**NATIONAL CONFERENCE OF INSURANCE LEGISLATORS   
RESOLUTION ON NAIC CREDIT PERSONAL PROPERTY INSURANCE MODEL ACT**

***Adopted by the NCOIL Property-Casualty Insurance Committee on November 16, 200****1.*

WHEREAS, sound public policy requires that premium rates charged for insurance shall not be excessive, inadequate or unfairly discriminatory; and,

WHEREAS, in determining whether premium rates are excessive, inadequate or unfairly discriminatory, insurance actuarial best practices and procedures consider and value all elements of a premium rate including but not limited to claims, claim adjustment expenses, general and administrative expenses associated with business production and service, various required fees, taxes, and assessments, and reasonable return on investment; and,

WHEREAS, loss ratio (defined as incurred losses divided by the sum of earned premiums) experience alone does not measure whether a premium rate is excessive, inadequate, or unfairly discriminatory; and,

WHEREAS, Section 7B of the NAIC Credit Personal Property Insurance Model Act requires premium rates to develop or reasonably be expected to develop a loss ratio of not less than sixty percent (60%);

NOW, THEREFORE BE IT RESOLVED, that the National Conference of Insurance Legislators concludes that it is inappropriate to use a uniform minimum loss ratio standard to set premium rate standards, as set forth in Section 7B of the NAIC Credit Personal Property Insurance Model Act; and,

RESOLVED FURTHER, that the National Conference of Insurance Legislators encourages the NAIC to revise Section 7B of the Credit Personal Property Insurance Model Act to specify premium rate development and review in accordance with insurance actuarial best practices and procedures.