

STATE OF NEW MEXICO
CORPORATION COMMISSION
DEPARTMENT OF INSURANCE

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52,123

IN THE MATTER OF THE ADOPTION
OF 13 NMAC 18.3, FORCE-PLACED
CREDIT PROPERTY INSURANCE

DOCKET NO. 98-364-IN

ORDER ADOPTING NEW RULE

THIS MATTER came before the Superintendent of Insurance for consideration. The Superintendent, having held public hearings and having considered the testimony and filed comments of all interested persons, and having been otherwise fully advised in the premises,

FINDS AND CONCLUDES THAT:

1. The rule is promulgated and adopted by the Superintendent of Insurance pursuant to authority provided under NMSA 1978 Sections 59A-2-9, 59A-12-10, 59A-16-4, 59A-16-18, 59A-17-6, 59A-17-16, 59A-17-28, and 59A-18-12.
2. *Notice of Proposed Rulemaking and Procedural Order* was properly published in the *Albuquerque Journal* on August 6, 1998, and in Volume IX, No. 15 of the *New Mexico Register* on August 15, 1998, for the October hearings, and in the *Albuquerque Journal* on November 5, 1998, and in Volume IX, No. 21 of the *New Mexico Register* on November 14, 1998, for the December hearing, as stated in the affidavits of publication on file in this docket.
3. Several years ago, the Superintendent held hearings on two proposed rules on this subject matter: Docket No. 94-174-IN, In the Matter of the Adoption of Regulation 12, Rule 2, The Placement of Insurance on Collateralized Personal Property, was heard on June 7, 1994; Docket No. 94-175-IN, In the Matter of the Adoption of Regulation 12, Rule 3, The

Placement of Insurance on Collateralized Real Property, was heard on June 8, 1994. The rule proposed in this docket would regulate creditor-placed insurance on both real and personal property.

4. Adoption of the rule was prompted by filings from insurers seeking the Superintendent's approval to sell creditor-placed insurance in New Mexico and the need to establish guidelines for rates, forms, claims, and market conduct.
5. Staff of the Department of Insurance ("Staff") prepared the proposed rule and made it available to all interested persons.
6. Hearings were held on October 8 and 9, 1998 to take comments on the first exposure draft of the proposed rule and on December 3, 1998 to take comments on the substantially revised exposure draft of the proposed 13 NMAC 18.3, Creditor-Placed Insurance.
7. At the hearings, all interested persons were given a reasonable opportunity to submit relevant oral or written comments and to question other persons making comments at the hearings.
8. At the first hearing, many commenters urged the Superintendent to adopt the NAIC Creditor-Placed Insurance Model Act to the extent it could be adopted as a rule. The Superintendent acceded to this request and drafted the revised exposure draft for the second hearing accordingly. Since many of the comments at the first hearing were accepted by the Superintendent in the second version of the proposed rule, they will not be detailed in this Order.
9. At the second hearing, there were many comments regarding insurance tracking and whether it should be performed by insurers or creditors. The Superintendent adopts the

recommendation of many commenters to allow insurers to continue to provide that service to creditors because that is a reasonable business practice.

10. There was much testimony about whether or not the market for creditor-placed insurance was competitive. The Superintendent finds that creditor-placed insurance is non-competitive in New Mexico because of the small number of players, the high concentration of market shares, the lack of rate differentials, the lack of market emphasis on price, and unreasonably high profitability. The absence of classification plans in this product line and the presence of reverse competition are other indicators of a lack of competition.
11. There was testimony that the proposed rule should not apply to creditor-placed insurance on real property. The Superintendent has decided that the rule should apply to real property but has addressed the specific concerns expressed regarding the differences between real property and personal property creditor-placed insurance.
12. Many commenters urged the Superintendent to permit component rating instead of setting a minimum loss ratio for creditor-placed insurance. The Superintendent has determined that the loss ratio method is a better way to set rates for this product and notes that the loss ratio of 50% required by the rule is significantly more generous than the loss ratio of 60% suggested in the NAIC model act. The 50% loss ratio would allow a 4% underwriting profit which translates to an approximate 10% return on equity which several commenters and at least one expert witness agreed would be fair and reasonable. The Superintendent finds that the rating requirements in the rule will meet the requirements of New Mexico law.
13. There was much testimony urging the Superintendent to delete the requirement that for limited dual interest insurance the debtor be named as an additional insured. The

Superintendent declines to do so because Staff's data survey indicated that doing so is the current practice of approximately three-quarters of the insurers selling limited dual interest coverage.

