

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 665*
Committee Substitute Favorable 5/7/93

Short Title: Credit Insurance Changes.

(Public)

Sponsors:

Referred to:

March 29, 1993

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPROVE THE REGULATION OF CREDIT INSURANCE AND
3 LOWER PREMIUM RATES CHARGED FOR CREDIT INSURANCE.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 58-57-1 reads as rewritten:

6 "**§ 58-57-1. Application of Article.**

7 All credit life ~~insurance-insurance, and~~ all credit accident and health insurance, all
8 credit property insurance, and all credit unemployment insurance as defined herein and
9 written in connection with direct loans, consumer credit installment sale contracts of
10 whatever term permitted by G.S. 25A-33, leases, or other credit transactions shall be
11 subject to the provisions of this Article, except credit insurance written in connection
12 with direct loans of more than 15 years' duration. The provisions of this Article shall be
13 controlling as to such insurance and no other provisions of Articles 1 through 64 of this
14 Chapter shall be applicable unless otherwise specifically provided; nor shall such
15 insurance be subject to the provisions of this Article where the issuance of such
16 insurance is an isolated transaction on the part of the insurer not related to an agreement
17 or a plan for insuring debtors of the creditor.

18 ~~This Article may be cited as "The North Carolina Act for the Regulation of Credit~~
19 ~~Life, Credit Accident and Health, and Credit Property Insurance."~~

20 Sec. 2. G.S. 58-57-5 reads as rewritten:

21 **§ 58-57-5. Definitions.**

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

- 1 (1) Repealed by Session Laws 1991, c. 720, s. 6.
- 2 (2) 'Credit accident and health insurance' means insurance on a debtor to
3 provide indemnity for payments becoming due on a specific loan or
4 other credit transaction as defined in G.S. 58-51-100;
- 5 (3) 'Credit life insurance' means insurance on the life of a debtor pursuant
6 to or in connection with a specific loan or other credit transaction as
7 defined in G.S. 58-58-10;
- 8 (4) 'Credit ~~life~~ insurance agent' means an agent of an insurance company
9 licensed in this State who is authorized to solicit, negotiate or effect
10 credit life ~~insurance or insurance~~, credit accident and health insurance,
11 credit unemployment insurance, credit property insurance, or both, any
12 of them, but only to the extent as is authorized and limited in this
13 Article;
- 14 (4a) 'Credit transaction' means any transaction by the terms of which the
15 repayment of money loaned or loan commitment made, or payment for
16 goods, services, or properties sold or leased, is to be made at a future
17 date or dates;
- 18 (4b) 'Credit unemployment insurance' means insurance on a debtor in
19 connection with a specified loan or other credit transaction to provide
20 payment to a creditor of the debtor for the installment payments or
21 other periodic payment becoming due while the debtor is involuntarily
22 unemployed as defined in the policy;
- 23 (5) 'Creditor' means any lender of money or vendor or lessor of goods,
24 services, property, rights or privileges, including any person that
25 directly or indirectly provides credit in connection with any such sale
26 or lease, for which payment is arranged through a credit-related
27 transaction; or any successor to the right, title or interest of any such
28 lender, vendor, lessor, or person extending credit, and an affiliate,
29 associate, or subsidiary of any of them, or any director, officer, or
30 employee of any of them or any other person in any way associated
31 with any of them;
- 32 (6) 'Debtor' means a borrower of money or a purchaser or lessee of goods,
33 services, property, rights or privileges for which payment is arranged
34 through a credit transaction;
- 35 (7) 'Indebtedness' means the total amount payable for the term of the loan
36 by debtor to creditor in connection with a loan or other credit
37 transaction, including principal, interest, allowable charges, and any
38 premiums authorized hereunder;
- 39 (7a) 'Joint accident and health coverage' means credit accident and health
40 insurance covering two or more debtors; provided that only one
41 monthly benefit, as defined in G.S. 58-57-15(b), shall be payable each
42 month on a specific indebtedness regardless of the number of debtors
43 insured;

