

**§ 58-57-25. Insurance to be evidenced by individual policy; notice of proposed insurance or certificate; required and prohibited provisions; when debtor to receive copy.**

(a) All individual credit insurance sold shall be evidenced by an individual policy. All group insurance sold where any part of the premium is paid by the debtors or by the creditors from identifiable charges collected from the insured debtors shall be evidenced by a certificate of insurance.

(b) Each individual policy or certificate of credit insurance shall set forth the name and home-office address of the insurer, the identity of the insured debtor by name or otherwise, the premium or amount of payment, if any, by the debtor separately for each type of credit insurance if not disclosed in other documents furnished to the debtor, a description of the coverage including the amount and term thereof, and any exceptions, limitations or restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness, and wherever the amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary other than the creditor named by the debtor, or to his estate. For open-end credit, the premium shall be disclosed as the monthly amount charged for each one hundred dollars (\$100.00) or one thousand dollars (\$1,000) of outstanding indebtedness.

(c) No individual policy of credit insurance and no group policy of credit insurance shall be delivered or issued for delivery in this State unless each contains in substance all of the following provisions:

- (1) In each policy there shall be a provision that the policy, or the policy and application therefor, if any, or if a copy of the application is endorsed upon or attached to the policy when issued, shall constitute the entire insurance contract between the parties, and that all statements made by the creditor or by the individual debtors shall, in the absence of fraud, be deemed representations and not warranties.
- (2) In each such policy there shall be a provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force on such insured for a period of two years during such person's lifetime, and prior to the date on which the claim thereunder arose. Provided, however, that unless the insured writes his own age on the form and signs a statement that he has done so, there shall be no denial of claims grounded on the debtor's age. Provided further, if the indebtedness is paid by renewal or refinancing prior to the scheduled maturity date, the effective date of the coverage with respect to any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the original prior indebtedness that was renewed or refinanced, at least to the extent of the amount and term of the coverage outstanding at the time of renewal and refinancing of the debt.
- (3) In each such policy there shall be a provision that when a claim for the death, disability, or unemployment of the insured arises thereunder, settlement shall be made upon receipt of due proof of such death, disability, or unemployment.
- (4) On the face of each such policy there shall be placed a title which shall briefly and accurately describe the nature and form of the policy.

- (5) Each such policy, including rider and endorsement, shall be identified by a form number in the lower left-hand corner of the first page thereof, and no restriction, condition or provision in or endorsed on such policy shall be valid unless such provision or condition is printed in type as large as 10-point type, one-point leaded.
  - (6) In each such policy there shall be a provision that the insured debtor shall have the right to rescind the insurance policy or certificate of insurance upon giving written notice to the insurer within 30 days from the date the insured debtor received such policy or certificate.
- (d) No individual policy of credit insurance and no group policy of credit insurance shall be delivered or issued for delivery in this State if it contains any provision:
- (1) Limiting the time within which any action at law or in equity may be commenced to less than three years after the cause of action accrues; or
  - (2) To the effect that the agent soliciting the insurance is the agent of the person insured under the policy, or making the acts or representations of such agent binding upon the person so insured under the policy.
- (e) If said individual policy or certificate of group insurance is not delivered to the debtor at the time the debtor requests credit insurance or mailed to the debtor within 30 days thereafter, a written notification must be furnished to the debtor within the 30-day period, which notification shall set forth the following:
- (1) The name and home-office address of the insurer;
  - (2) The identity of the debtor, by name or otherwise;
  - (3) The premium or identifiable charge to the debtor, if any, separately for each type of credit insurance;
  - (4) The amount and term of the coverage provided, if possible, otherwise a clear description of the means of determining the amount and time of expiry;
  - (5) A brief description of the coverage provided;
  - (6) A statement that, if the insurance is declined by the insurer or otherwise does not become effective, any premium or identifiable charge will be refunded or credited to the debtor; and
  - (7) A statement that, upon acceptance by the insurer, the insurance coverage provided shall become effective as specified in G.S. 58-57-20.

Any portion of the information required in said notification may be furnished by other documents, if copies of such documents are attached to said notification. If an insurance policy or certificate of insurance is not delivered to the insured debtor at the time the debtor requests credit insurance, the debtor shall be given the right to rescind the insurance policy or certificate of insurance upon giving written notice to the insurer within 30 days from the date the insured debtor receives such policy or certificate. (1975, c. 660, s. 1; 1981, c. 759, s. 3; 1993, c. 226, s. 5.)