14. Several commenters argued against requiring daily pro rata refunds of unearned premiums and proposed the short rate method instead. The Superintendent has determined that the daily pro rate method is fairer to debtors.
15. Commenters urged the Superintendent to include loss adjustment expenses in incurred losses as is typically done in other property and casualty lines. The Superintendent declines to do so because including loss adjustment expenses in incurred losses is more complex, less objective, and subject to manipulation.
16. Insurers commenting on notices to the debtor suggested that the Superintendent use the NAIC model's periodic notice requirement instead of the proposed rule's requirement of a renewal notice. The Superintendent agrees that the model act's periodic notices are preferable to a single renewal notice from the insurer but notes that it is not within his authority to require creditors to send notices to debtors. The renewal notice requirement has been deleted from the rule in reliance on insurers' testimony that creditors want debtors to be notified multiple times before insurance is force-placed.
17. There were many objections to the requirement that insurers not abandon salvage without the consent of the facility and the owner of the salvage. The Superintendent has deleted the requirement from this rule because its application is broader than creditor-placed insurance.
18. Several commenters requested that the "safe harbor" provision from the NAIC Creditor-Placed Insurance Model Act be included in the rule. The Superintendent has declined to do

so because that is a legislative prerogative and not within his authority.

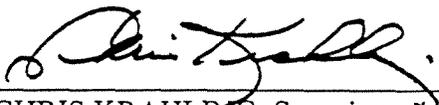
19. Commenters requested the Superintendent to set a specific minimum deductible amount instead of referencing the minimum deductible in the FAIR Plan and the Assigned Risk Plan. The Superintendent declines to adopt that suggestion; letting the minimums “float” with the Plans will keep the minimum deductibles in line with the market and will also avoid frequent amendment of the rule.
20. Commenters requested the Superintendent to delete the provision prohibiting insurers from subrogating against debtors. The Superintendent has decided that the provision is not needed in the rule.
21. Several commenters objected to the state-specific requirements in the notice of creditor-placed insurance. The Superintendent notes that the NAIC model act suggests that states make their notices state-specific and notes further that both the rule and the NAIC model act allow for the use of substantially similar forms.
22. Many commenters understood the section on calculation of premiums to be a limit on the amount of coverage. The Superintendent has inserted language to make clear that the section is not intended as a limit on the amount of coverage. Further, the language regarding calculation of premiums when collateral includes land was also reworded to clarify the Superintendent’s intention.
23. Several commenters objected to the reporting requirements and forms in the proposed rule. The Superintendent has decided that the information and report formats required by the rule are necessary for the proper functioning of the rate monitoring and regulating process.
24. Commenters testified that the rule would make it more difficult for New Mexico consumers

to obtain credit. The Superintendent finds that such allegations are not well founded, and that, in fact, the reductions in premium rates charged to debtors that will result from application of the 50% loss ratio requirement will benefit debtors and that creditors will benefit from the debtor's enhanced ability to continue paying on the loan.

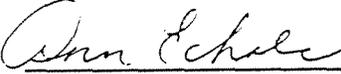
25. The proposed 13 NMAC 18.3, Creditor-Placed Insurance, is reasonable, fair, just, practicable, in the public interest and should be adopted.
26. The proposed 13 NMAC 18.3, Creditor-Placed Insurance, does not extend, modify, or conflict with any provision of New Mexico law.
27. The proposed 13 NMAC 18.3, Creditor-Placed Insurance, is consistent with the format and style requirements of the New Mexico Administrative Code.

IT IS THEREFORE ORDERED that 13 NMAC 18.3, Creditor-Placed Insurance, in the form attached to this Order, be adopted and filed in accordance with applicable provisions of state law to become effective January 1, 1999 and published in Volume IX, No. 24 of the New Mexico *Register* on December 31, 1998.

DONE AND ORDERED this 11th day of December, 1998.