- 1 (8) 'Joint life coverage' means credit life insurance covering two or more
 2 lives, the entire amount of insurance being payable upon the death of
 3 the first insured debtor to die;
- 4 (9) 'Lease' means a contract whereby the lessee of a 'motor vehicle,' as
 5 defined in G.S. 20-4.01(23), contracts to pay as compensation for use a
 6 sum substantially equivalent to or in excess of the aggregate value of
 7 the property, but not exceeding the term of years in G.S. 58-57-1.
- 8 (10) 'Truncated coverage' means a credit insurance benefit with a term of
 9 insurance coverage that is less than the term of the credit transaction;
- 10 (11) 'Open-end credit' means credit extended by a creditor under an
 11 agreement in which:
- 12 a. The creditor reasonably contemplates repeated transactions;
 13 b. The creditor imposes a finance charge from time to time on an
 14 outstanding unpaid balance; and
 15 c. The amount of credit that may be extended to the debtor during
 16 the term of the agreement (up to any limit set by the creditor) is
 17 generally made available to the extent that any outstanding
 18 balance is repaid.
- 19 'Open-end credit' includes credit card balances."

20 Sec. 3. G.S. 58-57-15 reads as rewritten:

21 "(a) Credit Life Insurance. –

- 22 (1) ~~Except as provided in G.S. 53-189(a) for transactions of 60 months or~~
 23 ~~less in duration, the initial amount of credit life insurance shall not~~
 24 ~~exceed the total amount repayable under the contract of indebtedness~~
 25 ~~and, where an indebtedness is repayable in substantially equal~~
 26 ~~installments, the amount of insurance shall at no time exceed the~~
 27 ~~greater of the actual or scheduled amount of indebtedness. For~~
 28 ~~transactions of more than 60 months in duration, the initial amount of~~
 29 ~~credit life insurance shall not exceed the total amount repayable under~~
 30 ~~the contract of indebtedness less unearned finance charges and, where~~
 31 ~~an indebtedness is repayable in substantially equal installments, the~~
 32 ~~amount of insurance shall at no time exceed the greater of the actual or~~
 33 ~~scheduled amount of indebtedness less unearned finance charges;~~
 34 ~~provided, however, that additional coverage not exceeding four~~
 35 ~~months of accrued interest on successive net balances may be provided~~
 36 ~~to cover any delinquency in payments. The amount of credit life~~
 37 ~~insurance shall not exceed the amount of unpaid indebtedness as it~~
 38 ~~exists from time to time, less any unearned interest or finance charges;~~
 39 ~~provided, however, that if the amount of credit insurance is based on a~~
 40 ~~predetermined schedule, the amount of credit insurance shall not~~
 41 ~~exceed the scheduled amount of unpaid indebtedness, less any~~
 42 ~~unearned interest or finance charges, plus an amount equal to three~~
 43 ~~monthly installments or the equivalent thereof.~~

1 (2) Notwithstanding the provisions of the above subdivision, insurance on
2 seasonal credit line commitments (such as may be found in agricultural
3 credit transactions) not exceeding one year in duration may be written
4 up to the amount of the loan ~~commitment, whether or not the full amount~~
5 ~~of the commitment has been advanced by the creditor,~~ commitment on a
6 nondecreasing or level term plan.

7 (3) Notwithstanding ~~the provisions of subdivision (a)(1) of this or any other~~
8 section, insurance on education credit transaction commitments may
9 be written for the amount of such commitment. ~~commitment whether or~~
10 ~~not the full amount of the commitment has been advanced by the creditor.~~

11 (b) Credit Accident and Health and Credit Unemployment Insurance. – The total
12 amount of indemnity payable by credit accident and health or credit unemployment
13 insurance in the event of ~~disability, disability or unemployment,~~ as defined in the policy,
14 shall not exceed the indebtedness; and the amount of each monthly benefit shall not
15 exceed the indebtedness divided by the number of months in the term of the loan. A
16 daily benefit equal in amount to one thirtieth of the scheduled monthly payment is
17 permissible. For open-end credit transactions, the total amount of indemnity payable
18 shall not exceed the amount of unpaid indebtedness at the time disability or
19 unemployment begins, including interest and insurance charges that would accrue on
20 that indebtedness using the creditor's minimum payment schedule. The periodic
21 indemnity may exceed the creditor's minimum payment amount."

