

1 Department of Commerce

2

3 Adopted Permanent Rules Governing Credit Involuntary

4 Unemployment Insurance

5

6 Rules as Adopted

7 2761.0100 PURPOSE AND AUTHORITY.

8 The purpose of this chapter is to implement the authority  
9 to sell and effect the regulation of credit involuntary  
10 unemployment insurance pursuant to Minnesota Statutes, section  
11 62B.12, and Minnesota Statutes, chapter 62B, as required by Laws  
12 1993, chapter 343.

13 2761.0200 DEFINITIONS.

14 Subpart 1. Scope. The terms used in this chapter have the  
15 meanings given them in this part.

16 Subp. 2. Authorized insurer. "Authorized insurer" means  
17 an insurer authorized to offer coverages specified by Minnesota  
18 Statutes, section 60A.06, subdivision 1, clauses (1) and (4).

19 Subp. 3. Claims. "Claims" means benefits payable under an  
20 involuntary employment unemployment policy, excluding adjustment  
21 expense or expenses or additions of any kind.

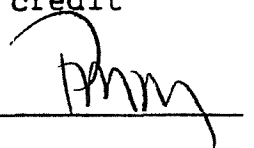
22 Subp. 4. Claims incurred. "Claims incurred" means claims  
23 paid appropriately adjusted for changes in claim reserves,  
24 including reserves for reported claims in process of settlement  
25 and claims losses incurred but not yet reported.

26 Subp. 5. Closed-end credit. "Closed-end credit" means  
27 consumer credit other than "open-end credit" as defined in  
28 subpart 8.

29 Subp. 6. Compensation. "Compensation" means compensation  
30 as defined by Minnesota Statutes, section 62B.08, subdivision 6.

31 Subp. 7. Credit involuntary unemployment insurance.  
32 "Credit involuntary unemployment insurance" means insurance as  
33 defined by Minnesota Statutes, section 62B.02, subdivision 3a.

34 Subp. 8. Open-end credit. "Open-end credit" means credit  
35 extended by a creditor by an agreement that is a line of credit



1 loan, a revolving charge plan, or any other open-end  
2 self-replenishing credit arrangement between the creditor and a  
3 customer that may be drawn upon from time to time by the  
4 customer without renegotiating the lending agreement. The  
5 customer may repay the full outstanding balance at any time, or  
6 a specified minimum portion of the indebtedness.

7 Subp. 9. **Premiums earned.** "Premiums earned" means total  
8 gross premiums received by the company reduced by premiums  
9 refunded or credited for termination before ~~expiry~~ expiration of  
10 the policy term, and appropriately adjusted for changes in  
11 policy reserves.

12 Subp. 10. **Unemployment.** An individual is considered  
13 "unemployed" in any week during which the individual performs no  
14 services and with respect to which no wages are payable to the  
15 individual. "Unemployment" does not mean voluntary separation  
16 from employment, termination from employment for misconduct, or  
17 termination from employment for commission of criminal acts.

18 Subp. 11. **Waiting period.** "Waiting period" means the  
19 period of time between the effective date of a loan or, in the  
20 case of an open-end credit ~~vehicle~~ situation, an advance or  
21 increase in the amount of the loan, and the effective date of  
22 the insurance coverage.

23 2761.0300 POLICY FORMS AND RELATED MATERIALS.

24 Subpart 1. **Filing requirements.** All policy forms,  
25 certificates of insurance, notices of proposed insurance,  
26 applications for insurance, endorsements, and riders to be  
27 delivered or issued for delivery in this state, and the  
28 schedules of premium rates pertaining to them must be filed with  
29 the commissioner as required by Minnesota Statutes, section  
30 62B.07.

31 Subp. 2. **Loss ratio.** Each insurer filing rates for credit  
32 involuntary unemployment insurance benefit plans shall include  
33 in its rate filing with the commissioner the appropriate rate  
34 formula upon which its rates are based if other than the rates  
35 scheduled in this chapter, including provisions for losses,

1 expenses, and profits. The provision for losses included in the  
2 rate formula shall not be less than 50 percent of the premium.