CHRIS KRAHLENG, Superintendent of Insurance

ATTEST:


ORLANDO L. ROMERO, Chief Clerk

TITLE 13 INSURANCE
CHAPTER 18 CREDIT INSURANCE
PART 3 CREDITOR-PLACED INSURANCE

- 1 **ISSUING AGENCY:** New Mexico State Corporation Commission, Department of Insurance, Post Office Box 1269, Santa Fe, NM 87504-1269. [1-1-99]
- 2 **SCOPE:**
- 2.1 This rule applies to any person transacting creditor-placed insurance on property located in New Mexico. [1-1-99]
- 2.2 This rule does not apply to:
- 2.2.1 creditor-placed insurance first issued on property located in another state but subsequently moved to this state;
- 2.2.2 insurance for which no specific charge is made to the debtor or the debtor's account; or
- 2.2.3 blanket insurance, whether paid for by the debtor or the creditor.
- [1-1-99]
- 3 **STATUTORY AUTHORITY:** NMSA 1978 Sections 59A-2-9, 59A-12-10, 59A-16-14, 59A-16-18, 59A-17-6, 59A-17-16, 59A-17-28, and 59A-18-12. [1-1-99]
- 4 **DURATION:** Permanent. [1-1-99]
- 5 **EFFECTIVE DATE:** January 1, 1999, unless a later date is cited at the end of a section or paragraph. [1-1-99]
- 6 **OBJECTIVE:** The purpose of this rule is to establish guidelines within which creditor-placed insurance may be written in this state, to regulate rates, and to prohibit unfair practices in the transaction of creditor-placed insurance. [1-1-99]
- 7 **DEFINITIONS:** As used in this rule: [1-1-99]
- 7.1 **actual cash value** means the cost of replacing damaged or destroyed property with comparable new property, minus depreciation and obsolescence. [1-1-99]
- 7.2 **Assigned Risk Plan** means the insurance plan established pursuant to the Motor Vehicle Assigned Risks Law, NMSA 1978 Sections 59A-32-1 *et seq.* [1-1-99]

- 7.3 **blanket insurance** means a policy of insurance issued to a creditor that covers direct accidental damage to collateral without listing the specific items of collateral covered. [1-1-99]
- 7.4 **collateral** means property that is pledged as security for the satisfaction of a debt. [1-1-99]
- 7.5 **credit agreement** means the written document that sets forth the terms of the credit transaction and includes the security agreement. [1-1-99]
- 7.6 **credit property insurance** means property insurance written in connection with credit transactions under which the creditor is the primary beneficiary. [1-1-99]
- 7.7 **credit transaction** means a transaction by the terms of which the repayment of money loaned or credit commitment made, or payment for goods, services, or properties sold or leased, is to be made at a future date. [1-1-99]
- 7.8 **creditor** means a lender of money or vendor or lessor of goods, services, property, rights or privileges for which payment is arranged through a credit transaction, or any successor to the right, title or interest of a lender, vendor or lessor, and includes affiliates, subsidiaries, agents, employees, and representatives of the creditor. [1-1-99]
- 7.9 **creditor-placed insurance** means insurance that is purchased unilaterally by the creditor, who is the named insured, subsequent to the date of the credit transaction, providing coverage against direct loss or damage to collateralized property. It is purchased according to the terms of the credit agreement as a result of the debtor's failure to provide required physical damage insurance, with the cost of the coverage being charged to the debtor. [1-1-99]
- 7.10 **debtor** means a borrower of money or a purchaser or lessee of goods, services, property, rights, or privileges for which payment is arranged through a credit transaction. [1-1-99]
- 7.11 **FAIR Plan** means the insurance plan established pursuant to the FAIR Plan Act, NMSA 1978 Sections 59A-29-1 *et seq.* [1-1-99]
- 7.12 **insurance tracking** means monitoring evidence of insurance on collateralized credit transactions to determine whether insurance required by the credit agreement has lapsed and communicating with debtors concerning the status of insurance coverage. [1-1-99]
- 7.13 **lapse** means that the insurance coverage required by the credit agreement is not in

force. [1-1-99]

7.14 **Limited dual interest insurance** means insurance purchased by the creditor to insure its interest in the collateral that does not contain the three (3) conditions for loss payment required for single interest insurance and extends coverage on the collateral while it is in the possession of the debtor. [1-1-99]

7.15 **loss ratio** means incurred losses divided by earned premiums. [1-1-99]

7.16 **motor vehicles** means those vehicles subject to the Mandatory Financial Responsibility Act, NMSA 1978 Sections 66-5-201 *et seq.* [1-1-99]

7.17 **net debt** means the amount necessary to liquidate the remaining debt in a single lump-sum payment, excluding all unearned interest and other unearned charges. [1-1-99]

7.18 **personal property** means all tangible property other than real property and includes motor vehicles, mobile homes, and manufactured housing. [1-1-99]

7.19 **single interest insurance** means insurance purchased by the creditor to insure its interest in the collateral securing a debtor's credit transaction which requires that three (3) conditions be met for payment of loss under the policy:

7.19.1 the debtor has defaulted in payment on the credit transaction;

7.19.2 the creditor has legally repossessed the collateral, unless collateral has been stolen from the debtor; and

7.19.3 the creditor has suffered an impairment of interest.