22 Sec. 4. G.S. 58-57-20 reads as rewritten:

23 "**§ 58-57-20. Term; termination prior to scheduled maturity.**

24 Except as otherwise provided in this section, the ~~The~~ term of any credit life
25 insurance or credit accident and health insurance shall, subject to acceptance by the
26 insurer, commence on the date when the debtor becomes obligated to the creditor,
27 except that, where a group policy provides coverage with respect to existing obligations,
28 the insurance on a debtor with respect to such indebtedness shall commence on the
29 effective date of the policy. For credit insurance offered to the debtor subsequent to the
30 date the debtor becomes obligated to the creditor, the term of the insurance shall, subject
31 to the acceptance by the insurer, commence not more than 30 days following the
32 insurer's receipt of the debtor's request for the insurance. The term of such insurance
33 shall not extend more than 15 days beyond the maturity date of the indebtedness or final
34 installment ~~thereof.~~ ~~thereof~~; but the term of the insurance may be less than the term of
35 the indebtedness to provide truncated coverage in connection with transactions having
36 initial terms of more than 60 months or consistent with any age or other termination
37 provisions contained in the policy. If the indebtedness is discharged due to prepayment,
38 the insurance in force shall be terminated unless otherwise requested by the insured in
39 writing. If the indebtedness is discharged due to renewal or refinancing prior to such
40 maturity date, the insurance in force shall be terminated before any new insurance may
41 be issued in connection with the renewed or refinanced indebtedness. In all cases of
42 termination prior to scheduled maturity, a refund shall be paid or credited as provided in
43 G.S. 58-57-50."

44 Sec. 5. G.S. 58-57-25 reads as rewritten:

1 **"§ 58-57-25. Insurance to be evidenced by individual policy; notice of proposed**
2 **insurance or certificate; required and prohibited provisions; when**
3 **debtor to receive copy.**

4 (a) All individual credit ~~life insurance and credit accident and health insurance~~ sold
5 shall be evidenced by an individual policy. All group insurance sold where any part of
6 the premium is paid by the debtors or by the creditors from identifiable charges
7 collected from the insured debtors shall be evidenced by a certificate of insurance.

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

20 (c) No individual policy of credit ~~life insurance or credit accident and health~~
21 ~~insurance~~ and no group policy of credit ~~life insurance or credit accident and health~~
22 ~~insurance~~ shall be delivered or issued for delivery in this State unless each contains in
23 substance all of the following provisions:

24 (1) In each policy there shall be a provision that the policy, or the policy
25 and application therefor, if any, or if a copy of the application is
26 endorsed upon or attached to the policy when issued, shall constitute
27 the entire insurance contract between the parties, and that all
28 statements made by the creditor or by the individual debtors shall, in
29 the absence of fraud, be deemed representations and not warranties.

30 (2) In each such policy there shall be a provision that the validity of the
31 policy shall not be contested, except for nonpayment of premiums,
32 after it has been in force for two years from its date of issue; and that
33 no statement made by any person insured under the policy relating to
34 his insurability shall be used in contesting the validity of the insurance
35 with respect to which such statement was made after such insurance
36 has been in force on such insured for a period of two years during such
37 person's lifetime, and prior to the date on which the claim thereunder
38 arose. Provided, however, that unless the insured writes his own age
39 on the form and signs a statement that he has done so, there shall be no
40 denial of claims grounded on the debtor's age. Provided further, if the
41 indebtedness is paid by renewal or refinancing prior to the scheduled
42 maturity date, the effective date of the coverage with respect to any
43 policy provision shall be deemed to be the first date on which the
44 debtor became insured under the policy covering the original prior

