

STATE OF ARIZONA

DEC 24 2002

DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE
BY Kahn

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

Docket No. 02A-139-INS

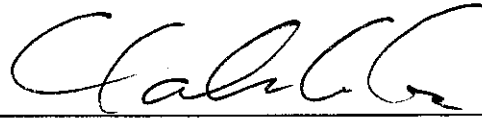
ORDER

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

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

1 that are higher than the prima facie rates established by this Order in accordance
2 with the process and standards set forth in A.R.S. §20-1610 and A.A.C. R20-6-
3 604.08. Insurers may file such deviations immediately and are responsible to make
4 such filings sufficiently in advance of April 1, 2003 to permit an April 1, 2003
5 effective date.

6 DATED this 23rd day of December, 2002.

7 

8 _____
9 CHARLES R. COHEN, DIRECTOR
10 Arizona Department of Insurance
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1 COPY of the foregoing mailed
this 24th day of December, 2002 to:

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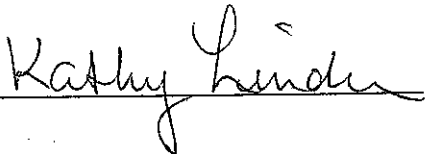
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1
2 EXHIBIT A

3 PRIMA FACIE RATES FOR CREDIT LIFE INSURANCE

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

11
$$S_p = \sum_{t=1}^n [(O_p / 10) \times (I_t / I_i) \times (v^{t-1})]$$

12

13 Where,

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

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

18 O_p = For single life level benefits, the prima facie monthly premium rate O_p factor per
19 \$1000 of outstanding balance insured indebtedness = \$0.83.

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

21 I_t = The scheduled amount of insurance for month t .

22 I_i = The initial amount of insurance, except for a net insurance plan, "Ii" is the initial
23 principal loan balance.
24

1 EXHIBIT A

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

3
4 $V = 1 / (1 + .0036)$ where the .0036 represents the sum of an annual discount rate of 4%
5 for interest, plus 0.4% annual for mortality.

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

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2 EXHIBIT B

3 PRIMA FACIE RATES FOR CREDIT DISABILITY INSURANCE

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

13

$$14 \quad OP_n = (10 \times SP_n) / \sum_{t=1}^n [(v^{t-1}) \times (n-t+1) / n]$$

15

16 Where,

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

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

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

22 $V = 1/(1 + .0033)$ where the .0033 represents an annual discount rate of 4% for
23 interest.

EXHIBIT B

PRIMA FACIE RATES FOR CREDIT DISABILITY INSURANCE

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

CLASS 1 CREDIT UNIONS

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

APPENDIX A

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

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

APPENDIX A

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

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

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

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

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

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

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

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

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

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

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

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

APPENDIX A

ARIZONA CREDIT DISABILITY RATES

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

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

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

Prima facie RATES FOR CREDIT
LIFE INSURANCE AND CREDIT
DISABILITY INSURANCE

Docket No. 02A-139-INS

HEARING OFFICER'S
REPORT AND RECOMMENDATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

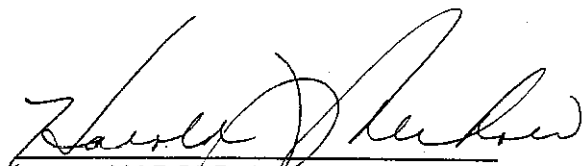
The undersigned further recommends that the Director adopt the Department's revised proposed *prima facie* credit disability rates. The Department's initial proposed rate adjustments were re-crafted in order to eliminate the anomaly created by the analysis showing that consumers receive less value for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

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

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

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

Respectfully submitted this 16th day of December 2002.


HAROLD J. MERKOW
Hearing Officer