

Article 57.

Regulation of Credit Insurance.

§ 58-57-1. Application of Article.

All credit life insurance, all credit accident and health insurance, all credit property insurance, all credit insurance on credit card balances, all family leave credit insurance, and all credit unemployment insurance written in connection with direct loans, consumer credit installment sale contracts of whatever term permitted by G.S. 25A-33, leases, or other credit transactions shall be subject to the provisions of this Article, except credit insurance written in connection with direct loans of more than 15 years' duration. The provisions of this Article shall be controlling as to such insurance and no other provisions of Articles 1 through 64 of this Chapter shall be applicable unless otherwise specifically provided; nor shall such insurance be subject to the provisions of this Article where the issuance of such 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. (1975, c. 660, s. 1; 1987, c. 826, ss. 1, 12; 1993, c. 226, s. 1; 1999-351, s. 5.2.)

§ 58-57-5. Definitions.

As used in this Article, unless the context requires otherwise, the following words or terms shall have the meanings herein ascribed to them, respectively:

- (1) Repealed by Session Laws 1991, c. 720, s. 6.
- (2) "Credit accident and health insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction as defined in G.S. 58-51-100, with or without insurance against death by accident.
- (2a) "Credit insurance agent" means an agent of an insurance company licensed in this State who is authorized to solicit, negotiate or effect credit life insurance, credit accident and health insurance, credit unemployment insurance, credit property insurance, or any of them, but only to the extent as is authorized and limited in this Article.
- (3) "Credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction as defined in G.S. 58-58-10.
- (4) Recodified as G.S. § 58-57-5(2a) (See Note.)
- (4a) "Credit transaction" means any transaction by the terms of which the repayment of money loaned or loan commitment made, or payment for goods, services, or properties sold or leased, is to be made at a future date or dates.
- (4b) "Credit unemployment insurance" means insurance on a debtor in connection with a specified loan or other credit transaction to provide payment to a creditor of the debtor for the installment payments or other periodic payment becoming due while the debtor is involuntarily unemployed as defined in the policy.
- (5) "Creditor" means any lender of money or vendor or lessor of goods, services, property, rights or privileges, including any person that directly or indirectly provides credit in connection with any such sale or lease, for which payment is arranged through a credit-related transaction; or any successor to the right, title or interest of any such lender, vendor, lessor, or person extending credit, and an affiliate, associate, or subsidiary of any of them, or any director, officer, or

- employee of any of them or any other person in any way associated with any of them.
- (5a) "Critical period conversion ratio" means the ratio of the benefit value of the critical period divided by the benefit value of the full term.
 - (5b) "Critical period coverage" means insurance coverage for which benefits are limited to a stated number of payments or the payments end with the expiration of the policy, whichever is less.
 - (6) "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.
 - (6a) "Family leave credit insurance" means insurance on a debtor in connection with a specified loan or other credit transaction to provide payment to a creditor of the debtor for the installment payments or other periodic payments becoming due when the debtor suffers a loss of income because of a voluntary, employer-approved leave of absence for qualifying events specified in G.S. 58-57-115(d).
 - (7) "Indebtedness" means the total amount payable for the term of the loan by debtor to creditor in connection with a loan or other credit transaction, including principal, interest, allowable charges, and any premiums authorized hereunder.
 - (7a) "Joint accident and health coverage" means credit accident and health insurance covering two or more debtors; provided that only one monthly benefit, as defined in G.S. 58-57-15(b), shall be payable each month on a specific indebtedness regardless of the number of debtors insured.
 - (8) "Joint life coverage" means credit life insurance covering two or more lives, the entire amount of insurance being payable upon the death of the first insured debtor to die.
 - (9) "Lease" means a contract whereby the lessee of a "motor vehicle," as defined in G.S. 20-4.01(23), contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property, but not exceeding the term of years in G.S. 58-57-1.
 - (10) "Open-end credit" means credit extended by a creditor under an agreement in which:
 - a. The creditor reasonably contemplates repeated transactions;
 - b. The creditor imposes a finance charge from time to time on an outstanding unpaid balance; and
 - c. The amount of credit that may be extended to the debtor during the term of the agreement (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.
 "Open-end credit" includes credit card balances.
 - (11) "Truncated coverage" means a credit insurance benefit with a term of insurance coverage that is less than the term of the credit transaction. (1975, c. 660, s. 1; 1987, c. 826, ss. 2, 3; 1991, c. 720, s. 6; 1993, c. 226, s. 2; 1995, c. 193, s. 45; c. 208, s. 1; 1999-351, s. 5.3; 2005-181, s. 1; 2007-298, s. 6.1; 2007-484, s. 43.5.)

