in this Order. Deviations for credit unemployment insurance  
11 may be filed where loss ratios exceeded 50%. Deviations shall be filed in accordance with the  
12 process and standards set forth in A.R.S. §20-1621.05 for credit property insurance and  
13 A.R.S. §20-1610 for credit unemployment insurance. When filing deviations, insurers shall  
14 use the Credibility Tables attached hereto as Exhibits C1(credit property) and C2 (credit  
15 unemployment).

16 5. This Order is effective January 15, 2013.

17 DATED this 9<sup>th</sup> day of January 2013.

18   
 19 GERMAINE L. MARKS, Director  
 Arizona Department of Insurance

20 COPY of the foregoing mailed  
21 this 9<sup>th</sup> day of January, 2013 to:

22 Lynette Evans, Assistant Attorney General  
 Office of the Arizona Attorney General  
 1275 West Washington  
 23 Phoenix, Arizona 85007

1 Alexa Stephens, State Filings  
American Bankers Insurance Company  
2 of Florida  
11222 Quail Roost Drive  
3 Miami, FL 33157

4 Alexa Stephens, State Filings  
American Reliable Insurance Company  
5 11222 Quail Roost Drive  
Miami, FL 33157-6596

6 Alexa Stephens, State Filings  
7 American Security Insurance Company  
11222 Quail Roost Drive  
8 Miami, FL 33157-6596

9 Donna J. Maraka, Consultant  
Financial American P&C Insurance Company  
(FNA Cardif Property and Casualty Insurance Company)  
10 P.O. Box 77-0250  
Miami, FL 33157

11  
12 Roger McLendon  
Sr. Policy Drafter & Compliance Specialist  
Central States Indemnity Company of Omaha  
13 Post Office Box 34888  
Omaha, NE 68134-0888

14  
15 Gale Powell  
Centurion Casualty Company  
800 Walnut Street  
16 Des Moines, IA 50309

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

19  
20 Greg M. Schneider, Compliance  
HSBC Insurance Company of Delaware  
(FNA Service General Insurance Company)  
21 200 Somerset Corporate Blvd, Suite 100  
Bridgewater, NJ 08807

22  
23

- 1 Susan E. Tucker  
Regulatory Specialist
- 2 Lyndon Property Insurance Company  
14755 North Outer Forth
- 3 St. Louis, MO 63017
  
- 4 Betty F. Evans, Product Manager  
Lyndon Southern Insurance Company
- 5 100 West Bay Street  
Jacksonville, FL 32202
  
- 6 Alexa Stephens, State Filings  
Standard Guaranty Insurance Company
- 7 11222 Quail Roost Drive
- 8 Miami, FL 33157-6596
  
- 9 Nancy Manning  
Stonebridge Casualty Insurance Company
- 10 2700 W. Plano Parkway  
Plano, TX 75075-8200
  
- 11 Alexa Stephens  
Voyager Property and Casualty Ins. Co.
- 12 11222 Quail Roost Drive
- 13 Miami, FL 33157-6596
  
- 14 Susan Fuesting, Director  
Yosemite Insurance Company
- 15 P.O. Box 159  
Evansville, IN 47701-0159
  
- 16 Cathy Maxim, Compliance Manager  
Wesco Insurance Company
- 17 (Household Insurance Group)
- 18 200 Somerset Corporate Blvd., Suite 100  
Bridgewater, NJ 08807
  
- 19 Beverly Pippin  
Zale Indemnity
- 20 P.O. Box 152762  
Mail Sta. 5A-9
- 21 Irving, TX 75015-2762
  
- 22 Kurt Regner, Assistant Director  
Alexandra Shafer, Assistant Director
- 23 Dean Ehler, Assistant Director  
Mary Butterfield, Assistant Director

1 Karen Adams, Actuary  
Robert Kell, Actuary  
2 Arizona Department of Insurance  
2910 North 44<sup>th</sup> Street  
3 Phoenix, AZ 85018

