

The following Advisory Opinion is to advise the reader of the current position of the Kentucky Department of Insurance ("the Department") on the specified issue. The Advisory Opinion is not legally binding on either the Department or the reader.

Kentucky Department of Insurance

Advisory Opinion 2001-6

RE: Debtor Group

It has come to the attention of the Department of Insurance that companies attempt to use other forms of insurance as an extension of credit insurance and, in doing so, avoid providing the insured with the services, premiums and protection expected from insurance laws and administrative regulations not governed by Subtitle 19 of the Kentucky Insurance Code.

The Department of Insurance recognizes:

- That it has minimum statutory and administrative regulations to rely on in its review of Debtor Group filings;
- The need for other forms of insurance protection with respect to credit transactions that do not satisfy the specific statutory and administrative regulatory limits of credit insurance; and
- The original purposes behind the establishment of separate laws and regulations permitting the simplified sales, underwriting, pricing and writing of credit insurance in contrast to other insurance products.

Therefore, the Department of Insurance will rely on such portions of the Kentucky Revised Statutes and Kentucky Administrative Regulations:

- That require premiums not to be excessive, inadequate or unfairly discriminatory;
- That describe how insurers are to demonstrate that premiums are not excessive, inadequate or unfairly discriminatory;
- That require benefits to be reasonable in relation to the premium charged; and
- That describe how insurers are to demonstrate that benefits are reasonable in relation to the premium charged.

Insurers who make Debtor Group or other similar filings that do not qualify for review under credit insurance statutes and administrative regulations are advised to:

- Carefully review the following statutes and administrative regulation before submitting such filings:
- KRS 304.13-031;

- KRS 304.14-130;
- KRS 304.16-040; and
- 806 KAR 17:070.
- Provide ample descriptions and demonstrations with respect to their development of premiums and where appropriate, descriptions and demonstrations with respect to the calculation of premium refunds must be included.

Any questions regarding this matter may be directed to the Life Insurance Division, P.O. Box 517, 320 West Main Street, Frankfort, KY 40602-0517, 502-564-6071, 502-564-5922 Fax or doilifemail@ky.gov.

Janie A. Miller

Commissioner

Date