§ 58-57-10. Forms of insurance which are authorized.

Credit life insurance and credit accident and health insurance shall be issued only in the following forms:

- (1) Individual policies of life insurance issued to debtors on the term plan;
- (2) Individual policies of accident and health insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;
- (3) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;
- (4) Group policies of accident and health insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage. (1975, c. 660, s. 1.)

§ 58-57-15. Amount.

(a) Credit Life Insurance. –

- (1) The amount of credit life insurance shall not exceed the amount of unpaid indebtedness as it exists from time to time, less any unearned interest or finance charges; provided, however, that if the amount of credit insurance is based on a predetermined schedule, the amount of credit insurance shall not exceed the scheduled amount of unpaid indebtedness, less any unearned interest or finance charges, plus an amount equal to three monthly installments or the equivalent thereof.
- (2) Notwithstanding the provisions of the above subdivision, insurance on seasonal credit line commitments (such as may be found in agricultural credit transactions) not exceeding one year in duration may be written up to the amount of the loan commitment on a nondecreasing or level term plan.
- (3) Notwithstanding this or any other section, insurance on education credit transaction commitments may be written for the amount of such commitment.

(b) Credit Accident and Health and Credit Unemployment Insurance. – The total amount of indemnity payable by credit accident and health or credit unemployment insurance in the event of disability or unemployment, as defined in the policy, shall not exceed the indebtedness; and the amount of each monthly benefit shall not exceed the indebtedness divided by the number of months in the term of the loan. A daily benefit equal in amount to one thirtieth of the scheduled monthly payment is permissible. For open-end credit transactions, the total amount of indemnity payable shall not exceed the amount of unpaid indebtedness at the time disability or unemployment begins, including interest and insurance charges that would accrue on that indebtedness using the creditor's minimum payment schedule. The periodic indemnity may exceed the creditor's minimum payment amount. (1975, c. 660, s. 1; 1981, c. 759, s. 1; 1993, c. 226, s. 3; c. 553, s. 75.)

§ 58-57-20. Term; termination prior to scheduled maturity.

Except as otherwise provided in this section, the term of any credit life insurance or credit accident and health insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. For credit insurance offered to the debtor subsequent to the date the debtor becomes obligated to the creditor, the term of the insurance

shall, subject to the acceptance by the insurer, commence not more than 30 days following the insurer's receipt of the debtor's request for the insurance. The term of such insurance shall not extend more than 15 days beyond the maturity date of the indebtedness or final installment thereof; but the term of the insurance may be less than the term of the indebtedness to provide truncated coverage in connection with transactions having initial terms of more than 60 months or consistent with any age or other termination provisions contained in the policy. If the indebtedness is discharged due to prepayment, the insurance in force shall be terminated unless otherwise requested by the insured in writing. If the indebtedness is discharged due to renewal or refinancing prior to such maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in G.S. 58-57-50. (1975, c. 660, s. 1; 1991, c. 720, s. 30; 1993, c. 226, s. 4.)

§ 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.)

§ 58-57-30. Forms to be filed with Commissioner; approval or disapproval by Commissioner.

(a) All forms of policies, certificates of insurance, notices of proposed insurance, endorsements and riders intended for use in this State shall be filed with the Commissioner.

(b) The Commissioner shall, within 90 days after the filing of any such policies, certificates of insurance, notices of proposed insurance, endorsements and riders, disapprove any such form if it contains provisions which are contrary to, or not in accordance with, any provision of this Article, Article 38 of this Chapter, or of any rule or regulation promulgated thereunder. Unless disapproved in writing within such 90 days, a form shall be deemed approved.

(c) If the Commissioner notifies the insurer that the form is disapproved, it is unlawful thereafter for such insurer to issue or use such form for a period of 60 days, or until the Commissioner has issued a final order after hearing, whichever is earlier. In such notice, the Commissioner shall specify the reason for his disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, endorsement or rider shall be issued or used until the expiration of 30 days after it has been so filed, unless the Commissioner shall give his prior written approval thereto.

(d) The Commissioner may, at any time after a hearing held not less than 20 days after written notice to the insurer, withdraw his approval of any such form on any ground set forth in subsection (b) above. The written notice of such hearing shall state the reason for the proposed withdrawal.

(e) No insurer shall issue such forms or use them after the effective date of such withdrawal. (1975, c. 660, s. 1; 1979, c. 755, s. 16.)

§ 58-57-35. General premium rate standard.