- 1 indebtedness that was renewed or refinanced, at least to the extent of
2 the amount and term of the coverage outstanding at the time of
3 renewal and refinancing of the debt.
- 4 (3) In each such policy there shall be a provision that when a claim for the
5 ~~death or disability~~ death, disability, or unemployment of the insured
6 arises thereunder, settlement shall be made upon receipt of due proof
7 of such ~~death or such disability~~ death, disability, or unemployment.
- 8 (4) On the face of each such policy there shall be placed a title which shall
9 briefly and accurately describe the nature and form of the policy.
- 10 (5) Each such policy, including rider and endorsement, shall be identified
11 by a form number in the lower left-hand corner of the first page
12 thereof, and no restriction, condition or provision in or endorsed on
13 such policy shall be valid unless such provision or condition is printed
14 in type as large as ~~eight point type~~ 10-point type, one-point leaded.
- 15 (6) In each such policy there shall be a provision that the insured debtor
16 shall have the right to rescind the insurance policy or certificate of
17 insurance upon giving written notice to the insurer within ~~15~~ 30 days
18 from the date the insured debtor received such policy or certificate.
- 19 (d) No individual policy of credit ~~life insurance or credit accident and health~~
20 ~~insurance [and] and~~ no group policy of credit ~~life insurance or credit accident and health~~
21 ~~insurance~~ shall be delivered or issued for delivery in this State if it contains any
22 provision:
- 23 (1) Limiting the time within which any action at law or in equity may be
24 commenced to less than three years after the cause of action accrues;
25 or
- 26 (2) To the effect that the agent soliciting the insurance is the agent of the
27 person insured under the policy, or making the acts or representations
28 of such agent binding upon the person so insured under the policy.
- 29 (e) If said individual policy or certificate of group insurance is not delivered to
30 the debtor at the time the ~~indebtedness is incurred~~ debtor requests credit insurance or
31 mailed to the debtor within 30 days thereafter, a written notification must be furnished
32 to the debtor within the 30-day period, which notification shall set forth the following:
- 33 (1) The name and home-office address of the insurer;
- 34 (2) The identity of the debtor, by name or otherwise;
- 35 (3) The premium or identifiable charge to the debtor, if any, separately ~~in~~
36 ~~connection with~~ for each type of credit life insurance; ~~and credit~~
37 ~~accident and health insurance~~;
- 38 (4) The amount and term of the coverage provided, if possible, otherwise a
39 clear description of the means of determining the amount and time of
40 expiry;
- 41 (5) A brief description of the coverage provided;
- 42 (6) A statement that, if the insurance is declined by the insurer or
43 otherwise does not become effective, any premium or identifiable
44 charge will be refunded or credited to the debtor; and

1 (7) A statement that, upon acceptance by the insurer, the insurance
2 coverage provided shall become effective as specified in G.S. 58-57-
3 20.

4 Any portion of the information required in said notification may be furnished by other
5 documents, if copies of such documents are attached to said notification. If an insurance
6 policy or certificate of insurance is not delivered to the insured debtor at the time the
7 ~~indebtedness is incurred, debtor requests credit insurance, he the debtor shall be furnished~~
8 ~~at the time the indebtedness is incurred written notice that he shall have given~~ the right to
9 rescind the insurance policy or certificate of insurance upon giving written notice to the
10 insurer within ~~45~~30 days from the date the insured debtor receives such policy or
11 certificate."

12 Sec. 6. G.S. 58-57-35 reads as rewritten:

13 **"§ 58-57-35. General premium rate standard.**

14 (a) Benefits provided by credit ~~life and life~~, credit accident and health and credit
15 unemployment insurance written under this Article shall be reasonable in relation to the
16 premium charge. This requirement is conclusively presumed to be satisfied if the
17 premium rates to be charged for credit life and credit accident and health insurance are
18 no greater than those premium rates set forth in G.S. ~~58-57-40 and 58-57-45~~ 58-57-40,
19 58-57-45 and 58-57-105 of this Article for benefits as described in those sections. If an
20 insurer files premium rates for all or part of its business that are greater than those
21 premium rates to which this conclusive presumption applies, the greater rates may be
22 disapproved by the Commissioner if the insurer fails to demonstrate that the benefits are
23 reasonable in relation to the premium rates filed for the group or groups of insureds to
24 which the premium rates would apply and which groups shall meet credibility standards
25 established by the Commissioner. In making this determination, the Commissioner
26 shall give due consideration to the past and prospective loss experience of the group or
27 groups of insureds to which the rates would apply, to reasonable costs and expenses
28 attributable to the insurer and creditor making the coverage available and to other
29 relevant factors, including a fair return to the insurer and creditor. These premium rates
30 shall be allowed to be applied only to the group or groups with respect to which the rate
31 filing is made and approved. The premium rates for credit unemployment insurance
32 shall be filed with and approved by the Commissioner. The amount charged to a debtor
33 for any credit ~~life or credit accident life~~, credit accident and health, or credit
34 unemployment insurance shall not exceed the premiums charged by the insurer, as
35 computed at the time the charge to the debtor is determined.