[1-1-99]

7.20 **skip, confiscation and conversion coverage** means coverage protecting the creditor from fraud, theft, larceny, conversion, embezzlement or secretion on the part of the debtor. [1-1-99]

8 **LIMITED AUTHORIZATION TO TRANSACT:**

8.1 An insurer shall not issue creditor-placed insurance to a creditor unless the creditor has an insurable interest in the collateral. [1-1-99]

8.2 No insurer shall transact creditor-placed insurance without first having obtained from the Superintendent a license to transact general casualty insurance or vehicle insurance in the case of motor vehicles or property insurance in the case of all

other kinds of property. [1-1-99]

8.3 ~~Creditor-placed~~ insurance shall be either single interest insurance or limited dual ~~interest~~ insurance. [1-1-99]

8.4 Creditor-placed insurance shall not be transacted as inland marine insurance. [1-1-99]

9 **POLICY TERM:**

9.1 **Effective date.** Creditor-placed insurance shall become effective on the latest of the following dates:

9.1.1 the date of the credit transaction;

9.1.2 the date prior coverage, including prior creditor-placed insurance coverage, lapsed;

9.1.3 for personal property, one year before the date on which the charge for creditor-placed insurance is made to the debtor's account; or

9.1.4 a later date provided for in the agreement between the creditor and insurer.

[1-1-99]

9.2 **Termination date.** Creditor-placed insurance shall terminate on the earliest of the following dates:

9.2.1 the date other acceptable insurance becomes effective, subject to the debtor providing acceptable evidence of the other insurance to the creditor;

9.2.2 the date the collateralized property is repossessed, unless the property is returned to the debtor within ten (10) days of the repossession;

9.2.3 the date the collateralized property is damaged beyond repair;

9.2.4 the date the debt is completely extinguished; or

9.2.5 an earlier date specified in the individual policy or certificate of insurance.

[1-1-99]

9.3 **Policy term.** The term of a creditor-placed insurance certificate shall not exceed twelve (12) months. [1-1-99]

10 **CALCULATION OF PREMIUMS:** This section is not intended to limit the amount of coverage. [1-1-99]

10.1 For credit transactions collateralized by property that does not include land, the premium for creditor-placed insurance shall be calculated on the net debt, even though the coverage may limit the insurer's liability to the least of the net debt, actual cash value or cost of repair. [1-1-99]

10.2 When calculating premiums for creditor-placed insurance on credit transactions collateralized by property that includes land, the exposure base shall not include the value of the land. For this purpose, the value of the land shall be its appraised value as determined by a licensed appraiser or the value assigned by the appropriate taxing authority. [1-1-99]

10.3 Other premium calculation methods that more closely reflect the exposure of each insured item may be employed with the approval of the Superintendent. [1-1-99]

11 **PROHIBITED COVERAGES:** Nothing in this section shall be construed to prohibit the issuance of a separate policy providing the coverages listed below to the creditor. Creditor-placed insurance may not include:

11.1 coverage for the cost of repossession or the cost of storing repossessed collateral;

11.2 skip, confiscation and conversion coverage;

11.3 coverage that pays the credit transaction deficiency or insurance premium deficiency;

11.4 coverage for payment of mechanics' or other liens that do not arise from a covered loss or occurrence;

11.5 coverage that indemnifies creditors for losses caused by their failure to record instruments which provide evidence of collateral security;

11.6 coverage other than for collision and comprehensive for motor vehicles; or

11.7 coverage that is broader than that provided by the FAIR Plan for real property or the Assigned Risk Plan for motor vehicles.

[1-1-99]

12 **EVIDENCE OF COVERAGE:** Creditor-placed insurance shall be set forth in an individual policy or certificate of insurance. A copy of the individual policy, certificate

of insurance coverage, or other evidence of insurance coverage shall be mailed, first class mail, or delivered in person to the last known address of the debtor. [1-1-99]