(a) Benefits provided by credit life, credit accident and health and credit unemployment insurance written under this Article shall be reasonable in relation to the premium charge. This requirement is conclusively presumed to be satisfied if the premium rates to be charged for credit life and credit accident and health insurance are no greater than those premium rates set forth in G.S. 58-57-40, 58-57-45, and 58-57-105 for benefits as described in those sections. If an insurer files premium rates for all or part of its business that are greater than those premium rates to which this conclusive presumption applies, the greater rates may be disapproved by the Commissioner if the insurer fails to demonstrate that the benefits are reasonable in relation to the premium rates filed for the group or groups of insureds to which the premium rates would apply and which groups shall meet credibility standards established by the Commissioner. In making this determination, the Commissioner shall give due consideration to the past and prospective loss experience of the group or groups of insureds to which the rates would apply, to reasonable costs and expenses attributable to the insurer and creditor making the coverage available and to other relevant factors, including a fair return to the insurer and creditor. These premium rates shall be allowed to be applied only to the group or groups with respect to which the rate filing is made and approved. The

premium rates for credit unemployment insurance shall be filed with and approved by the Commissioner. The amount charged to a debtor for any credit life, credit accident and health, or credit unemployment insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(b) The premium or cost of credit life, disability, or unemployment insurance, when written by or through any lender or other creditor, its affiliate, associate or subsidiary shall not be deemed as interest or charges or consideration or an amount in excess of permitted charges in connection with the loan or credit transaction and any gain or advantage to any lender or other creditor, its affiliate, associate or subsidiary, arising out of the premium or commission or dividend from the sale or provision of such insurance shall not be deemed a violation of any other law, general or special, civil or criminal, of this State, or of any rule, regulation or order issued by any regulatory authority of this State.

(c) If premiums are to be determined according to the age of the insured debtor or by age brackets, an insurer may determine premium rates on a basis actuarially equivalent with the rates provided in G.S. 58-57-35, but such rates shall be filed with and approved by the Commissioner.

(d) Premium rates for benefits provided during a critical period shall be adjusted by a critical period conversion ratio that reduces the rates giving recognition to the shorter benefit period provided. (1975, c. 660, s. 1; 1993, c. 226, s. 6; 2007-298, s. 6.2; 2007-484, s. 43.5.)

§ 58-57-40. Credit life insurance rate standards.

(a) The premium rate standards set forth below are applicable to plans of credit life insurance with or without requirements for evidence of insurability:

- (1) Which contain no exclusions or no exclusions other than suicide; and
- (2) Which contain no age restrictions, or only age restrictions not making ineligible for the coverage
 - a. Debtors under 65 at the time the indebtedness is incurred; or
 - b. Debtors who will not have attained age 66 on the maturity date of the indebtedness.

(b) Rates for use with forms which are more restrictive in any material respect shall reflect such variations in the form or lower rates to the extent that a significant difference in claim cost can reasonably be anticipated unless the insurer demonstrates that such lower rate is not appropriate.

(c) If premiums are payable in one sum in advance, for decreasing term life insurance on indebtedness repayable in substantially equal monthly installments, a premium rate not exceeding sixty-five cents (65¢) per one hundred dollars (\$100.00) of initial insured indebtedness per year is authorized. Effective January 1, 1995, a premium rate not exceeding sixty cents (60¢) per one hundred dollars (\$100.00) of indebtedness per year is authorized. Effective January 1, 1996, a premium rate not exceeding fifty-five cents (55¢) per one hundred dollars (\$100.00) of indebtedness per year is authorized. Effective January 1, 1997, a premium rate not exceeding fifty cents (50¢) per one hundred dollars (\$100.00) of indebtedness per year is authorized.

(d) The premium rate of joint life coverage shall not exceed one and two-thirds (1 2/3) the permitted single life rate.

(e) For level term life insurance, a premium rate of one dollar and twenty-five cents (\$1.25) per one hundred dollars (\$100.00) per year is authorized. Effective January 1, 1995, a premium rate of one dollar and twenty cents (\$1.20) per one hundred dollars (\$100.00) per year is authorized. Effective January 1, 1996, a premium rate of one dollar and fifteen cents (\$1.15) per

one hundred dollars (\$100.00) per year is authorized. Effective January 1, 1997, a premium rate of one dollar and ten cents (\$1.10) per one hundred dollars (\$100.00) per year is authorized.

(f) For policies for which monthly premiums are charged on a basis of the then-outstanding balances, a monthly premium per one thousand dollars (\$1,000) of outstanding balances is authorized, based on the following formula:

$$Op_n = \frac{20 SP_n}{n + 1}$$

where SP_n = Single premium rate per one hundred dollars (\$100.00) of initial insured indebtedness repayable in n equal monthly installments.