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

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

5 Sec. 7. G.S. 58-57-40 reads as rewritten:

6 **"§ 58-57-40. Credit life insurance rate standards.**

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

9 (1) Which contain no exclusions or no exclusions other than suicide; and

10 (2) Which contain no age restrictions, or only age restrictions not making
11 ineligible for the coverage

12 a. Debtors under 65 at the time the indebtedness is incurred; or

13 b. Debtors who will not have attained age 66 on the maturity date
14 of the indebtedness.

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

19 ~~(c) If premiums are payable in one sum in advance, for decreasing term life~~
20 ~~insurance on indebtedness repayable in substantially equal monthly installments, a~~
21 ~~premium not exceeding seventy cents (70¢) per one hundred dollars (\$100.00) of initial~~
22 ~~insured indebtedness per year is authorized. If premiums are payable in one sum in~~
23 ~~advance, for decreasing term life insurance on indebtedness repayable in substantially~~
24 ~~equal monthly installments, a premium rate not exceeding sixty-five (65¢) cents per one~~
25 ~~hundred dollars (\$100.00) of initial insured indebtedness per year is authorized.~~
26 Effective January 1, 1995, a premium rate not exceeding sixty cents (60¢) per one
27 hundred dollars (\$100.00) of indebtedness per year is authorized. Effective January 1,
28 1996, a premium rate not exceeding fifty-five cents (55¢) per one hundred dollars
29 (\$100.00) of indebtedness per year is authorized. Effective January 1, 1997, a premium
30 rate not exceeding fifty cents (50¢) per one hundred dollars (\$100.00) of indebtedness
31 per year is authorized.

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

34 ~~(e) For level term life insurance, a premium rate of one dollar and thirty cents~~
35 ~~(\$1.30) per one hundred dollars (\$100.00) per year is authorized. For level term life~~
36 ~~insurance, a premium rate of one dollar and twenty-five cents (\$1.25) per one hundred~~
37 ~~dollars (\$100.00) per year is authorized. Effective January 1, 1995, a premium rate of~~
38 ~~one dollar and twenty cents (\$1.20) per one hundred dollars (\$100.00) per year is~~
39 ~~authorized. Effective January 1, 1996, a premium rate of one dollar and fifteen cents~~
40 ~~(\$1.15) per one hundred dollars (\$100.00) per year is authorized. Effective January 1,~~
41 ~~1997, a premium rate of one dollar and ten cents (\$1.10) per one hundred dollars~~
42 ~~(\$100.00) per year is authorized.~~

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

$$4 \quad \text{Opn} = \frac{20 \text{ SPn}}{n + 1}$$

5
 6 where SPn = Single premium rate per one hundred dollars (\$100.00) of initial insured
 7 indebtedness repayable in n equal monthly installments.

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

9 n = Original repayment period, in months.

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

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

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

19 Insured Indebtedness	Fee Permitted
20 less than \$250.00	none
21 \$250.00 or more but	\$1.00
22 less than \$500.00	
23 \$500.00 or more	\$2.00 <u>\$3.00</u>

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

26 Sec. 8. G.S. 58-57-45 reads as rewritten:

27 "**§ 58-57-45. Credit accident and health insurance rate standards.**

28 (a) The rate standards set forth below shall be applicable for contracts which
 29 contain a provision excluding or denying claim for disability resulting from preexisting
 30 illness, disease or physical condition, for which the debtor received medical advice,
 31 consultation, or treatment within the six-month period immediately preceding the
 32 effective date of the debtor's coverage and if said disability occurs within the six-month
 33 period immediately following such date, but contain no other provision which excludes
 34 or restricts liability in the event of disability caused in a certain specified manner,
 35 except that they may contain provisions excluding or restricting coverage in the event of
 36 normal pregnancy; intentionally self-inflicted injuries; sickness resulting from
 37 intoxication, addiction to alcohol or narcotics, or from the use thereof unless
 38 administered on the advice of a physician; flight in nonscheduled aircraft; war; military
 39 service; and may contain the same age restrictions as those mentioned for credit life
 40 insurance in G.S. 58-57-40. Provided, if the indebtedness is paid by renewal or
 41 refinancing prior to the scheduled maturity date, the effective date of the coverage with
 42 respect to any policy provision shall be deemed to be the first date on which the debtor
 43 became insured under the policy covering the original prior indebtedness that was

1 renewed or refinanced, at least to the extent of the amount and term of the coverage
 2 outstanding at the time of renewal and refinancing of the debt.