13 FILING AND APPROVAL OF FORMS AND RATES:

- 13.1 All policy forms and certificates of insurance to be delivered or issued for delivery in this state, and the schedules of premium rates pertaining to them, shall, pursuant to NMSA 1978, Sections 59A-17-9 and 59A-18-12, be filed with and approved by the Superintendent prior to use in this state. [1-1-99]
- 13.2 For limited dual interest insurance, policy forms shall provide that the debtor is an additional insured. [1-1-99]
- 13.3 Policy forms applicable to creditor-placed insurance for motor vehicles shall provide that deductibles shall not be lower than the minimum deductibles offered under the Assigned Risk Plan. [1-1-99]
- 13.4 Policy forms applicable to creditor-placed insurance for mobile homes shall provide that deductibles shall not be lower than the minimum deductibles offered under the FAIR Plan. [1-1-99]
- 13.5 For each type of collateral, insurers shall file a schedule of premium rates that is not unreasonable in relation to the benefits provided by the form to which the schedule applies. Types of collateral include, but are not limited to, real property, motor vehicles, mobile homes, and other personal property. A premium rate or schedule of premium rates that produces or may reasonably be expected to produce a loss ratio of less than fifty percent (50%) shall be presumed to be unreasonable in relation to the benefits provided. [1-1-99]
- 13.6 Nothing in this section shall prohibit the Superintendent from approving other loss ratios which may be found reasonable. An insurer may file a rate that produces or may reasonably be expected to produce a loss ratio of less than fifty percent (50%) provided that the provision in the rate for commissions, acquisition costs, insurance tracking, expense reimbursement to creditors, and all similar expenses incurred directly or indirectly does not exceed thirty percent (30%). [1-1-99]

14 REFUND OF UNEARNED PREMIUMS:

- 14.1 Within sixty (60) calendar days after the termination of creditor-placed insurance coverage, an insurer shall refund any unearned premium or other identifiable charges for creditor-placed insurance on a daily pro rata basis, subject to a minimum premium charge filed with and approved by the Superintendent. [1-1-99]

- 14.2 Within sixty (60) calendar days after the termination date of creditor-placed insurance coverage, the insurer shall provide to the debtor a statement of refund disclosing the effective date, the termination date, the amount of premium being refunded and the amount of premium charged for the coverage provided. No statement shall be required in the event that the policy terminates pursuant to 13 NMAC 18.3.9.2.4. [1-1-99]
- 14.3 The entire amount of premiums, minimum premiums, fees or charges of any kind shall be refunded if no coverage was provided. [1-1-99]

15 **CLAIMS:**

- 15.1 Insurers shall promptly investigate and settle claims in accordance with NMSA 1978 Section 59A-16-20, Unfair Claim Settlement Practices. [1-1-99]
- 15.2 The settlement value on creditor-placed insurance covering personal property shall be the least of the following, determined as of the date of the loss, less any applicable deductible, retained salvage, or compensation received from a third party:
- 15.2.1 the actual cash value of the collateral;
 - 15.2.2 the cost of repairing or replacing the collateral to its pre-loss condition; or
 - 15.2.3 the net debt.
- [1-1-99]
- 15.3 Whenever a claim is made on a creditor-placed insurance policy, the insurer shall furnish to the debtor and creditor a written statement of the loss explaining the settlement amount and the method of settlement. [1-1-99]
- 15.4 Insurers shall not deny a claim made on a creditor-placed insurance policy on the grounds that the collateral is ineligible for coverage if the insurer has first accepted a premium on the collateral. This subsection does not apply in those cases where coverage is denied because of fraud or subrogation or when other insurance was in effect. [1-1-99]

- 16 **REBATES PROHIBITED:** No insurer shall offer, and no creditor shall accept, a rebate or inducement. This section does not prohibit or restrict an insurer which provides creditor-placed insurance for a creditor from doing business with that creditor if the business is conducted in accordance with the same terms and conditions and at the regular and customary interest rates and charges the creditor applies to its other customers. [1-1-

99]

- 16.1 An insurer shall not pay directly or indirectly to a creditor commissions, fees, rent, expense reimbursement, or other compensation greater than thirty percent (30%) of earned premium net of terminations. [1-1-99]
- 16.2 An insurers shall not pay a policyholder dividend, retrospective premium adjustment, profit sharing, or similar return of premium. [1-1-99]
- 16.3 An insurer transacting creditor-placed insurance shall not provide other insurance coverages to a creditor at inadequate rates. [1-1-99]
- 16.4 An insurer shall not pay a commission to a person who is not a duly licensed and appointed agent of the insurer. [1-1-99]
- 16.5 An insurer shall not purchase or offer to purchase certificates of deposit from a creditor or maintain or offer to maintain accounts with a creditor in connection with a creditor-placed insurance solicitation. [1-1-99]
- 16.6 An insurer shall not purchase certificates of deposit from a creditor or maintain accounts with a creditor at less than market interest rates. [1-1-99]
- 16.7 An insurer shall not pay for damages that occurred outside the period of coverage or for other losses not covered under the policy. [1-1-99]
- 16.8 An insurer may not require a creditor to purchase insurance tracking or any other services from a specific person but may require that such services meet minimum quality standards. [1-1-99]
- 16.9 A creditor shall not knowingly recover for damages that occurred outside the period of coverage or for other losses not covered under the policy. [1-1-99]
- 16.10 A creditor shall not retain unearned premiums upon cancellation of creditor-placed insurance without crediting the amount of unearned insurance charges to the debtor's account. [1-1-99]