Op_n = Monthly outstanding balance premium rate per one thousand dollars (\$1,000).

n = Original repayment period, in months.

(f1) Notwithstanding the premium rates otherwise set forth in this section for credit life insurance, the premium rates for such insurance written in connection with direct loans with contractual commitments of more than 10 years' duration shall be filed with and approved by the Commissioner. Such premium rates shall exhibit a reasonable relationship to the benefits provided.

(g) For credit life insurance on a basis other than the foregoing, premiums charged shall be actuarially equivalent.

(h) In addition to the premium rate authorized, a charge may also be made for a nonrefundable origination fee per credit life insurance transaction as set forth below:

Insured Indebtedness	Fee Permitted
less than \$250.00	none
\$250.00 or more but less than \$500.00	\$1.00
\$500.00 or more	\$3.00

No third or subsequent origination fee may be charged in connection with a third or subsequent refinancing within any twelve-month period. (1975, c. 660, s. 1; 1987, c. 826, ss. 4, 5, 13; 1991, c. 720, s. 91; 1993, c. 226, s. 7.)

§ 58-57-45. Credit accident and health insurance rate standards.

(a) The rate standards set forth below shall be applicable for contracts which contain a provision excluding or denying claim for disability resulting from preexisting illness, disease or physical condition, for which the debtor received medical advice, consultation, or treatment within the six-month period immediately preceding the effective date of the debtor's coverage and if said disability occurs within the six-month period immediately following such date, but contain no other provision which excludes or restricts liability in the event of disability caused in a certain specified manner, except that they may contain provisions excluding or restricting coverage in the event of normal pregnancy; intentionally self-inflicted injuries; sickness resulting from intoxication, addiction to alcohol or narcotics, or from the use thereof unless administered on the advice of a physician; flight in nonscheduled aircraft; war; military service; and may contain the same age restrictions as those mentioned for credit life insurance in G.S. 58-57-40. Provided, 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.

(b) A policy of credit accident and health insurance shall include a definition of "disability" providing that during the first 12 months of disability the insured shall be unable to perform the duties of his occupation at the time the disability occurred (or his previous occupation if the person is unemployed or retired at the time the disability occurs), and thereafter the duties of any occupation for which the insured is reasonably fitted by education, training, or experience.

(c) Any policy to which the rates below apply may require the debtor to be gainfully employed on the effective date of the insurance. Provided, however, that unless the insured writes the name of his employer on the application and signs a statement that he is employed, there shall be no denial of claims grounded on the insured's failure to be employed on the effective date of the insurance.

(d) If premiums are payable in one sum in advance for the entire duration of the indebtedness, for insurance with a preexisting exclusion as defined above, the following premiums are authorized:

No. of Months in which Indebtedness is Repayable	Single Premium Rates per \$100.00 of Initial Insured Indebtedness				
	Nonretroactive Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
12	1.40	.95	2.60	2.10	1.40
24	1.90	1.40	3.50	2.85	1.90
36	2.40	1.90	4.35	3.65	2.40
48	2.85	2.40	5.25	4.40	2.85
60	3.35	2.85	6.10	5.20	3.35
72	3.85	3.35		5.95	3.85
84	4.30	3.85		6.70	4.30
96	4.80	4.30		7.50	4.80
108	5.25	4.80		8.25	5.25
120	5.75	5.25		9.00	5.75

For terms other than the above, premiums shall be prorated.

(e) For policies for which monthly premiums are charged on a basis of the then-outstanding balances, a monthly premium per one thousand dollars (\$1,000) of outstanding balances is authorized, based on the following formula:

$$Op_n = \frac{20 \quad SP_n}{n + 1}$$

where SP_n = Single premium rate per one hundred dollars (\$100.00) of initial indebtedness repayable in n equal monthly installments.

Op_n = Monthly outstanding balance premium rate per one thousand dollars (\$1,000).

n = Original repayment period, in months.

(e1) Notwithstanding the premium rates otherwise set forth in this section for credit accident and health insurance, the premium rates for such insurance written in connection with direct loans with contractual commitments of more than 10 years' duration shall be filed with and approved by the Commissioner. Such premium rates shall exhibit a reasonable relationship to the benefits provided.

(f) Premium rate standards for other benefit plans and for indebtedness repayable in installments other than as indicated above shall be actuarially consistent with the above rate standards.