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EXHIBIT A

THE RECOMMENDED LOSS RATIO STANDARD IS 50%

PROPOSED PRIMA FACIE RATES FOR CREDIT PROPERTY INSURANCE ARE:

1. SINGLE PREMIUM

If the insurer charges a single premium, the rate per 100 dollars of insured value shall be:

DUAL INTEREST.....	\$0.519
SINGLE INTEREST.....	\$0.342

2. MONTHLY OUTSTANDING BALANCE FOR CLOSED-END CREDIT\*

If the premiums are payable monthly on an outstanding balance for a closed-end loan, the rate per 100 dollars of outstanding balance shall be:

DUAL INTEREST.....	\$0.083
SINGLE INTEREST.....	\$0.052

3. MONTHLY OUTSTANDING BALANCE FOR OPEN-END CREDIT\*

If the premiums are payable monthly on an outstanding balance for an open-end loan, the rate per 100 dollars of outstanding balance shall be:

DUAL INTEREST.....	\$0.075
SINGLE INTEREST.....	\$0.047

DUAL INTEREST protects interests of both the borrower and the creditor.  
SINGLE INTEREST protects only the creditor's interest in the property.

\*Closed-end and open-end credit are defined in ARS §20-1621.01.

**EXHIBIT B**  
**ARIZONA - CREDIT UNEMPLOYMENT PRIMA FACIE RATES**

**TABLE A\***

**SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED**

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits
		30 Day Elimination Period
6	0.12	0.18
9	0.15	0.23
12	0.17	0.26
18	0.20	0.30
24	0.22	0.33
More than 24	0.23	0.35

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

Example A

Loan of \$1200  
 Level payments of \$106 per month for 12 months  
 Retroactive benefits selected.  
 If unemployment occurs during the first month, then all 12 payments will be covered by the insurance  
 Single Premium = \$106\*(.26/10)\*12 = \$ 33.07

**TABLE B\***

**MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED**

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits
		30 Day Elimination Period
6	0.14	0.18
9	0.17	0.23
12	0.19	0.27
18	0.21	0.30
24	0.23	0.33
More than 24	0.25	0.35

Example B

Loan of \$1200  
 Level payments of \$106 per month for 12 months  
 Retroactive benefits selected.  
 If unemployment occurs during the first month, then all 12 payments will be covered by the insurance  
 Monthly premium = \$106\*(.27/10) = \$ 2.86  
 Total premium over the life of the loan = \$34.32 (2.86\*12).

**MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE -**

**Applicable to Open-End Credit**

Rates stated as \$0.xx per \$100 of outstanding balance per month should be consistent with the above rates. To satisfy this requirement the following formula may be used:  
 $M = R \times 10 \times P$

Where:  
 M = Monthly rate per \$100 of outstanding balance  
 R = Rating factor selected from table C  
 P = Percent of outstanding balance required as the minimum monthly payment, but not less than 3.0% (to be expressed as a decimal in the formula).

**Maximum Benefit Period in Months**  
 For the purposes of the table below, the maximum benefit period is set to the lesser of the reciprocal of P (i.e.  $1 \div P$ ) and the maximum number of months of unemployment benefits as specified by contract.

**TABLE C\*\***

	Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits
			30 Day Elimination Period
1	6	0.140	0.158
2	9	0.170	0.202
3	12	0.190	0.237
4	18	0.210	0.263
5	24	0.230	0.289
6	More than 24	0.250	0.307

Example C

Minimum payment of 5% of outstanding balance  
 Maximum coverage is for a year of payments  
 Retroactive benefits selected  $1/P\% = 1/.05 = 20$   
 Contract specifies max 12 months of coverage  
 The minimum of 20 and 12 is 12, so row 3 of Table-C is applicable  
 $R = .237, P\% = .05$ ; thus  $M = .237*10*.05 = 0.119$ ; the rate is 11.9 cents per \$100 of MOB.

Example D

Minimum payment of 2% of outstanding balance  
 Maximum coverage term is not specified  
 Retroactive benefits selected  $1/P\% = 1/.03 = 33$   
 33 is greater than 24, so row 6 of Table-C applies.