- 17 **NOTICE OF CREDITOR-PLACED INSURANCE:** An insurer shall, within fifteen (15) days of the initial placement or renewal of creditor-placed insurance, either directly or through the creditor, using the form prescribed in 13 NMAC 18.3.20 or a substantially similar form mail to the debtor by first-class mail a copy of the certificate of insurance or policy. In the case of limited dual-interest insurance, the insurer shall also explain the debtor's rights to file a claim for damages incurred after the effective date of the coverage. [1-1-99]

18 **REPORTING REQUIREMENTS:**

18.1 **Required reports.** On or before July 1 of each year, every insurer offering creditor-placed insurance policies in New Mexico shall file the following reports covering the prior calendar year:

18.1.1 Form A, Summary Experience Report, on the form prescribed in 13 NMAC 18.3.21;

18.1.2 Form B, Creditor's Experience Report, on the form prescribed in 13 NMAC 18.3.22;

18.1.3 Form C, Other Insurance Report, on the form prescribed in 13 NMAC 18.3.23;

18.1.4 Form D, Reconciliation Report, on the form prescribed in 13 NMAC 18.3.24, explaining the basis of data compilation, data peculiarities and reconciling any material differences between Form A, Form B, and the annual statement it files.

[1-1-99]

18.2 **Affidavit.** A responsible officer of the insurer shall submit the affidavit prescribed by the Superintendent in 13 NMAC 18.3.25 when filing the reports required by this section. [1-1-99]

18.3 **Electronic filing.** Reports shall be submitted both in writing and in EXCEL, LOTUS, Quattro Pro, or other programming format approved by the Superintendent. [1-1-99]

19 **TRANSITION:**

19.1 All insurers offering creditor-placed insurance on January 1, 1999 shall file rates and policy forms that meet the requirements of this rule no later than April 1, 1999. If an insurer fails to file rates and policy forms that meet the requirements of this rule by April 1, 1999, or if the Superintendent disapproves the proposed rates or policy forms, the Superintendent may provide interim rates or take any other administrative action or impose penalties or sanctions provided in the New Mexico Insurance Code. [1-1-99]

19.2 Creditor-placed insurance written, renewed, or extended on or after January 1, 1999 must meet all requirements of this rule except that rates and policy forms approved by the Superintendent prior to January 1, 1999 may remain in effect for all certificates issued in the transition period between January 1, 1999 and June

30, 1999. The term of all certificates issued during this transition period shall not exceed twelve (12) months. [1-1-99]

- 19.3 Any creditor-placed insurance written, renewed, or extended on or after July 1, 1999 must meet all requirements of this rule. [1-1-99]

20 NOTICE OF CREDITOR-PLACED INSURANCE FROM INSURER:

NOTICE OF CREDITOR-PLACED INSURANCE

You are required to maintain insurance on the property that is the collateral for your debt. You have not provided proof of insurance in response to the notices previously sent you. Therefore, *[insert name of creditor]* has placed insurance coverage for you in accordance with the terms of your credit agreement. A copy of that policy/certificate is attached. It states the total cost to you of the insurance and the period of time the insurance will be in force. **You may purchase other insurance coverage at any time; as soon as you provide proof of other coverage to *[insert name of creditor]*, we will cancel this creditor-placed coverage and refund to you any unearned premiums that you have paid.**

If you have had difficulty obtaining insurance, you may be eligible to purchase:

- New Mexico Assigned Risk coverage for motor vehicles from your local agent or from the New Mexico Assigned Risk Plan at 1-800-227-4659;
- FAIR Plan coverage for real property or mobile homes from your local agent;

or you may obtain information about either insurance plan from:

The New Mexico Department of Insurance
P.O. Box 1269
Santa Fe, New Mexico 87504-1269
Telephone: (505) 827-4601
Toll free: 1-800-947-4722

The insurance placed by *[insert name of creditor]* will pay claims for covered physical damage to the property until the debt is paid. The insurance placed by *[insert name of creditor]* will not give you any liability insurance coverage and will not meet the requirements of the New Mexico Mandatory Financial Responsibility Law.