(g) In addition to the premium rate authorized, a charge may also be made for a nonrefundable origination fee per credit accident and health insurance transaction as set forth below:

Insured Indebtedness	Fee Permitted
less than \$250.00	none
\$250.00 or more but less than \$500.00	\$1.00
\$500.00 or more	\$3.00

No third or subsequent origination fee may be charged in connection with a third or subsequent refinancing within any twelve-month period.

(h) The premium rates for joint accident and health coverage shall not exceed one and two-thirds (1 2/3) times the permitted single accident and health rate. (1975, c. 660, s. 1; 1981, c. 759, ss. 2, 4-6, 9; 1987, c. 826, ss. 6, 7, 14; 1993, c. 226, s. 8.)

§ 58-57-50. Premium refunds or credits.

(a) Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto.

(b) The refund of premiums for decreasing term credit life insurance shall be the actuarial method of calculating refunds which produces a refund equal to the original premium multiplied by the ratio of the sum of the remaining insured balances divided by the sum of the original insured balances as of the due date nearest the date of prepayment in full. The refund of premiums for single interest credit property insurance and single interest physical damage insurance shall be equal to the amount computed by the sum of digits formula known as the "Rule of 78." The refund of premiums for level term credit life insurance and dual interest credit property insurance and dual interest physical damage insurance shall be equal to the pro rata unearned gross premiums.

(c) The refund of premiums in the case of credit accident and health insurance shall be equal to one-half the amount computed by the sum-of-digits formula commonly known as the "Rule of 78" plus one-half the amount of the pro rata unearned gross premium.

In lieu thereof the refund may be computed by the "Pure Premium" method. The refund is computed from the schedule of credit accident and health premiums and is equal to the premium from that schedule which would be charged for such insurance in the amount of the total remaining benefits for the remaining term of the indebtedness outstanding on the date of termination.

(d) No refund need be made if the amount thereof is less than one dollar (\$1.00).

(e) If a creditor requires a debtor to make any payment for credit life insurance or credit accident and health insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account. (1975, c. 660, s. 1; 1981, c. 759, s. 8; 1989, c. 485, s. 7; 2005-181, s. 2.)

§ 58-57-55. Issuance of policies.

All policies of credit life insurance and credit accident and health insurance shall be issued only by an insurer authorized to do business in this State and shall be issued only through holders of

licenses or authorizations issued by the Commissioner. With the exception of credit insurance issued in accordance with G.S. 58-57-105, all policies of credit life insurance and credit accident and health insurance shall be delivered or issued for delivery in this State. The enrollment of debtors under a group policy issued to a creditor and authorized under this Article shall not constitute the issuance of a policy of insurance. (1975, c. 660, s. 1; 2005-181, s. 3.)

§ 58-57-60. Claims.

(a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer or by electronic funds transfer or be paid by such other specified method upon the direction of the beneficiary who is entitled thereto pursuant to the policy provisions.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts, electronic funds transfers, or checks in payment of claims due to the group policyholder subject to audit and review by the insurer.

(d) A claim acknowledgment shall be sent to the claimant within 30 days after receiving written or electronic notice of the claim. Acknowledgment shall include one of the following:

- (1) A statement made to the insured or the claimant advising that the claim is being investigated.
- (2) Payment of the claim.
- (3) A bona fide written offer of settlement.
- (4) A written denial of the claim. (1975, c. 660, s. 1; 1993, c. 226, s. 10; 2005-181, s. 4.)

§ 58-57-65. Existing insurance; choice of insurer.

Credit life insurance and credit accident and health insurance may not be required of any borrower by any creditor. When credit property insurance is required for any indebtedness, the debtor shall be notified in writing of the option of furnishing the required amount of insurance through existing policies owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this State. (1975, c. 660, s. 1; 1987, c. 826, s. 8.)

§ 58-57-70: Repealed by Session Laws 2005-181, s. 7, effective January 1, 2006, and applicable to policies or certificates issued or renewed on or after that date.

§ 58-57-71. Enforcement and penalties.

(a) The Commissioner may, after notice and opportunity for a hearing, impose civil penalties or petition for restitution under G.S. 58-2-70, revoke, suspend, or restrict the license of any insurer if:

- (1) The insurer fails or refuses to comply with any law, order, or rule applicable to the insurer.

- (2) The insurer's financial condition is unsound, or its assets above its liabilities, exclusive of capital, are less than the amount of its capital or required minimum surplus.
- (3) The insurer has published or made to the Department or to the public any false statement or report.
- (4) The insurer or any of the insurer's officers, directors, employees, or other representatives refuse to submit to any examination authorized by law or refuse to perform any legal obligation in relation to an examination.
- (5) The insurer is found to make a practice of unduly engaging in litigation or of delaying the investigation of claims or the adjustment or payment of valid claims.