$R = .307, P\% = .03$ ; thus  $M = .307*10*.03 = 0.092$ ; the rate is 9.2 cents per \$100 of MOB.

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

\*Tables A and B are applicable to closed-end credit as defined in ARS § 20-1621.01

\*\*Table C is applicable to open-end credit as defined in ARS § 20-1621.01

**EXHIBIT C1**  
**CREDIBILITY TABLE**

<b><u>EARNED PREMIUM</u></b>	<b><u>CLAIM COUNT</u></b>	<b><u>CREDIBILITY FACTOR</u></b>
<24,000	<6	0
24,000 to 43,999	6-10	0.15
44,000 to 67,199	11-16	0.20
67,200 to 97,199	17-23	0.25
97,200 to 133,199	24-32	0.30
133,200 to 173,999	33-42	0.35
174,200 to 219,599	43-54	0.40
219,600 to 271,199	55-67	0.45
271,200 to 327,599	68-81	0.50
327,600 to 389,999	82-97	0.55
390,000 to 458,399	98-113	0.60
458,400 to 531,599	114-132	0.65
531,600 to 609,599	133-151	0.70
609,600 to 693,599	152-172	0.75
693,600 to 783,599	173-195	0.80
783,600 to 878,399	196-219	0.85
878,400 to 977,999	220-244	0.90
978,000 to 1,083,599	245-270	0.95
1,083,600 +	271+	1.00

IF INCURRED CLAIM COUNTS ARE AVAILABLE, USE THEM TO DETERMINE THE CREDIBILITY. IF NOT, USE ANNUAL EARNED PREMIUM. FOR 6-10 CLAIMS THE CREDIBILITY FACTOR IS 0.15.

THE EXPERIENCE PERIOD FOR THIS TABLE SHALL BE AT LEAST ONE FULL YEAR AND SHALL NOT EXCEED THREE SUCCESSIVE YEARS.

## EXHIBIT C2

### CREDIBILITY TABLE-IUI

<u>ANNUAL EARNED PREMIUM</u>	<u>CREDIBILITY FACTOR</u>
<24,000	0
24,000 to 43,999	0.15
44,000 to 67,199	0.20
67,200 to 97,199	0.25
97,200 to 133,199	0.30
133,200 to 173,999	0.35
174,200 to 219,599	0.40
219,600 to 271,199	0.45
271,200 to 327,599	0.50
327,600 to 389,999	0.55
390,000 to 458,399	0.60
458,400 to 531,599	0.65
531,600 to 609,599	0.70
609,600 to 693,599	0.75
693,600 to 783,599	0.80
783,600 to 878,399	0.85
878,400 to 977,999	0.90
978,000 to 1,083,599	0.95
1,083,600 +	1.00

NOTES:

- (1) Use this Table to calculate T (the credible Loss Ratio)

If: A = Actual Incurred Loss Ratio  
 and: E = Expected Incurred Loss Ratio = 50% = .50  
 and: Z = The Credibility Factor from the above Table

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

Rate Deviation Calculation Factor = T/E

- (2) The experience period to which this table applies shall not be less than 1 year nor greater than 3 years.

# **APPENDIX C**

## **CREDIT UNEMPLOYMENT**

### **2025 PROPOSED RATES**

#### **SUMMARY OF RELATIVITIES TO BASE PREMIUM RATE**

**ARIZONA CREDIT INSURANCE PRIMA FACIE RATE STUDY  
CREDIT UNEMPLOYMENT  
2025 PROPOSED RATES  
SUMMARY OF RELATIVITIES TO BASE PREMIUM RATE**

TABLE A - CURRENT RELATIVITIES TO BASE  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.46	0.69
9	0.58	0.88
12	0.65	1.00
18	0.77	1.15
24	0.85	1.27
More than 24	0.88	1.35

TABLE A - INDICATED RELATIVITIES  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.43	0.61
9	0.53	0.75
12	0.72	1.03
18	0.76	1.08
24	N/A	N/A
More than 24	0.79	1.13