3 Subp. 3. Eligibility statement. Each individual policy or  
4 certificate of group insurance must, in addition to other  
5 requirements of Minnesota Statutes, section 62B.06, include a  
6 statement prominently displayed setting forth the following or  
7 its equivalent: "Your eligibility for coverage may be dependent  
8 upon your being eligible to receive state unemployment  
9 benefits. A change in your employment may affect your  
10 eligibility for benefits. If you have any questions, contact  
11 your insurance company." To be considered prominently  
12 displayed, this statement must be in a typeface that is  
13 distinctive or more bold than the surrounding typeface, or be  
14 contained in a separately blocked portion surrounded by a  
15 distinctive border.

16 2761.0400 STANDARD BENEFIT PLANS.

17 Subpart 1. General standard. Benefits provided under  
18 credit involuntary unemployment insurance policies must be  
19 reasonable in relation to premiums charged. Premiums will be  
20 considered reasonable if they conform to the prima facie rates  
21 shown in part 2761.0700, or if a loss ratio of at least 50  
22 percent is contemplated to be achieved. Loss ratio ~~is-the-ratio~~  
23 ~~of means~~ incurred claims divided by earned premium.

24 Subp. 2. Basic prima facie rates for closed-end credit are  
25 as reflected in part 2761.0700. The premiums shown in part  
26 2761.0700, Schedule A, may be used when credit involuntary  
27 unemployment insurance is issued in conjunction with any loan  
28 which has a specified maturity date whether the premiums are  
29 financed or otherwise collected on a monthly basis. To  
30 calculate the single premium rate when premiums are financed in  
31 a closed-end loan, insurers must multiply the rates shown in  
32 part 2761.0700, schedule A, by the term of the loan coverage in  
33 months. The basic plan of insurance to which this prima facie  
34 rate applies is as follows:

35 A. Coverage is provided or offered, with or without

1 underwriting, to all debtors regardless of age or to all debtors  
2 not older than a specified age limit, which shall not be less  
3 than age 65 at the time the insurance becomes effective or age  
4 66 at the scheduled maturity date of the transaction.

5 B. Exclusion from qualification for coverage:

6 (1) self-employed individuals, including  
7 independent contractors;

8 (2) workers in seasonal or temporary jobs,  
9 defined as jobs designed to last six consecutive months or less;

10 (3) individuals working for wages or salary for  
11 less than 30 hours a week; or

12 (4) debtors who have been notified either orally  
13 or in writing of any layoff or of employment termination either  
14 by the effective date of coverage or within 90 days after the  
15 effective date.

16 C. Coverage for unemployment for any reason, except  
17 that coverage may be excluded for:

18 (1) voluntary forfeiture of salary, wage, or  
19 other employment income;

20 (2) resignation;

21 (3) retirement;

22 (4) general strike;

23 (5) illegal walkout;

24 (6) war (declared or undeclared), civil  
25 commotion, riot, insurrection, rebellion, or revolution;

26 (7) separation from the military;

27 (8) willful or criminal misconduct or unlawful  
28 behavior;

29 (9) disability caused by accident, sickness,  
30 disease, or pregnancy;

31 (10) nuclear occurrence;

32 (11) natural disaster; and

33 (12) a controlling stockholder of the employer or  
34 any of the dependents of the controlling stockholder. A person  
35 is a "controlling stockholder" if the person owns ten percent or  
36 more of the outstanding voting stock of the employer, unless

1 otherwise-determined.

2 D. Coverage becomes effective after a waiting period  
3 of no more than 60 days after the initiation of the loan or  
4 credit agreement, and benefits may be retroactive to the first  
5 day of unemployment or after an elimination period of 30 days.

6 E. Benefits provided for various terms of coverage  
7 shall not be less than the schedule below:

8	TERM OF	CONSECUTIVE	TOTAL BENEFITS
9	COVERAGE	BENEFITS PAYABLE	PAYABLE
10	(MONTHS)		
11			
12	Under 12	3	3
13	12-23	3	6
14	24-35	4	12
15	36-47	6	12
16	48-60	6	12
17	over 60*	6	18

18 \*includes open-end credit vehicles (e.g. credit cards)

19 F. The total amount of periodic benefits payable  
20 shall not exceed the aggregate of the periodic scheduled unpaid  
21 installments of the indebtedness at the time of the loss. The  
22 amount of each periodic benefit shall not exceed the original  
23 indebtedness divided by the number of periodic installments.

