

**TITLE 114
LEGISLATIVE RULE
INSURANCE COMMISSIONER**

**SERIES 6
~~REGULATION OF CREDIT LIFE INSURANCE, AND CREDIT ACCIDENT AND
SICKNESS INSURANCE, AND CREDIT UNEMPLOYMENT INSURANCE~~**

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REGULATION OF CREDIT LIFE INSURANCE, AND CREDIT ACCIDENT AND
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§114-6-1. General.

1.1. Scope. -- The purpose of this rule is to set forth requirements to be followed by insurers which are transacting credit life insurance, ~~and~~ credit accident and sickness insurance, and credit unemployment insurance in West Virginia for the protection of West Virginia debtors who are participating in such insurance. Section 7 of this rule is based on the National Association of Insurance Commissioners' "Consumer Credit Insurance Regulation" (Model 370) as adopted in 1996.

~~West Virginia Code §33-6-9(e) authorizes the Insurance Commissioner to disapprove any form "... if the benefits provided therein are unreasonable in relation to the premium charged." After review of credit life and credit accident and sickness insurance transactions in West Virginia, and after careful analysis of the studies and recommendations of the National Association of Insurance Commissioners, it is hereby ruled that benefits are not unreasonable in relation to premiums as provided for in West Virginia Code §33-6-9(e), if a loss ratio of fifty percent (50%) can reasonably be expected to be developed. The insurer will use reporting forms, which are required to be filed annually, to determine if this standard is being met. This rule encompasses the rates, the coverages, and general practices of insurers transacting credit life insurance and credit accident and sickness insurance in the State of West Virginia. All life insurance and all accident and sickness insurance in connection with loans or other credit transactions is subject to the provisions of this rule, except the insurance in connection with a loan or other credit transaction of more than ten (10) years' duration; nor shall insurance be subject to the provisions of this rule where the issuance of the insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.~~

1.2. Authority. -- W. Va. Code §§33-2-10 and 46A-3-1(c).

1.3. Filing Date. -- ~~April 13, 1995.~~

1.4. Effective Date. -- ~~April 13, 1995.~~

§114-6-2. Definitions.

2.1. "Credit Life Insurance" means insurance on the life of a debtor pursuant to or in

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connection with a specific loan or other credit transaction.

2.2. "Credit Accident and Sickness Insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.

2.3. "Credit unemployment insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is unemployed as defined in the policy.

~~2.3.~~ 2.4 "Creditor" means the lender of money or vendor or lessor of goods, services, or property, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender, vendor, or lessor, and an affiliate, associate or subsidiary of them or any director, officer, or employee of any of them or any other person in any way associated with any of them.

~~2.4.~~ 2.5. "Debtor" means a borrower of money or purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

2.5. 2.6. "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

~~2.6.~~ 2.7. "Commissioner" means the West Virginia Insurance Commissioner ~~of West Virginia.~~

§114-6-3. Amount of Credit Life Insurance and Credit Accident and Sickness Insurance.

3.1. a. Amounts payable - Credit Life Insurance. -- The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of unpaid indebtedness, whichever is greater.

3.1.b. Notwithstanding the provisions of paragraph a of this subsection, insurance on agricultural credit transaction commitments, not exceeding two (2) years in duration may be written up to the amount of the loan commitment, on a nondecreasing or level term plan. Notwithstanding the provisions of paragraph a of this subsection or any other section of this rule, insurance on educational credit transaction commitments may be written for the amount of the portion of the commitment that has not been advanced by the creditor.

3.2. Amounts payable - Credit accident and sickness insurance. -- The total amount of

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periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

§114-6-4. Term of Credit Life Insurance and Credit Accident and Sickness Insurance.

4.1. Commencement date. -- The term of any credit life insurance or credit accident and sickness insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, the date from which interest or finance charges accrued or the date the debtor applied for the insurance, whichever is later, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to the indebtedness shall commence on the effective date of the policy.

4.2. Commencement date where evidence of insurability required. -- Where evidence of insurability is required and the evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date which the insurance company determines the evidence to be satisfactory and in that event there shall be an appropriate refund or adjustment by the insurer of any charge to the debtor for insurance. The term of the insurance shall not extend more than fifteen (15) days beyond the scheduled maturity date of the indebtedness except when extended by the insurer without additional cost to the debtor.