(b) Any suspension, revocation, or refusal to renew an insurer's license under this section may also be made applicable to the license or registration of any individual regulated under this Chapter who is a party to any of the causes for licensing sanctions listed in subsection (a) of this section.

(c) The Commissioner may impose a civil penalty under G.S. 58-2-70 if an insurer fails to acknowledge a claim within 30 days after receiving written or electronic notice of the claim, but only if the notice contains sufficient information for the insurer to identify the specific coverage involved. Acknowledgment of the claim shall be one of the following:

- (1) A statement made to the claimant or to the claimant's legal representative advising that the claim is being investigated.
- (2) Payment of the claim.
- (3) A bona fide written offer of settlement.
- (4) A written denial of the claim. With respect to a claim under an accident, health, or disability policy, if the acknowledgment sent to the claimant indicates that the claim remains under investigation, within 45 days after receipt by the insurer of the initial claim, the insurer shall send a claim status report to the insured and every 45 days thereafter until the claim is paid or denied. The report shall give details sufficient for the insured to understand why processing of the claim has not been completed and whether the insurer needs additional information to process the claim. If the claim acknowledgment includes information about why processing of the claim has not been completed and indicates whether additional information is needed, it may satisfy the requirement for the initial claim status report.

(d) If a foreign insurance company's license is suspended or revoked, the Commissioner shall cause written notification of the suspension or revocation to be given to all of the company's agents in this State. Until the Commissioner restores the company's license, the company shall not write any new business in this State.

(e) The Commissioner may, after considering the standards under G.S. 58-30-60(b), restrict an insurer's license by prohibiting or limiting the kind or amount of insurance written by that insurer. For a foreign insurer, this restriction relates to the insurer's business conducted in this State. The Commissioner shall remove any restriction under this subsection once the Commissioner determines that the operations of the insurer are no longer hazardous to the public or the insurer's policyholders or creditors. (2005-181, s. 6.)

§ 58-57-75. Judicial review.

Any party to the proceeding affected by an order of the Commissioner shall be entitled to judicial review by following the procedure set forth in G.S. 58-2-75 through 58-2-90. (1975, c. 660, s. 1.)

§ 58-57-80: Repealed by Session Laws 2005-181, s. 7, effective January 1, 2006, and applicable to policies or certificates issued or renewed on or after that date.

§ 58-57-85: Repealed by Session Laws 2001-223, s. 3.6.

§ 58-57-90. Credit property insurance; personal property coverage.

(a) As used in this Article, the term "single interest credit property" insurance means insurance of the personal property of the debtor against loss, with the creditor as sole beneficiary; and the term "dual credit property" insurance means insurance of personal property of the debtor, with the creditor as primary beneficiary and the debtor as beneficiary of proceeds not paid to the creditor. For the purpose of this Article, "personal property" means household furniture, furnishings, appliances designed for household use, and other personal property of the debtor, exclusive of an automobile, not used by the debtor in a business trade or profession.

(b) Premium rates charged shall not exceed eighty-seven cents (87¢) per year per one hundred dollars (\$100.00) of insured value for single interest credit property insurance and shall not exceed one dollar and thirty-one cents (\$1.31) per year per one hundred dollars (\$100.00) of insured value for dual interest credit property insurance. The insured value shall not exceed the lesser of the value of the property or the amount of the initial indebtedness.

In addition to the premium rate authorized, a charge may also be made for a nonrefundable origination fee per credit property insurance transaction as set forth below:

Insured Value	Fee Permitted
less than \$250.00	none
\$250.00 or more but less than \$500.00	\$1.00
\$500.00 or more	\$3.00

No third or subsequent origination fee may be charged in connection with the third or subsequent refinancing within any twelve-month period.

The Department shall collect data on credit property insurance written in North Carolina, including but not limited to: the amount of coverage written, direct premiums, earned premiums, dividends and retrospective rate credits paid, direct losses paid, direct losses incurred, commissions paid, loss ratios and policy provisions. (1981, c. 759, s. 7; 1987, c. 826, s. 9; 1993, c. 226, s. 11; 1993 (Reg. Sess., 1994), c. 720, s. 2; 2017-205, s. 2.1.)

§ 58-57-95. Rebate of premiums on credit life and credit accident and health insurance; retention of funds by agent.