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

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

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

17 **SINGLE PREMIUM RATES PER \$100.00 OF INITIAL**
 18 **INSURED INDEBTEDNESS**

19 No. of Months 20 in which 21 Indebtedness 22 is 23 Repayable	24 Nonretroactive Benefits		25 Retroactive Benefits		
	26 14-Day	27 30-Day	28 7-Day	29 14-Day	30 30-Day
31 12	32 1.40	33 .95	34 2.60	35 2.10	36 1.40
37 24	38 1.90	39 1.40	40 3.50	41 2.85	42 1.90
43 36	44 2.40	45 1.90	46 4.35	47 3.65	48 2.40
49 48	50 2.85	51 2.40	52 5.25	53 4.40	54 2.85
55 60	56 3.35	57 2.85	58 6.10	59 5.20	60 3.35
61 72	62 3.85	63 3.35		64 5.95	65 3.85
66 84	67 4.30	68 3.85		69 6.70	70 4.30
71 96	72 4.80	73 4.30		74 7.50	75 4.80
76 108	77 5.25	78 4.80		79 8.25	80 5.25
81 120	82 5.75	83 5.25		84 9.00	85 5.75

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

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

$$90 \text{ Opn} = \frac{20 \text{ SPn}}{n + 1}$$

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

93 Opn = Monthly outstanding balance premium rate per one thousand dollars (\$1,000).
 94 n = Original repayment period, in months.

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

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

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

12	Insured Indebtedness	Fee Permitted
13	less than \$250.00	none
14	\$250.00 or more but	\$1.00
15	less than \$500.00	
16	\$500.00 or more	\$2.00 -\$3.00

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

19 (h) The premium rates for joint credit accident and health insurance shall not
 20 exceed one and two-thirds (1 2/3) times the permitted single accident and health rate."

21 Sec. 9. Article 57 of Chapter 58 of the General Statutes is amended by
 22 adding the following new sections to read:

23 **"§ 58-57-105. Credit insurance on credit card balances.**

24 (a) Notwithstanding G.S. 58-3-145, credit card facilities may be used for the
 25 solicitation, negotiation, or payment of premiums for credit insurance on the unpaid
 26 balance of any credit card account. Solicitation or negotiation for credit insurance on
 27 credit card account balances may not be made by unsolicited telephone calls or
 28 facsimile transmissions.

29 (b) If premiums are charged through a credit card facility or if premiums are
 30 payable on the then outstanding balances on revolving charge account contracts defined
 31 in G.S. 25A-11, a premium not exceeding seventy-four cents (74¢) one thousand dollars
 32 (\$1,000) of insured indebtedness per month is authorized.

33 **"§ 58-57-107. Credit card guaranty or collateral prohibited.**

34 No insurer, representative of any insurer, or insurance broker shall enter into any
 35 arrangement that involves the sale of insurance or the pledging of existing insurance as
 36 guaranty or collateral for the issuance of any credit card.

37 **"§ 58-57-110. Credit unemployment insurance rate standards; policy provisions.**

38 (a) Each year the Commissioner shall prescribe a minimum incurred loss ratio
 39 standard requirement to develop a premium rate reasonable in relation to the benefits
 40 provided by credit unemployment insurance coverage. The following requirements
 41 must be met:

- 42 (1) Coverage is provided or offered, with or without underwriting, to all
 43 debtors regardless of age who are working for salary, wages, or other