4.3. Termination date. -- All credit life and credit accident and sickness insurance shall be terminated by the insurer if the indebtedness is discharged due to prepayment by the debtor, renewal or refinancing prior to the scheduled maturity date: Provided, That where no new insurance is issued in connection with a renewed or refinanced indebtedness, insurance furnished under individual policies may be continued if the debtor so elects in a separate written instrument signed and delivered to the insurer at the time of the renewal or refinancing. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited by the insurer as provided in Section 6.8 of this rule.

§114-6-5. Provisions of Policies, Certificates, Applications and Notices of Proposed Insurance.

5.1. Policy or certificate required. -- All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance. The insurer shall deliver the individual policy or group certificate of insurance to the debtor.

5.2. Certain information required on policy or certificate. -- Each individual policy or group certificate of credit life insurance and/or credit accident and sickness insurance shall, in addition to

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other requirements of law, set forth (i) the name and home office address of the insurer, (ii) the names of the debtor or in the case of a certificate under a group policy, the identity by name or otherwise of the debtor, (iii) the premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and sickness insurance, (iv) a description of the coverage including the amount of term thereof and any exceptions, limitations and restrictions, and (v) shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness. When the amount of insurance exceeds the unpaid indebtedness, any excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his or her estate.

5.3. Delivery. -- The individual policy or group certificate of insurance shall be delivered by the insurer to the insured debtor at the time the indebtedness is incurred except as provided in this section. If the individual policy or group certificate of insurance is not a copy of the application for the policy or a notice of proposed insurance, signed by the debtor setting forth the name and home office address of the insurer, the name or names of the debtor(s), the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and sickness insurance, the amount, term and brief description of the coverage provided, the policy shall be delivered by the insurer to the debtor at the time the indebtedness is incurred. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless set forth in a separate provision on the face or reverse side of the instrument in type at least equal in size and prominence to the type used for the provisions of the instrument: Provided, That the name of the debtor proposed for insurance, any figures relating to the amount of the coverage, and the rate or amount of payment for insurance by the debtor need not be contained in a separate provision of the instrument but may be set forth elsewhere in the instrument. Upon acceptance of the insurance by the insurer and within forty-five (45) days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance becomes effective as provided in Section 4 [§114-6-4] of this rule.

5.4. Substituted insurer. -- If the named insurer does not accept the risk, then the debtor must receive from the substituted insurer a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged and if the amount of premium is less than that set forth in the notice of proposed insurance an appropriate refund shall be made.

114-6-6. Rates and Refunds of Credit Life Insurance and Credit Accident and Sickness Insurance.

6.1. a. Credit life insurance. - Prima facie reasonable rates. -- West Virginia Code §33-6-9(e) provides that the Commissioner shall disapprove any form of policy, application, rider or

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endorsement or withdraw any previous approval if the benefits provided therein are unreasonable in relation to the premium charged. A single premium rate of sixty-five cents (\$.65) per annum per one hundred dollars (\$100) of decreasing term life insurance discounted at three percent (3%) per annum for interest and mortality after the first twelve (12) months (or its actuarial equivalent if other than single premium) is prima facie reasonable and any rate in this amount or less will be approved without statistical justification. A premium payable monthly at a rate of one dollar (\$1.00) per one thousand dollars (\$1,000) of outstanding unpaid insured indebtedness or a single premium of one dollar and twenty cents (\$1.20) per annum per one hundred dollars (\$100) of level term credit life insurance, is the actuarial equivalent of the sixty-five cent (\$.65) rate.

6.1.b. A single premium rate of one dollar (\$1.00) per annum per one hundred dollars (\$100) of decreasing term joint life insurance discounted at three percent (3%) per annum for interest and mortality after the first twelve (12) months (or its actuarial equivalent if other than single premium) is prima facie reasonable and any rate in this amount or less will be approved without statistical justification.

6.1.c. For dismemberment benefit, the premium rate shall be not more than five cents (\$.05) per one hundred dollars (\$100) per annum.

6.2. Credit life insurance - Exceptions, exclusions and limitations on coverage. -- The rates referred to in Section 6.1 of this rule, are presumed reasonable only if the policies contain no exceptions, limitations or exclusions other than for suicide and contain no age restrictions, or only age restrictions making ineligible for the coverage, debtors sixty-five (65) or older at the time the indebtedness is incurred, or debtors who will have attained age sixty-six (66) or over on the maturity date of the indebtedness.