It shall be unlawful for any insurance carrier, or officer, agent or representative of an insurance company writing credit life and credit accident and health insurance, as defined in G.S. 58-58-10 and G.S. 58-51-100, or combination credit life, accident and health, hospitalization and disability insurance in connection with loans, to permit any agent or representative of such company to retain any portion of funds received for the payment of losses incurred, or to be incurred, under such policies of insurance issued by such company, or to pay, allow, permit, give or offer to pay, allow,

permit or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit or reduction of the premium, to any loan agency, insurance agency or insurance producer, or to any creditor of the debtor on whose account the insurance was issued, or to any person, firm or corporation which received a commission or fee in connection with the issuance of such insurance: Provided, that this section shall not prohibit the payment of commissions to a licensed insurance producer or agency or limited representative on the sale of a policy of credit life and credit accident and health insurance, or combination credit life, accident and health, hospitalization and disability insurance in connection with loans. (1955, c. 1341, s. 1; 1987, c. 629, s. 8; 2022-46, s. 14(www).)

§ 58-57-100. Credit property insurance; automobile physical damage insurance.

(a) Single interest or dual interest physical damage insurance may be written on nonfleet private passenger motor vehicles, as defined in G.S. 58-40-10, that are used as collateral for loans made under Article 15 of Chapter 53 of the General Statutes. Automobile physical damage insurance as described in this section is a form of credit property insurance, as referred to in G.S. 53-189. It is subject to the following conditions:

- (1) Such insurance may be written only on a motor vehicle that is in compliance with the inspection requirements of Part 2 of Article 3A of Chapter 20 of the General Statutes.
- (2) If a motor vehicle is already insured and the lender is named loss payee and that insurance continues in force, then no other physical damage insurance may be written.
- (3) Notification must be given orally and in writing to the borrower that he has the option to provide his own insurance coverage at any point during the term of the loan.
- (4) The creditor must have either a first or second lien on the motor vehicle to be insured.
- (5) The amount of insurance coverage may not exceed the lesser of (i) the principal amount of the loan plus allowable charges, excluding interest, plus two scheduled installment payments or (ii) the actual fair market value of the collateral at the time the insurance is written.
- (6) When a creditor accepts other collateral in addition to a motor vehicle as herein defined, the combined insurance on all collateral may not exceed the initial indebtedness of the loan.

(b) Policy forms, rates, rating plans, and classifications for single or dual interest nonfleet private passenger motor vehicle physical damage insurance shall be filed with the Commissioner in accordance with Articles 40 and 41 of this Chapter. Every insurer writing such insurance shall, on or before April 1 of each year, file a supplemental financial statement in such form and detail that the Commissioner prescribes that will enable the Commissioner to review and analyze the filings made under this subsection. (1989, c. 485, s. 13; 1989 (Reg. Sess., 1990), c. 1021, s. 2; 1993 (Reg. Sess., 1994), c. 720, s. 1; 2009-382, s. 34.)

§ 58-57-105. Credit insurance on credit card balances.

(a) Credit card facilities may be used for the solicitation, negotiation, or payment of premiums for credit insurance on the unpaid balance of any credit card account pursuant to G.S.

58-3-145. Solicitation or negotiation for credit insurance on credit card account balances may not be made by unsolicited telephone calls or facsimile transmissions.

(b) If credit life insurance premiums are charged through a credit card facility or if credit life insurance premiums are payable on the then outstanding balances on revolving charge account contracts defined in G.S. 25A-11, a premium not exceeding seventy-four cents (74¢) per one thousand dollars (\$1,000) of insured indebtedness per month is authorized. The premium rate for joint credit life insurance may not exceed one and two-thirds ($1 \frac{2}{3}$) the permitted single credit life insurance premium rate. (1993, c. 226, s. 9; c. 504, s. 46; 1999-365, s. 2.)

§ 58-57-107: Recodified as § 58-3-147, Session Laws 1993, c. 504, s. 40.

§ 58-57-110. Credit unemployment insurance rate standards; policy provisions.

(a) Beginning September 1, 2018, and every third year thereafter, the Commissioner shall prescribe a minimum incurred loss ratio standard requirement to develop a premium rate reasonable in relation to the benefits provided by credit unemployment insurance coverage. This minimum incurred loss ratio standard shall be effective on January 1 in the year after it is prescribed and shall remain in effect until a new minimum incurred loss ratio standard requirement is prescribed. The following requirements must be met:

- (1) Coverage is provided or offered, with or without underwriting, to all debtors regardless of age who are working for salary, wages, or other employment income for at least 30 hours per week and have done so for 12 consecutive months.
- (2) Coverage sets forth a definition of involuntary unemployment as a loss of employment income that may include, but is not limited to, loss caused by layoff, general strike, termination of employment, or lockout.
- (3) Coverage does not contain any exclusion except: debts with irregular monthly payments; voluntary forfeiture of salary, wages, or other employment income; resignation; retirement; sickness, disease, or normal pregnancy; or loss of income due to termination as a result of willful misconduct that is a violation of some established, definite rule of conduct, a forbidden act, or willful dereliction of duty, or criminal misconduct.
- (4) Eligibility for benefits may be based upon registration with the State unemployment office but shall not be limited by any provision requiring registration within a specified time. An insurer may require the insured to provide a copy of the official State unemployment office decision letter regarding the claim for State unemployment benefits in order to qualify for benefits. The official State unemployment office decision letter may only be used to deny a claim for benefits under the credit unemployment coverage if the letter cites a reason listed in G.S. 58-57-110(a)(3).