TABLE A - INDICATED RELATIVITIES TO BASE  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.41	0.59
9	0.51	0.73
12	0.70	1.00
18	0.73	1.05
24	0.75	1.07
More than 24	0.76	1.09

TABLE A - RELATIVITY CHANGE  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.90	0.85
9	0.88	0.82
12	1.07	1.00
18	0.95	0.91
24	0.89	0.84
More than 24	0.86	0.81

TABLE A - ARIZONA 2022 WRITTEN PREMIUM  
SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.00	0.00
9	0.00	0.00
12	0.00	1,227,744
18	0.00	171,092
24	0.00	0.00
More than 24	0.00	22,259
<small>unproductive</small>		1,400,802

TABLE B - CURRENT RELATIVITIES TO BASE  
MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.54	0.69
9	0.65	0.88
12	0.73	1.04
18	0.81	1.15
24	0.88	1.27
More than 24	0.96	1.35

TABLE B - INDICATED RELATIVITIES TO BASE  
MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.36	0.52
9	0.45	0.64
12	0.61	0.88
18	0.64	0.92
24	0.66	0.94
More than 24	0.67	0.96

TABLE B - RELATIVITY CHANGE  
MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.67	0.75
9	0.68	0.72
12	0.84	0.85
18	0.80	0.80
24	0.75	0.74
More than 24	0.70	0.71

TABLE B - ARIZONA 2022 WRITTEN PREMIUM  
MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.00	0.00
9	0.00	0.00
12	0.00	0.00
18	0.00	0.00
24	0.00	0.00
More than 24	0.00	0.00
<small>unproductive</small>		0.00

TABLE C - CURRENT RELATIVITIES TO BASE  
MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.54	0.61
9	0.65	0.78
12	0.73	0.91
18	0.81	1.01
24	0.88	1.11
More than 24	0.96	1.18

TABLE C - INDICATED RELATIVITIES TO BASE  
MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.31	0.44
9	0.38	0.54
12	0.52	0.74
18	0.54	0.77
24	0.56	0.79
More than 24	0.56	0.81

TABLE C - RELATIVITY CHANGE  
MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.57	0.72
9	0.58	0.69
12	0.71	0.81
18	0.67	0.77
24	0.63	0.71
More than 24	0.59	0.68

TABLE C - ARIZONA 2022 WRITTEN PREMIUM  
MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE

Maximum Benefit Period in Months	Non-Retro Benefits 30 Day Elimination Period	Retro Benefits 30 Day Elimination Period
6	0.00	0.00
9	0.00	10,360
12	0.00	0.00
18	0.00	0.00
24	0.00	0.00
More than 24	0.00	9,885
<small>unproductive</small>		19,442

**Grand Total** **1,441,340**  
**Off - Balance** **0.982**

# **EXHIBIT C**

STATE OF ARIZONA  
FILED

JAN 9 2013

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE  
BY 

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

Docket No. 13A-007-INS  
**ORDER**

Pursuant to A.R.S. §20-1621.05(B), the Director shall, at least once every three years, establish by order a loss ratio standard for credit property and credit unemployment insurance. Concurrently, pursuant to A.R.S. §20-1621.05(C), the Director shall, by order, establish prima facie rates for both credit property and credit unemployment insurance.

On October 15, 2003, the Director issued an Order In The Matter Of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 03A-092-INS ("the 2003 Order"). The 2003 Order established a loss ratio standard of 50% for credit property and credit unemployment insurance to be effective January 15, 2004. The Director also established via the 2003 Order *prima facie* rates for credit property insurance and credit unemployment insurance as set forth in Exhibits A and B to the 2003 Order.

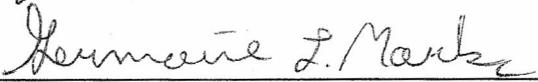
On January 15, 2007 and January 15, 2010, the Director issued Orders In The Matter of Loss Ratio Standards and *Prima Facie* Rates for Credit Property Insurance and Credit Unemployment Insurance, Docket No. 07A-005-INS and Docket No. 10A-003-INS . Neither Order changed the loss ratio standard or the *prima facie* rates for credit property or credit unemployment insurance.