6.3. a. Accident and sickness insurance - Prima facie reasonable rates. -- For credit accident and sickness insurance the following single premium rates per one hundred dollars (\$100) of initial insured indebtedness are prima facie reasonable: (See Table 114.6A found at the end of this rule.)

6.3.b. Rates for policies of credit accident and sickness insurance on which premiums are paid other than on a single premium basis or for benefits on a basis other than illustrated in this section shall be actuarially consistent with the rates specified in this section.

6.4. a. Credit accident and sickness insurance - Exceptions, exclusions and limitations on coverage. -- The premium rates referred to in Table 114-6A, Schedule A, Section 6.3 of this rule are for policies which contain no exclusion for preexisting conditions except for those conditions which manifested themselves to the insured by requiring medical diagnosis or treatment within the six (6) months preceding the taking of the application for insurance and which caused loss within

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six (6) months following the effective date of coverage: Provided, That disability commencing after six months from the application date resulting from preexisting conditions shall be covered.

6.4.b. The premium rates referred to in Table 114-6A, Schedule B, Section 6.3 of this rule are for policies which contain no exclusions for preexisting conditions.

6.4.c. Any contract to which the foregoing rates apply may contain provisions excluding or restricting coverage in the event of total disability resulting from pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in nonscheduled aircraft, war or military service. (Except in unusual cases this insurance should not be sold to military persons, since their pay continues through periods of disability.) The policies may contain the same age limitation for eligibility as set forth for credit life policies.

6.5. Premium payment. -- The amount charged to a debtor for credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer as computed at the time the charge to the debtor is determined.

6.6. Restrictive coverage. -- Separate rate filings required. -- If credit life or credit accident and sickness coverage is offered which is more restrictive than provided in Sections 6.2 and 6.4 of this rule, the insurer shall, by a separate filing, demonstrate to the satisfaction of the Commissioner that the schedule of premium rates applicable to the more restrictive forms will or can reasonably be expected to produce a loss ratio of ~~fifty~~ sixty percent (~~50~~60%).

6.7. Deviations from prima facie reasonable rates. -- An insurer may receive approval of a higher premium rate to be used, on a credible case, or a class of business, or in connection with a particular policy form, for insurance on debtors of creditors if the insurer demonstrates, to the satisfaction of the Commissioner, that the mortality or morbidity experience will or can reasonably be expected to produce a loss ratio of ~~fifty~~ sixty percent (~~50~~60%): ~~Provided, That a loss ratio of less than sixty percent (60%) shall not be considered for purposes of an upward deviation.~~

6.8. Refunds. -- With respect to policies issued and certificates subject to this rule:

6.8.a. The refund of an unearned amount paid by or charged to the debtor for insurance in the case of reducing term credit life insurance or of credit accident sickness insurance, on which the charges to the debtor are payable by other than a single sum and of level term credit life insurance shall be no less than the pro rata gross unearned amount charged;

6.8.b. The refund of an unearned amount paid by or charged to the debtor for insurance in the case of reducing term credit life insurance or of credit accident and sickness insurance, on which the insurance charges to the debtor are paid in a single sum shall not be less than

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the amount computed by the "Sum of the Digits" formula, commonly known as the "Rule of 78";

6.8.c. A premium refund or credit need not be made if the amount of the refund or credit is less than one dollar (\$1.00);

6.8.d. A creditor, such as a retailer, lending institution or other entity, that is a creditor in a consumer credit sale or consumer loan and the seller of credit insurance on that loan must automatically cancel the insurance and refund unearned consumer credit insurance premiums when a consumer credit sale or consumer loan, refinancing, or consolidation is paid in full. If credit insurance is sold to a consumer/debtor, the creditor, such as a retailer, lending institution or other entity, that is the creditor in a consumer credit sale or consumer loan, but is **not** the seller of a credit insurance policy on the sale or loan must notify a consumer debtor/insured of his or her right to cancel his or her credit insurance policy and to receive a refund for any unearned premiums paid when a consumer credit sale or loan, refinancing or consolidation is paid in full. The following forms shall be used by creditors:

6.8.d.A¹. The form incorporated into this rule as Appendix A, which a retailer, lending institution or other entity that is the creditor on the loan and seller or provider of the consumer credit insurance may use to notify a consumer debtor/insured when his or her insurance coverage has been cancelled and the unearned premiums have been automatically refunded by deducting these premiums from the loan balance; provided, that the retailer, lending institution or other entity may use an alternative notice form, which is consistent with the general course of business of the creditor and which advises the consumer debtor/insured of cancellation of his/her credit insurance and the application of a refund of his/her credit insurance;

