

July 12, 1982

SUBJECT: INSURANCE

WITHDRAWN

CIRCULAR LETTER NO. 22 (1982)

DATED: July 12, 1982

TO: ALL INSURERS LICENSED TO WRITE LIFE AND/OR ACCIDENT AND HEALTH INSURANCE

SUBJECT: CREDIT LIFE AND CREDIT ACCIDENT AND HEALTH INSURANCE FOR SECOND MORTGAGES

This Department has received inquiries concerning the writing of credit insurance on second mortgages and whether Regulation 27-A (Part 185 of Title 11 of the Official Compilation of Codes, Rules and Regulations of the State of New York) entitled "Credit Life Insurance and Credit Accident and Health Insurance," which became effective on June 1, 1980, needs to be amended to accommodate the writing of such insurance.

After reviewing the existing regulation, the Department has concluded that credit insurance for second mortgages can and should be written under Section 185.14 of the regulation, entitled, Rules for Credit Insurance on Transactions Secured by Real Estate Mortgages." This determination is based on the fact that second mortgages are "transactions secured by real estate mortgages" as stated in Sections 204(1) (c) and 221(2) (e) of the Insurance Law.

The Department notes that in Section 186.14(c) of the regulation, there is sufficient flexibility to recognize higher rates based on higher net amounts for higher interest rates as well as other patterns of rates. For insurers submitting and receiving approval of higher rates, the Department will require that experience for second mortgages be reported separately from that for first mortgages. In addition, the Department will recognize a prospective re-rating plan in lieu of a plan providing for refunds as an alternative plan under Section 185.14(d) (4) of the regulation.

The Department further notes that there is sufficient flexibility under Section 185.14(e) of the regulation to accommodate various accident and health plans whether the indemnity is coterminous with the term of the loan or whether the indemnity is for a critical period.

Please acknowledge receipt of this letter to:

Mr. Raymond A. d'Amico
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Very truly yours,

[SIGNATURE]

ALBERT B. LEWIS

Superintendent of Insurance