I am employed by CUNA Mutual Insurance Society. CUNA Mutual provides credit insurance through credit unions in Texas.

I have a few comments on the Milliman Report. On page nine, the authors indicate that rates by class make sense "if TDI did not want a "low cost" Class of business subsidizing a "high cost"Class." My understanding of this is that a high claim cost class of business such as credit unions will lead to higher prima facie rates if it is grouped with a lower claim cost class of business, leading to a subsidy for the lower cost class that results in higher income for producers in the lower claims cost class of business. One would then need to decide if public policy considerations support a differential in the income from credit insurance among the classes of producers and to what degree. I believe this form of class of business cross-subsidy is the leading reason to advocate rates by class of business - if one believes that the differential in income between different classes of producers should be small. The rates by class would then lead to rates that more closely reflect the level of claims actually being produced by borrowers who purchase coverage through the respective classes.

If classes of business are to be adopted, I think the approach of looking for the largest possible reasonably homogeneous groupings of claim cost is appropriate. It appears the authors of the Milliman report have done that.

I wish to comment in favor of the alternative for presumptive rates in which auto dealer experience is separated from other producers. For credit disability the proposed rate difference is small enough that it would not be worth much extra administrative cost to maintain the separation but for credit life the proposed rate difference is material. I hope you will use separate rates at least for credit life. If maintaining separate presumptive rates for one of the two coverages causes the administrative cost to be incurred and the second product does not add much cost, it would make sense in my view to use separate rates for both credit disability and credit life.

I also wish to comment on section 3.5608. I believe that a three year approval period for rates is the most appropriate choice of time frame. I agree with the Department's choice of that approval period. Rates will be kept in line by an expiration of deviations every three years without creating extra cost to credit unions making frequent changes that could follow from a shorter approval period. My observation of results in states where a shorter approval period is used is that there is more often churning of rates up and down around an underlying level than a definite trending of rates for particular cases over time.

In my opinion, with the three year approval period in use, the annual review of approved deviations during the three year approval period creates an administrative cost for the Department and the insurer that is not matched by a benefit to the public. I request that you consider removing that section from the new regulation.

Thank you for the opportunity to provide comments on your draft revision to the credit insurance regulation.

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