6.8.d.B². The form incorporated into this rule as Appendix B, which a retailer, lending institution or other entity that is the creditor on the loan and the seller of the insurance policy shall use to notify the insurer that the debtor/insured's policy has been cancelled and that the insurer must refund any unearned premiums to the consumer debtor/insured; and

6.8.d.C³. The form incorporated into this rule as Appendix C, which a retailer, lending institution or other entity that is the creditor on the loan but not the seller of the insurance policy must use to notify a consumer debtor/insured of his or her right to cancel any credit insurance policy and to receive a refund of any unearned premiums paid for this insurance.

6.9. Responsibility for reviewing lender's accounts. -- It is the responsibility of the insurer to review each lender's account at least every eighteen (18) months verifying the accuracy of premium payments, or other identifiable insurance charges, premium refunds, and claims incurred and to be prepared to exhibit the results of the review upon request of the Commissioner.

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6.10. Filing of experience information. -- An insurer doing credit life and/or credit accident and sickness insurance business in this State shall annually file with the Insurance Department a report of the insurer's credit life insurance experience and credit accident and sickness insurance experience separately on reporting forms prescribed by the Commissioner.

6.11. Separability. -- If any provision of this rule is held invalid, the remainder of the rule shall not be affected by that section's invalidity.

~~114-6-7. Amendments.~~

~~Amendments - Effective date. -- Amendments to this rule were promulgated and filed in the office of the Secretary of State on May 20, 1971, and these amendments shall become effective on August 1, 1971. All credit life and credit accident and sickness insurance rates and forms, delivered or issued for delivery on and after August 1, 1971, except as hereinafter provided, shall conform to the provisions of the amendments as of that date. With regard to existing group credit life and credit accident and sickness insurance policies, the rates and forms shall be amended to conform to the requirements of the amendments, or be terminated not later than the anniversary of the date of issue of the contract next following the effective date of the amendments. Existing group credit life and credit accident and sickness insurance contracts that are renewed, reissued or replaced other than on their normal anniversary date of issue and all group credit life and credit accident and sickness insurance contracts newly issued to replace or supplement a creditor's existing insurance program on or after May 20, 1971, shall conform to the requirements of the amendments on and after August 1, 1971. No replacement or amendment of group policies to postpone the effect of the amendments will be recognized for the purpose of this section.~~

§114-6-7. Credit Unemployment Insurance Rates.

7.1. Each insurer filing rates for credit unemployment insurance shall include in its rate filing with the Commissioner the appropriate rate formula upon which its rates are based, including a provision for anticipated losses. Anticipated losses that develop or are expected to develop a loss ratio of not less than sixty percent (60%) shall be presumed reasonable. Anticipated losses may include an amount for fluctuation in loss due to catastrophe based on the experience of at least the latest nine (9) policy years or as long as the company has been writing this line of business.

7.2. Credit unemployment insurance policies must contain benefits at least as favorable to insureds as the provisions below:

7.2.a. Coverage for unemployment for any reason, except that coverage may be excluded for:

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7.2.a.1. Voluntary forfeiture of salary, wage or other employment income:

7.2.a.2. Resignation:

7.2.a.3. Retirement:

7.2.a.4. General strike:

7.2.a.5. Illegal walk out:

7.2.a.6. War:

7.2.a.7. Separation from the military:

7.2.a.8. Willful misconduct or criminal misconduct or unlawful behavior; and

7.2.a.9. Disability caused by injury, sickness or pregnancy.

7.2.b. For credit unemployment insurance that provides for a monthly benefit in the event of unemployment, benefits must start after a waiting period of not longer than thirty (30) days but need not be retroactive to the first day of unemployment and must have a maximum benefit period that is no shorter than six (6) months.

7.3. Credit unemployment insurance policies may not contain eligibility requirements more restrictive than the restrictions below:

7.3.a. Exclusion from qualification for coverage:

7.3.a.1. Self employed individuals:

7.3.a.2. Workers in seasonal or temporary jobs, defined as jobs designed to last six (6) consecutive months or less; and,

7.3.a.3. Debtors who have been notified either orally or in writing of any layoff or of employment termination either now or within the next sixty (60) days. This exclusion must be disclosed to all prospective insureds.

7.3.b. No employment requirement more restrictive than one requiring that the debtor be employed full-time on the effective date of coverage for at least twelve (12) consecutive months prior to the effective date of coverage. "Full time" means a regular work week of not less than thirty (30) hours.

