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December 20, 2004

Ana Smith-Daley
Deputy Commissioner, Life/Health Division
Texas Department of Insurance
333 Guadalupe
Austin, TX 78701

Re: Comments regarding proposed rule on Credit
Life and Credit Accident and Health Insurance

Mrs. Smith-Daley,

This is in response to the department's request for comments on the rule proposal affecting Credit Life and Credit Accident and Health Insurance Regulations. Assurant Solutions appreciates this opportunity to submit the following comments.

Assurant Solutions is in opposition to the proposed change in the regulation to allow for a presumptive rate developed by class of business. The department asserts, "In reviewing industry expense and experience data supplied in response to the data call, the department observed that the loss ratios and compensation percentages for one class, Class E—Dealers, were significantly different than the other classes..." The department has not articulated what is meant by "significantly different" that would require a regulatory change to allow for presumptive rates by class. Although we can understand the departments concern with regard to this class of business, the department fails to illustrate if the "difference" was a result of failure to report information accurately to the DOI in the data call or if the data supports a change in the method for developing presumptive rates for that class of business.

Presumptive rates developed by class of business would be unduly burdensome to the industry, in addition to raising the specter of opportunistic litigation or regulatory reprisal. The departments proposed regulation does not provide a mechanism for determining under what class a particular business may fall. It is left to the discretion of insurers to determine that class of business that a particular program would apply. The classes of business defined under § 3.5002(7) are sufficiently broad that a particular class of business could be classified under multiple categories. For example, a retail

store's credit program could be classified under either Class E—Dealer or Class A—Commercial Bank, if a national bank is the creditor of the underlying debt.

Additionally, rating by class would be unduly burdensome on insurers in attempting to administer multiple programs for each class of business, as well as on the DOI attempting to review and approve deviations by class for each insurer. In order to alleviate this, we recommend that that department provide a process for insurers to develop rates that are actuarially equivalent to the presumptive rates by class of business. These rates will be developed internally, consistent with methods previously filed and approved by the DOI, with an informational filing submitted for the department's review. We propose that the following language be incorporated into the draft regulations:

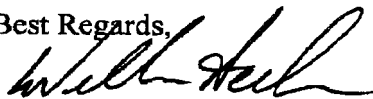
An insurer that files rates or has rates on file that are equivalent to the presumptive rates shown in §3.5206 of this rule, to the extent adjusted pursuant to §3.5202 of this rule, may use those rates without further proof of their reasonableness.

This provision would allow for insurers to comply with the department's promulgated presumptive rate in a more timely manner and alleviate the department's burden in approving rate filings.

Additionally, we would like to confirm that it is the department's intent to allow insurers to continue to combine classes of business for rating purposes under the presumptive rate established for "Alternative 2" for classes of business other than Class E—Dealer. These alternative presumptive rates would allow for an insurer to have one presumptive rate for Class E business, and all the other combined classes of business would operate under another presumptive rate.

Thank you for taking the insurance industry's interests into account as you develop new rules for Credit Life and Credit Accident and Health Insurance that are effective and efficient for all parties involved. We look forward to continued cooperation on future issues of mutual interest. Please feel free to contact me if you would like clarification on any of our comments, or provide any information that would be helpful to your efforts.

Best Regards,



William Acebo
Regulatory Analyst
Government Relations
Assurant Solutions