(b) The Commissioner may approve other policy provisions and coverages consistent with the purposes of unemployment coverage.

(c) Joint coverage rates for credit unemployment insurance shall be one and two-thirds ($1 \frac{2}{3}$) times the approved single rate of coverage. (1993, c. 226, s. 9; 2005-181, s. 5; 2017-205, s. 2.2.)

§ 58-57-115. Family leave credit insurance standards; policy provisions.

- (a) Definitions. – As used in this section:
- (1) "Foster child" means a minor (i) over whom a guardian has been appointed by the clerk of superior court of any county in North Carolina; or (ii) the primary or sole custody of whom has been assigned by order of a court of competent jurisdiction.
 - (2) "Immediate family member" means a spouse, child (natural, adopted, or foster), or parent of the insured person.
 - (3) "Placement in the foster home" means physically residing with the insured person appointed as the guardian or custodian of a foster child or children as long as the insured person has assumed the legal obligation for total or partial support of the foster child or children with the intent that the foster child or children reside with the insured person on more than a temporary or short-term basis.

(b) Coverage. – Insurers may provide coverage for loss of income because of a voluntary, employer-approved leave of absence granted upon the occurrence of any of the qualifying events in subsection (d) of this section. The insured person shall not be required to meet any federal requirements in order to qualify for benefits provided by this coverage. Benefits shall be paid to the creditor to reduce the insured person's indebtedness.

(c) Eligibility. – Coverage may be provided or offered to any debtor who has not yet reached his or her 71st birthday and has been working for wages for at least 30 hours per week for the past five consecutive weeks.

- (d) Qualifying Events. – Benefits shall be paid only for the following qualifying events:
- (1) An accident involving sickness of, or incapacitation of, an immediate family member that requires the insured person to attend to the family member's needs.
 - (2) Birth of a child or children of the insured person.
 - (3) Adoption of a child or children of the insured person.
 - (4) Placement in the foster home of a foster child or children.
 - (5) The insured person's principal residence is in a federally declared disaster area.
 - (6) The insured person is called to active military duty.
 - (7) The insured person is called to petit or grand jury duty.

- (e) Exclusions. – Coverage shall not contain any exclusions except:
- (1) Retirement of the insured person from employment.
 - (2) Voluntary resignation of the insured person from employment.
 - (3) Seasonal unemployment of the insured person.
 - (4) Involuntary unemployment of the insured person.
 - (5) Disability of the insured person.
 - (6) Employment termination because of willful or criminal misconduct of the insured person.

(f) Notice. – The insurer shall send a notice to the insured person at the insured person's home address to inform the insured person that benefits have been paid, including the dates and the amount of payment. The notice shall be sent to the insured person within 60 days after the last day of the benefit period.

(g) Minimum Amounts. – The minimum monthly benefit amount shall be level for the entire benefit period. The minimum monthly benefit amount shall equal or exceed the minimum monthly payment required by the creditor, plus the premium charge for the coverage attributable to the benefit period.

(h) Miscellaneous Provisions. – Any waiting period for benefits shall not exceed 30 days. The insured shall provide satisfactory evidence of employer approval of qualified leave. Lump-sum benefits may be paid. Refunds of unearned single premiums shall be equal to the pro rata unearned gross premium.

(i) Rates. – Premium rates shall be actuarially demonstrated to generate a sixty percent (60%) incurred loss ratio. Joint coverage rates shall be one and two-thirds ($1 \frac{2}{3}$) times the approved single rate. Rates shall be filed for approval before they can be used.

(j) Reports. – By March 31 of each year every insurer writing family leave coverage shall file a statistical report of the past calendar year's actuarial experience for that coverage. The report shall demonstrate the actual experience loss ratio for the calendar year and shall include the: number of insureds, total earned premium, total number of incurred claims, total incurred claims, total number of incurred claims for each qualifying event, average monthly benefit per claim for each qualifying event, and premium refunds. (1999-351, s. 5.1.)