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7.3.c. An age restriction providing that no insurance will become effective on debtors on or after the attainment of age sixty-six (66) and that all insurance will terminate upon attainment by the debtor of age sixty-six (66).

§114-6-8. Experience Reports and Adjustment of Prima Facie Rates.

8.1. Each insurer doing insurance business in this state shall annually file with the Commissioner and the National Association of Insurance Commissioners (NAIC) Support and Services Office a report of consumer credit insurance written on a calendar year basis. The report shall utilize the Credit Insurance Supplement--Annual Statement Blank as approved by the NAIC, and shall contain data separately for each state, rather than an allocation of the company's countrywide experience. The filing shall be made in accordance with and no later than the due date in the Instructions to the Annual Statement.

8.2. The Commissioner will, on a triennial basis, review the loss ratio standards set forth in sections 6 and 7 and the *prima facie* rates set forth in section 6 and determine therefrom the rate of expected claims on a statewide basis, compare such rate of expected claims with the rate of actual claims for the preceding three (3) years determined from the incurred claims and earned premiums at *prima facie* rates reported in the Annual Statement Supplement or other available source, and publish the adjusted actual statewide *prima facie* rates to be used by insurers during the next triennium. The rates will reflect the difference between actual claims based on experience and expected claims based on the loss ratio standards set forth in section 4 applied to the *prima facie* rates set forth in section 6.

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Table 114.6A

Schedule A (6 months preexist)

No. of Months in which indebted- ness is repayable	Nonretroactive Benefits		Retroactive Benefits	
	14-day Nonretro	30-day Nonretro	14-day Retro	30-day Retro
1-6	\$1.30	\$.75	\$1.90	\$1.40
7-12	1.75	1.20	2.30	1.85
13-24	2.50	1.95	3.00	2.60
25-36	3.00	2.45	3.45	3.05
37-48	3.25	2.65	3.65	3.30
49-60	3.50	2.90	3.90	3.55
61-72	3.75	3.15	4.15	3.80
73-84	3.95	3.40	4.35	4.00
85-96	4.15	3.60	4.55	4.20
97-108	4.35	3.80	4.75	4.40
109-120	4.55	4.00	4.95	4.60

Schedule B (No preexist)

No. of Month in which indebted- ness is repayable	Nonretroactive Benefits		Retroactive Benefits	
	14-day Nonretro	30-day Nonretro	14-day Retro	30-day Retro
1-6	\$1.45	\$.90	\$2.15	\$1.55
7-12	1.95	1.40	2.65	2.15
13-24	2.80	2.20	3.35	2.85
25-36	3.45	2.80	4.00	3.50
37-48	3.75	3.05	4.30	3.80
49-60	4.05	3.35	4.55	4.05
61-72	4.35	3.60	4.80	4.35
73-84	4.65	3.90	5.05	4.60
85-96	4.90	4.20	5.30	4.85
97-108	5.10	4.40	5.55	5.10
109-120	5.30	4.60	5.75	5.35

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Appendix A

(Name and Address of Financial Institution, Retailer, or Company)

Re: Credit Insurance with (Name of Insurance Company)

Dear (Debtor/Insured):

As a result of your payment in full of account number _____, the credit insurance policy or certificate issued in conjunction with this account has been cancelled. Remaining unearned premiums (if any) from your policy or certificate have been deducted from your loan balance to arrive at your payoff amount.

If you have other credit insurance policies in effect on this account, you must notify the insurer(s) that you have paid off this account and request that the insurer refund you any unearned insurance premiums.

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Appendix B

(Name and Address of Institution, Retailer, or Company)

Re: (Name and Address, Account #, & Insurance Policy #)

Dear (Name of Insurance Company):

As a result of the payment in full of the above account, the credit insurance policy or certificate issued in conjunction with this account is cancelled. You are obligated, by law, to pay to the insured any refund of unearned premiums within 45 days of receipt of this notice of cancellation.

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Appendix C

(Name and Address of Institution, Retailer or Company)

Dear (Debtor/Insured):

As a result of your payment in full of account number _____, you have the right to cancel any credit insurance policy or certificate issued in conjunction with that account and receive a refund of any unearned insurance premiums.

To cancel the credit insurance policy or certificate, please notify, in writing, the seller(s) of this insurance listed below:

Seller:
(Address)

Insurer:
(Address)