1 After due consideration of the enumerated factors in A.R.S. §20-1621.05, the Director  
2 enters the following Order:

- 3 1. The loss ratio standard for both credit property and credit unemployment  
4 insurance shall remain at 50%;
- 5 2. The *prima facie* rates for credit property insurance are revised as set forth in  
6 Exhibit A;
- 7 3. The *prima facie* rates for credit unemployment insurance are revised as set  
8 forth in Exhibit B ;
- 9 4. Insurers may file for approval and use of deviated rates that are higher than  
10 the *prima facie* rates established in this Order. Deviations for credit unemployment insurance  
11 may be filed where loss ratios exceeded 50%. Deviations shall be filed in accordance with the  
12 process and standards set forth in A.R.S. §20-1621.05 for credit property insurance and  
13 A.R.S. §20-1610 for credit unemployment insurance. When filing deviations, insurers shall  
14 use the Credibility Tables attached hereto as Exhibits C1(credit property) and C2 (credit  
15 unemployment).

16 5. This Order is effective January 15, 2013.

17 DATED this 9<sup>th</sup> day of January 2013.

18   
 19 GERMAINE L. MARKS, Director  
 Arizona Department of Insurance

20 COPY of the foregoing mailed  
21 this 9<sup>th</sup> day of January, 2013 to:

22 Lynette Evans, Assistant Attorney General  
 Office of the Arizona Attorney General  
 1275 West Washington  
 23 Phoenix, Arizona 85007

1 Alexa Stephens, State Filings  
American Bankers Insurance Company  
2 of Florida  
11222 Quail Roost Drive  
3 Miami, FL 33157

4 Alexa Stephens, State Filings  
American Reliable Insurance Company  
5 11222 Quail Roost Drive  
Miami, FL 33157-6596

6 Alexa Stephens, State Filings  
American Security Insurance Company  
7 11222 Quail Roost Drive  
8 Miami, FL 33157-6596

9 Donna J. Maraka, Consultant  
Financial American P&C Insurance Company  
(FNA Cardif Property and Casualty Insurance Company)  
10 P.O. Box 77-0250  
11 Miami, FL 33157

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

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

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

19 Greg M. Schneider, Compliance  
20 HSBC Insurance Company of Delaware  
(FNA Service General Insurance Company)  
21 200 Somerset Corporate Blvd, Suite 100  
Bridgewater, NJ 08807

22

23

- 1 Susan E. Tucker  
Regulatory Specialist
- 2 Lyndon Property Insurance Company  
14755 North Outer Forth
- 3 St. Louis, MO 63017
  
- 4 Betty F. Evans, Product Manager  
Lyndon Southern Insurance Company
- 5 100 West Bay Street  
Jacksonville, FL 32202
  
- 6 Alexa Stephens, State Filings  
Standard Guaranty Insurance Company
- 7 11222 Quail Roost Drive
- 8 Miami, FL 33157-6596
  
- 9 Nancy Manning  
Stonebridge Casualty Insurance Company
- 10 2700 W. Plano Parkway  
Plano, TX 75075-8200
  
- 11 Alexa Stephens  
Voyager Property and Casualty Ins. Co.
- 12 11222 Quail Roost Drive
- 13 Miami, FL 33157-6596
  
- 14 Susan Fuesting, Director  
Yosemite Insurance Company
- 15 P.O. Box 159  
Evansville, IN 47701-0159
  
- 16 Cathy Maxim, Compliance Manager  
Wesco Insurance Company
- 17 (Household Insurance Group)
- 18 200 Somerset Corporate Blvd., Suite 100  
Bridgewater, NJ 08807
  
- 19 Beverly Pippin  
Zale Indemnity
- 20 P.O. Box 152762  
Mail Sta. 5A-9
- 21 Irving, TX 75015-2762
  