24 G. If the period of unemployment for which benefits  
25 are to be paid is less than 30 days, 1/30th of the scheduled  
26 monthly payments for each day of a period within the  
27 unemployment period must be paid to the creditor to reduce the  
28 debtor's account.

29 H. In the event of cancellation of the master policy,  
30 coverage as provided by the certificates issued under that  
31 master policy shall remain in force until expiration, unless  
32 sooner canceled according to other terms and conditions.

33 Subp. 3. Basic prima facie rates for open-end credit. The  
34 basic prima facie rate for credit involuntary unemployment  
35 insurance payable on a monthly outstanding balance basis in  
36 connection with open-end credit transactions is reflected in  
37 part 2761.0700, Schedule B. The basic plan of insurance to  
38 which this prima facie rate applies is as follows:

39 A. Coverage is provided or offered, with or without  
40 underwriting to all debtors, except the plan or policy may have  
41 an age restriction providing that no insurance will become

1 effective on debtors on or after the attainment of age 66 and  
2 that all insurance will terminate upon attainment by the debtor  
3 of age 66.

4 B. Exclusion from qualification for coverage:

- 5 (1) self-employed individuals including  
6 independent contractors;  
7 (2) workers in seasonal or temporary jobs,  
8 defined as jobs designed to last six consecutive months or less;  
9 (3) individuals working for wages or salary for  
10 less than 30 hours a week; and  
11 (4) debtors who have been notified either orally  
12 or in writing of any layoff or of employment termination either  
13 by the effective date of coverage or within 90 days after the  
14 effective date.

15 C. Coverage for unemployment for any reason, except  
16 that coverage may be excluded for:

- 17 (1) voluntary forfeiture of salary, wage, or  
18 other employment income;  
19 (2) resignation;  
20 (3) retirement;  
21 (4) general strike;  
22 (5) illegal walkout;  
23 (6) war (declared or undeclared), civil  
24 commotion, riot, insurrection, rebellion, or revolution;  
25 (7) separation from the military;  
26 (8) willful misconduct or criminal misconduct or  
27 unlawful behavior;  
28 (9) disability caused by accident, sickness,  
29 disease, or pregnancy;  
30 (10) nuclear occurrence; and  
31 (11) natural disaster; and  
32 (12) a controlling stockholder of the employer or  
33 any of the dependents of the controlling stockholder. A person  
34 is a controlling stockholder if the person owns ten percent or  
35 more of the outstanding voting stock of the employer.

36 D. Coverage becomes effective after a waiting period

1 of no more than 60 days after the initiation and use of each  
2 loan or credit agreement, and benefits may be retroactive to the  
3 first day of unemployment or after an elimination period of 30  
4 days.

5 Subp. 4. Reeligibility. A credit involuntary unemployment  
6 insurance policy may impose conditions under which an insured  
7 debtor becomes reeligible for credit unemployment benefits after  
8 a period of receiving benefits. If reeligibility conditions are  
9 required for full benefits for a subsequent period of  
10 unemployment, the conditions may not be more stringent than the  
11 initial eligibility conditions and in no event shall require  
12 that the insured be actively at work for more than six  
13 consecutive months. If an insured debtor has not satisfied the  
14 reeligibility requirement at the time of a subsequent  
15 unemployment, the unemployment shall be considered a  
16 continuation of the prior unemployment with no waiting period,  
17 and with a maximum benefit period equal to the unused portion of  
18 the maximum benefit period for the prior unemployment.

19 Subp. 5. Joint coverage rates. Joint coverage rates for  
20 credit involuntary unemployment insurance shall be ~~75~~ 185  
21 percent of the specified single rate of coverage.

22 Subp. 6. Presumption of reasonableness. Policy forms  
23 providing benefits as set forth in this part at the prima facie  
24 rates then in effect will be conclusively presumed to be  
25 reasonable in relation to the premium charged.

26 2761.0500 REFUNDS OF PREMIUM.

27 A. The refund of an unearned amount paid by or  
28 charged to the debtor for credit involuntary unemployment  
29 insurance on which the charges to the debtor are payable by  
30 other than a single advance premium shall not be less than the  
31 pro rata gross unearned amount charged.