[For limited dual interest policies]

As the debtor, you have the right to file a claim for damage incurred on or after the effective date of coverage stated in the policy/certificate. This insurance will pay no more than the unpaid balance on the loan, which may be less than the value of the property. In order to file a claim, you must:

[insert instructions for filing a claim]

[1-1-99]

21 FORM A - SUMMARY EXPERIENCE REPORT:

SUMMARY EXPERIENCE REPORT

Name of Insurer: _____ NAIC Code: _____

Contact Person: _____ Telephone Number: _____

Calendar Year: _____

CREDITOR-PLACED INSURANCE

TYPE OF DATA	NEW MEXICO					COUNTRYWIDE				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Real Property	Motor Vehicles	Mobile Homes	All Other Personal Property	Total	Real Property	Motor Vehicles	Mobile Homes	All Other Personal Property	Total
A. Gross Written Premium										
B. Refunds on Terminations										
C. Net Written Premium (A)-(B)										
D. Beginning Premium Reserve										
E. Ending Premium Reserve										
F. Net Earned Premium (C) + (D) - (E)										
G. Other Income Less Other Expense										
H. Policyholder Dividends										
I. Incurred Losses										
J. LAE Incurred										
K. Commissions Incurred										
L. Service Fees Incurred										
M. Other Incurred Compensation										
N. Other Acquisition Expenses										
O. Other Underwriting Expenses										
P. Total Loss & Expense Sum of (H) to (O)										
Q. Underwriting Profit (F) + (G) - (P)										

Instructions:

1. This form applies to creditor-placed insurance only.
2. Provide all data direct as to reinsurance.
3. LAE means loss adjustment expense.
4. Other underwriting expenses means the sum of taxes, licenses, fees, and general expenses.
5. The experience reported should be consistent with the Insurance Expense Exhibit of the insurer's Annual Statement.

[1-1-99]

22 FORM B - CREDITOR'S EXPERIENCE REPORT:

CREDITOR'S EXPERIENCE REPORT

Name of Insurer: _____ Calendar Year: _____

NEW MEXICO CREDITOR-PLACED INSURANCE

(1) Creditor Identification Number	(2) Effective Date Of Master Policy	(3) Gross Written Premium	(4) Refunds on Terminations	(5) Written Premium Net of Terminations (3) - (4)	(6) Cash Commissions Incurred	(7) Cash Service Fees Incurred	(8) Other Cash Compensation Incurred	(9) Creditor's Percentage Compensation [(6)-(7)-(8)] / (5)
TOTALS								

Instructions:

1. Fill in a row for each New Mexico creditor-placed insurance master policy.
2. In columns (6), (7) and (8), report all cash amounts incurred by the creditor for commissions, service fees and other compensation.

[1-1-99]

23 FORM C - OTHER INSURANCE REPORT:

OTHER INSURANCE REPORT

Name of Insurer: _____ Calendar Year: _____

INSURANCE OTHER THAN CREDITOR-PLACED INSURANCE

	(1)	(2)	(3)	(4)
	Blanket Insurance Policies	Other Credit Property Insurance Not Force-Placed	Total Credit Property Insurance Not Force-Placed (1)+(2)	All Other Insurance Purchased by a New Mexico Creditor
A. Gross Written Premium				
B. Refunds on Terminations				
C. Net Written Premium (A)-(B)				
D. Beginning Premium Reserve				
E. Ending Premium reserve				
F. Net Earned Premium (C) + (D) - (E)				
G. Other Income Less Other Expense				
H. Policyholder Dividends				
I. Incurred Losses				
J. LAE Incurred				
K. Commissions Incurred				
L. Service Fees Incurred				
M. Other Incurred Compensation				
N. Other Acquisition Expenses				
O. Other Underwriting Expenses				
P. Total Loss & Expense Sum (H) to (O)				
Q. Underwriting Profit (F)+(G)-(P)				

Instructions:

1. Provide all data direct as to reinsurance.
2. In Column (1), report New Mexico experience on credit property blanket policies.
3. In Column (2), report New Mexico experience on non-file insurance, errors and omissions insurance, coverages prohibited by 13 NMAC 18.3.11, and all credit property insurance other than creditor-placed insurance or blanket insurance.
4. In Column (4), report all insurance purchased by a creditor other than credit property insurance.
5. LAE means loss adjustment expense.
6. Other underwriting expenses means the sum of taxes, licenses, fees, and general expenses. The experience reported should be consistent with the Insurance Expense Exhibit of the insurer's Annual Statement.
7. Provide a description of the insurance listed in Column (2)