- 22 Kurt Regner, Assistant Director  
Alexandra Shafer, Assistant Director
- 23 Dean Ehler, Assistant Director  
Mary Butterfield, Assistant Director

1 Karen Adams, Actuary  
Robert Kell, Actuary  
2 Arizona Department of Insurance  
2910 North 44<sup>th</sup> Street  
3 Phoenix, AZ 85018

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EXHIBIT A

THE RECOMMENDED LOSS RATIO STANDARD IS 50%

PROPOSED PRIMA FACIE RATES FOR CREDIT PROPERTY INSURANCE ARE:

1. SINGLE PREMIUM

If the insurer charges a single premium, the rate per 100 dollars of insured value shall be:

DUAL INTEREST.....	\$0.519
SINGLE INTEREST.....	\$0.342

2. MONTHLY OUTSTANDING BALANCE FOR CLOSED-END CREDIT\*

If the premiums are payable monthly on an outstanding balance for a closed-end loan, the rate per 100 dollars of outstanding balance shall be:

DUAL INTEREST.....	\$0.083
SINGLE INTEREST.....	\$0.052

3. MONTHLY OUTSTANDING BALANCE FOR OPEN-END CREDIT\*

If the premiums are payable monthly on an outstanding balance for an open-end loan, the rate per 100 dollars of outstanding balance shall be:

DUAL INTEREST.....	\$0.075
SINGLE INTEREST.....	\$0.047

DUAL INTEREST protects interests of both the borrower and the creditor.  
SINGLE INTEREST protects only the creditor's interest in the property.

\*Closed-end and open-end credit are defined in ARS §20-1621.01.

**EXHIBIT B**  
**ARIZONA - CREDIT UNEMPLOYMENT PRIMA FACIE RATES**

**TABLE A\***

**SINGLE PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED**

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits
		30 Day Elimination Period
6	0.12	0.18
9	0.15	0.23
12	0.17	0.26
18	0.20	0.30
24	0.22	0.33
More than 24	0.23	0.35

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

Example A

Loan of \$1200  
 Level payments of \$106 per month for 12 months  
 Retroactive benefits selected.  
 If unemployment occurs during the first month, then all 12 payments will be covered by the insurance  
 Single Premium = \$106\*(.26/10)\*12 = \$ 33.07

**TABLE B\***

**MONTHLY PREMIUM RATES PER \$10 OF MONTHLY BENEFIT PROVIDED**

Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits
		30 Day Elimination Period
6	0.14	0.18
9	0.17	0.23
12	0.19	0.27
18	0.21	0.30
24	0.23	0.33
More than 24	0.25	0.35

Example B

Loan of \$1200  
 Level payments of \$106 per month for 12 months  
 Retroactive benefits selected.  
 If unemployment occurs during the first month, then all 12 payments will be covered by the insurance  
 Monthly premium = \$106\*(.27/10) = \$ 2.86  
 Total premium over the life of the loan = \$34.32 (2.86\*12).

**MONTHLY PREMIUM RATES PER \$100 OF OUTSTANDING BALANCE -**

**Applicable to Open-End Credit**

Rates stated as \$0.xx per \$100 of outstanding balance per month should be consistent with the above rates. To satisfy this requirement the following formula may be used:  
 $M = R \times 10 \times P$

Where:  
 M = Monthly rate per \$100 of outstanding balance  
 R = Rating factor selected from table C  
 P = Percent of outstanding balance required as the minimum monthly payment, but not less than 3.0% (to be expressed as a decimal in the formula).

**Maximum Benefit Period in Months**  
 For the purposes of the table below, the maximum benefit period is set to the lesser of the reciprocal of P (i.e. 1 ÷ P) and the maximum number of months of unemployment benefits as specified by contract.