32 B. The refund of an unearned amount paid by or  
33 charged to the debtor for credit involuntary unemployment  
34 insurance on which the insurance charges to the debtor are paid  
35 in a single advance premium shall not be less than the amount

1 computed by the mean of the "sum of the digits" (rule of 78ths)  
2 method and the pro rata method.

3 C. A premium refund or credit need not be made if the  
4 amount is less than \$5.

5 D. A refund of premium upon termination for any  
6 reason must be made for any portion of premium covering a period  
7 beyond any one of the following:

8 (1) the date on which termination became  
9 effective;

10 (2) in the case of monthly installment, the  
11 installment due date nearest the date of termination;

12 (3) the date based on the procedure in law used  
13 for determining any unearned interest on the loan or advance of  
14 credit; or

15 (4) the date based on any other procedure filed  
16 by the insurer and approved by the commissioner.

17 ~~E.--Termination-must-include-termination-for-any~~  
18 ~~reason.~~

19 2761.0600 PROHIBITED PRACTICES.

20 Subpart 1. Generally. No insurer, or a parent,  
21 subsidiary, officer, agent, solicitor, or representative of the  
22 insurer, shall engage in any of the following practices:

23 A. deposit of premiums to the account of the insurer  
24 in the financial institution for which the insurer provides the  
25 credit insurance, when the account is either  
26 non-interest-bearing or at a rate of interest less than usual or  
27 the account is controlled by the institution;

28 B. allowing the remittance of premiums to the insurer  
29 after the expiry of date due on a regular basis so that the  
30 arrearage period is constant;

31 C. the retention of premiums by an agent or broker to  
32 whom the creditor remits premiums for a period of time that is  
33 not reasonably related to the time normally expected to be  
34 needed for the agent or broker to remit the premiums to the  
35 insurer, if such delay is a continuing feature of the premium



1 paying process;

2 D. any other practice which unduly delays receipt of  
3 premiums by the insurer on a regular basis; or

4 E. any other practices which involve use of the  
5 resources of the insurer for the benefit of the creditor.

6 Subp. 2. Limitation on compensation. An insurer,  
7 subsidiary, or parent of the insurer shall not pay compensation  
8 to a creditor or a group policyholder offering credit  
9 involuntary unemployment insurance in excess of 30 percent of  
10 the net written premium.

11 Subp. 3. Application. The criteria in subpart 2 apply  
12 regardless of whether premiums are due the insurer on a single  
13 premium advance system or any outstanding balance system.

14 2761.0700 PREMIUM RATES.

15 No policies of credit involuntary unemployment insurance  
16 issued after the effective date of this chapter shall be at a  
17 rate in excess of that set forth in this part except that  
18 benefit plans different from these basic benefit plans are  
19 subject to prior approval pursuant to part 2761.1100.

20 Schedule A - Single Premium Advance System

21 Monthly Rates per \$10 of Monthly Benefit Provided

Benefits	Nonretroactive Benefits for a 30-Day Elimination Period		Retroactive Benefits for a 30-Day Elimination Period	
	30-Day Waiting Period	60-Day Waiting Period	30-Day Waiting Period	60-Day Waiting Period
26 Period				
27 in months				
28 3	\$0.19	\$0.18	\$0.29	\$0.26
29 4	0.22	0.21	0.33	0.30
30 6	0.25	0.23	0.36	0.34
31 9	0.27	0.25	0.38	0.37
32 12	0.28	0.27	0.40	0.38

33  
34  
35  
36 Single premium rates are determined by multiplying the  
37 above rates by the term of the loan in months.

