

VM-2 Definitions for Types of Contracts

DRAFTING NOTE:

This Valuation Manual Statement is proposed to provide definitions of types of contracts both in general and for specific contract types. It is noted that SSAP50 in the Accounting Practices and Procedures Manual provides similar information. Consideration will be given to using SSAP50, or similar statement, in place of this Valuation Manual Statement assuming that certain adjustments are made. Adjustments include splitting out annuities separately from life contracts. Adjustments also include expanding the specific contract types such as to include contract types introduced in Appendices A and C of the Accounting Practices and Procedures Manual. Other specific contract types may be included as well.

A few credit related definitions are provided in this version of VM-2 where other definitions will follow in subsequent versions.

Credit Life and Accident and Health Insurance Contracts

1. "Credit life insurance" means insurance on a debtor or debtors, pursuant to or in connection with a specific loan or other credit transaction, to provide for satisfaction of a debt, in whole or in part, upon the death of an insured debtor.

Credit life insurance does NOT include:

- a. Insurance written in connection with a credit transaction that is:
 - i. Secured by a first mortgage or deed of trust; and
 - ii. Made to finance the purchase of real property or the construction of a dwelling thereon, or to refinance a prior credit transaction made for such a purpose;
 - b. Insurance sold as an isolated transaction on the part of the insurer and not related to an agreement or a plan for insuring debtors of the creditor.
 - c. Insurance on accounts receivable.
2. "Credit disability insurance" means insurance on a debtor or debtors to or in connection with a specific loan or other credit transaction, to provide for payments due on a specific loan or other credit transaction while the insured debtor is disabled.