**TABLE C\*\***

	Maximum Benefit Period in Months	Non Retro Benefits 30 Day Elimination Period	Retro Benefits
			30 Day Elimination Period
1	6	0.140	0.158
2	9	0.170	0.202
3	12	0.190	0.237
4	18	0.210	0.263
5	24	0.230	0.289
6	More than 24	0.250	0.307

Example C

Minimum payment of 5% of outstanding balance  
 Maximum coverage is for a year of payments  
 Retroactive benefits selected 1/P% = 1/.05 = 20  
 Contract specifies max 12 months of coverage

The minimum of 20 and 12 is 12, so row 3 of Table-C is applicable  
 $R = .237, P\% = .05$ ; thus  $M = .237 \times 10 \times .05 = 0.119$ ; the rate is 11.9 cents per \$100 of MOB.

Example D

Minimum payment of 2% of outstanding balance  
 Maximum coverage term is not specified  
 Retroactive benefits selected 1/P% = 1/.03 = 33  
 33 is greater than 24, so row 6 of Table-C applies.

$R = .307, P\% = .03$ ; thus  $M = .307 \times 10 \times .03 = 0.092$ ; the rate is 9.2 cents per \$100 of MOB.

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

\*Tables A and B are applicable to closed-end credit as defined in ARS § 20-1621.01

\*\*Table C is applicable to open-end credit as defined in ARS § 20-1621.01

**EXHIBIT C1**  
**CREDIBILITY TABLE**

<b><u>EARNED PREMIUM</u></b>	<b><u>CLAIM COUNT</u></b>	<b><u>CREDIBILITY FACTOR</u></b>
<24,000	<6	0
24,000 to 43,999	6-10	0.15
44,000 to 67,199	11-16	0.20
67,200 to 97,199	17-23	0.25
97,200 to 133,199	24-32	0.30
133,200 to 173,999	33-42	0.35
174,200 to 219,599	43-54	0.40
219,600 to 271,199	55-67	0.45
271,200 to 327,599	68-81	0.50
327,600 to 389,999	82-97	0.55
390,000 to 458,399	98-113	0.60
458,400 to 531,599	114-132	0.65
531,600 to 609,599	133-151	0.70
609,600 to 693,599	152-172	0.75
693,600 to 783,599	173-195	0.80
783,600 to 878,399	196-219	0.85
878,400 to 977,999	220-244	0.90
978,000 to 1,083,599	245-270	0.95
1,083,600 +	271+	1.00

IF INCURRED CLAIM COUNTS ARE AVAILABLE, USE THEM TO DETERMINE THE CREDIBILITY. IF NOT, USE ANNUAL EARNED PREMIUM. FOR 6-10 CLAIMS THE CREDIBILITY FACTOR IS 0.15.

THE EXPERIENCE PERIOD FOR THIS TABLE SHALL BE AT LEAST ONE FULL YEAR AND SHALL NOT EXCEED THREE SUCCESSIVE YEARS.

## EXHIBIT C2

### CREDIBILITY TABLE-IUI

<u>ANNUAL EARNED PREMIUM</u>	<u>CREDIBILITY FACTOR</u>
<24,000	0
24,000 to 43,999	0.15
44,000 to 67,199	0.20
67,200 to 97,199	0.25
97,200 to 133,199	0.30
133,200 to 173,999	0.35
174,200 to 219,599	0.40
219,600 to 271,199	0.45
271,200 to 327,599	0.50
327,600 to 389,999	0.55
390,000 to 458,399	0.60
458,400 to 531,599	0.65
531,600 to 609,599	0.70
609,600 to 693,599	0.75
693,600 to 783,599	0.80
783,600 to 878,399	0.85
878,400 to 977,999	0.90
978,000 to 1,083,599	0.95
1,083,600 +	1.00

**NOTES:**

- (1) Use this Table to calculate T (the credible Loss Ratio)

If: A = Actual Incurred Loss Ratio  
 and: E = Expected Incurred Loss Ratio = 50% = .50  
 and: Z = The Credibility Factor from the above Table

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

Rate Deviation Calculation Factor = T/E

- (2) The experience period to which this table applies shall not be less than 1 year nor greater than 3 years.