38 Schedule B - Outstanding Balance System

39 Monthly Rates per \$10 of Monthly Benefit Provided

Benefits	Nonretroactive Benefits for a 30-Day Elimination Period		Retroactive Benefits for a 30-Day Elimination Period	
	30-Day Waiting	60-Day Waiting	30-Day Waiting	60-Day Waiting
40 Period				
41 in months				

	Period	Period	Period	Period
3	\$0.23	\$0.21	\$0.33	\$0.31
4	0.26	0.24	0.38	0.35
5	0.29	0.27	0.42	0.40
6	0.31	0.30	0.45	0.43
7	0.33	0.31	0.47	0.45

Rates stated as \$0.xx per \$100 outstanding balance per month should be consistent with the above rates. For example, if a credit card required a minimum payment of five percent of the balance, a rate of 40 cents per \$10 of monthly benefit could also be stated as 20 cents per \$100 of outstanding balance because \$10 is five percent of \$200. As another example, if the minimum required payment is three percent of the outstanding balance, the 40 cents per \$10 of monthly benefit rate translates to 12 cents per \$100 of outstanding balance. For purposes of this part, the following formula may be used:

$$r_m = r_t \times 10p$$

Where:  $r_m$  = monthly rate per \$100 of outstanding balance  
 $r_t$  = rate per \$10 of payment of term "t"  
 $p$  = percent of outstanding balance required as monthly payment expressed as a decimal

2761.0800 STANDARD PREMIUM RATE CHANGES; UNEMPLOYMENT RATE VARIABLE.

Premium rates in part 2761.0700, Schedules A and B, may be adjusted from time to time based on the application of the factors to be applied from variations in the state unemployment rate. Prima facie rates in part 2761.0700, Schedules A and B are based on a state unemployment rate in the 3.5 percent to 4.4 percent band. To the extent that the state unemployment rate falls in bands outside the 3.5 percent to 4.4 percent band, the following table shall be used to adjust part 2761.0700, Schedules A and B rates accordingly:

State Unemployment Rate	Factor to be Applied to Prima Facie Rates
Less than 3.5 percent	<del>0.80</del> 0.85
3.5 to 4.4 percent	1.00
4.5 to 5.4 percent	1.25
5.5 to 6.4 percent	1.50
6.5 to 7.4 percent	1.75
7.5 to 8.4 percent	2.00
More than 8.4%	2.50

The source for the official state unemployment rate is the

1 seasonally adjusted rate as published monthly in the United  
 2 States Department of Labor, Bureau of Labor Statistics,  
 3 Employment and Earnings, Table C-2, "Labor Force Status by State  
 4 Seasonally Adjusted."

5 Rates must be modified by companies within 90 days after  
 6 the publication date of Table C-2 containing the third  
 7 consecutive month of changed unemployment in a different one of  
 8 the above unemployment bands, although companies can choose not  
 9 to increase rates even when permissible.

10 2761.0900 COORDINATION AND PUBLICATION OF CURRENT STANDARD  
 11 BENEFIT PLAN PRIMA FACIE RATES.

12 The rates in part 2761.0700, Schedules A and B, will be  
 13 determined from time to time by the commissioner under the  
 14 conditions in and published before the end of the 90-day period  
 15 in part 2761.0800. The publication will be in the State  
 16 Register and by Commerce Department Bulletin provided to the  
 17 companies with policies on file and approved for Credit  
 18 Involuntary Unemployment Insurance.

19 2761.1000 RATE MAKING METHODOLOGY AND DETERMINATION OF PREMIUM  
 20 RATES.

21 Standard rates in part 2761.0700, Schedules A and B, are  
 22 given in or derived from the information provided in the  
 23 statement of need and reasonableness available in connection  
 24 with this chapter.

25 2761.1100 USE OF BENEFIT PLANS DIFFERENT FROM STANDARD BENEFIT  
 26 PLANS.

27 An insurer may file for approval of and use benefit plans  
 28 that differ from the basic benefit plans in part 2761.0700.  
 29 Rates for these plans that differ must be actuarially consistent  
 30 with the prima facie rates then in force and must be filed with  
 31 a supporting actuarial memorandum as required by part  
 32 2761.0300. Different benefit plans and the rates filed with  
 33 those plans shall not be used until those forms and rates are  
 34 approved by the commissioner. A benefit plan that permits

1 part-time employees who work up to 30 hours per week to be  
2 considered "unemployed" but still charges premiums at prima  
3 facie rates shall not be considered to differ from the basic  
4 benefit plans in part 2761.0700.

5 2761.1200 APPLICATION.

6 Certificates, notices of proposed insurance, and premium  
7 rates in connection with existing group policies shall conform  
8 to the requirements of this chapter no later than the  
9 anniversary date of the group policy next following the  
10 effective date of this chapter.