[1-1-99]

24 FORM D - RECONCILIATION REPORT:

RECONCILIATION REPORT

Name of Insurer: _____ Calendar Year: _____

NEW MEXICO CREDITOR-PLACED INSURANCE

Type of Data	(1) New Mexico Form A Column (5) Total	(2) New Mexico Form C Column (3) Total	(3) Total (1) + (2)	(4) New Mexico Property Supplement of the Annual Statement Total	(5) Difference (3) - (4)
A. Written Premium Net of Terminations					
B. Direct Earned Premium					
C. Direct Incurred Losses					
D. Commissions and Service Fees Incurred					
E. Other Incurred Compensation					

Instructions:

Explain any non-zero differences.

COUNTRYWIDE CREDITOR-PLACED INSURANCE

Type of Data	(1) Countrywide Form A Total	(2) Countrywide All Other Credit Property Insurance	(3) Total (1) + (2)	(4) Countrywide Credit Property Supplement of the Annual Statement Total	(5) Difference (3) - (4)
A. Written Premium Net of Terminations					
B. Direct Earned Premium					
C. Direct Incurred Losses					
D. Commissions and Service Fees Incurred					
E. Other Incurred Compensation					

Instructions:

1. Provide a general description of the insurance listed in column (2)
2. Explain any non-zero differences.

[1-1-99]

25 AFFIDAVIT:

NEW MEXICO CREDITOR-PLACED INSURANCE EXPERIENCE REPORTS
FOR THE CALENDAR YEAR ENDING DECEMBER 31, _____

AFFIDAVIT

STATE OF _____

COUNTY OF _____

I, _____, the (position) _____ of
(name of Company) _____, being duly sworn, deposes and says that
on the 31st day of December last, all of the income and expenses of the named Company
described in Form A, Form B, Form C, and Form D submitted with this Affidavit, together with
any related reports, exhibits, schedules and explanations contained in this filing, or annexed to or
referred to in this filing, are a full and true statement in accordance with the instructions provided
of income and expenses for the year ended on that date, according to the best of my information,
knowledge and belief.

Signature

SUBSCRIBED AND SWORN TO BEFORE ME

this ____ day of _____, _____.

Notary Public

My Commission Expires _____

[1-1-99]

NMAC TRANSMITTAL FORM

STATE OF NEW MEXICO
COMMISSION

10:00:53
[Sequence No. _____]

1 NMAC 3.3.10.22

1. Agency Name & Mailing Address	2. Agency Account Code
New Mexico State Corporation Commission Department of Insurance P.O. Box 1269 Santa Fe, New Mexico 87504-1269	424-3000
3. Type of Rule Action	
New <input checked="" type="checkbox"/> Emergency <input type="checkbox"/> Amending <input type="checkbox"/> Repealing <input type="checkbox"/>	

FILED

'98 DEC 11 PM 3 34

4. NMAC Title Name	NMAC Title Number
Insurance	13

5. NMAC Chapter Name	NMAC Chapter Number
Credit Insurance	18

6. NMAC Part Name	NMAC Part Number
Creditor-Placed Insurance	3

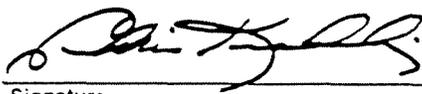
7. Modified NMAC Name	Modified NMAC Number
	Filing Date (if applicable) / /

8. Are there any materials incorporated by reference?	
No <input checked="" type="checkbox"/>	Reference / Internet site
Yes <input type="checkbox"/>	Please list attachments: 1. _____ and Internet site(s) if applicable 2. _____ 3. _____

9. If materials are attached, have copyright permissions been received?		
No <input type="checkbox"/>	Yes <input type="checkbox"/>	Public domain <input type="checkbox"/>

10. Total Number of Pages: 16	Docket No. 98-364-IN	11. Hearing Date of Rule: 10-8 & 9-98 & 12-3-98
		12. Effective Date of Rule: 1-1-99

13. Contact Person: Sharon Markowski
Phone Number: 827-4307

14. Signature & Title of Issuing Authority
Name: Chris Krahling
Title: Superintendent of Insurance
Signature: 
Date Signed: 12/11/98