- 1 employment income for at least 30 hours per week and have done so
 2 for 12 consecutive months;
 3 (2) Coverage sets forth a definition of involuntary unemployment as a loss
 4 of employment income that may include, but is not limited to, loss
 5 caused by layoff, general strike, termination of employment, or
 6 lockout;
 7 (3) Coverage does not contain any exclusion except: debts with irregular
 8 monthly payments; voluntary forfeiture of salary, wages, or other
 9 employment income; resignation; retirement; sickness, disease, or
 10 normal pregnancy; or loss of income due to termination as a result of
 11 willful misconduct that is a violation of some established, definite rule
 12 of conduct, a forbidden act, or willful dereliction of duty, or criminal
 13 misconduct.
 14 (b) The Commissioner may approve other policy provisions and coverages
 15 consistent with the purposes of unemployment coverage.
 16 (c) Joint coverage rates for credit unemployment insurance shall be one and two-
 17 thirds (1 2/3) times the approved single rate of coverage."

18 Sec. 10. G.S. 58-57-60 reads as rewritten:

19 "**§ 58-57-60. Claims.**

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

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

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

34 Sec. 11. G.S. 58-57-90(b) reads as rewritten:

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

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

Insured Value	Fee Permitted
---------------	---------------

1	less than \$250.00	none
2	\$250.00 or more but	\$1.00
3	less than \$500.00	
4	\$500.00 or more	\$2.00 \$3.00

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

7 The Department shall collect data on credit property insurance written in North
8 Carolina, including but not limited to: the amount of coverage written, direct premiums,
9 earned premiums, dividends and retrospective rate credits paid, direct losses paid, direct
10 losses incurred, commissions paid, loss ratios and policy provisions."

11 Sec. 12. G.S. 24-8 reads as rewritten:

12 **"§ 24-8. Loans not in excess of \$300,000; what interest, fees and charges permitted.**

13 No lender shall charge or receive from any borrower or require in connection with a
14 loan any borrower, directly or indirectly, to pay, deliver, transfer or convey or otherwise
15 confer upon or for the benefit of the lender or any other person, firm or corporation any
16 sum of money, thing of value or other consideration other than that which is pledged as
17 security or collateral to secure the repayment of the full principal of the loan, together
18 with fees and interest provided for in ~~chapter 24~~ this Chapter or ~~chapter~~ Chapter 53 of the
19 North Carolina General Statutes, where the principal amount of a loan is not in excess
20 of three hundred thousand dollars (\$300,000.00); provided, this section shall not prevent
21 a borrower from selling, transferring, or conveying property other than security or
22 collateral to any person, firm or corporation for a fair consideration so long as such
23 transaction is not made a condition or requirement for any loan; provided that this shall
24 not prevent the lender from collecting from the borrower for remittance to others,
25 money in payment of taxes, assessments, cost of upkeep, recording fees, surveys,
26 attorneys' fees, fire, title, ~~life~~ life, accident and health, unemployment, and mortgage
27 insurance premiums and other such fees and costs, nor from receiving the proceeds from
28 any insurance policies where a loss occurs under the terms of such policies. This section
29 shall not be applicable to any corporation licensed as a 'Small Business Investment
30 Company' under the provisions of the United States Code Annotated, Title 15, section
31 661, **et seq.** nor shall it be applicable to the sale or purchase of convertible debentures,
32 nor to the sale or purchase of any debt security with accompanying warrants, nor to the
33 sale or purchase of other securities through an organized securities exchange."

34 Sec. 13. G.S. 24-14(c) reads as rewritten:

35 "(c) Evidence of hazard insurance may be required by the lender of the borrower.
36 Credit life, credit accident and health, and credit unemployment insurance, or any of
37 them, may be offered but not required; ~~Decreasing term credit life insurance is optional, in~~
38 ~~an amount not exceeding the sum of the monthly installments payable under the loan and for a~~
39 ~~period not exceeding the term of the loan;~~ provided (i) that the borrower has indicated a
40 desire to purchase such insurance by signing a statement to that effect, (ii) that the
41 borrower is advised that he may acquire this insurance from any insurance carrier, (iii)
42 that the borrower is aware that this insurance may be rescinded within ~~15~~ 30 days after
43 receipt of the ~~policy,~~ policy or certificate, and (iv) that the borrower directs the lender to
44 purchase the above insurance from the proceeds of his loan.

1 The rates for the herein described insurance shall not exceed the standard rates
2 approved by the Commissioner of Insurance for such insurance. Proof of all insurance
3 issued in connection with loans subject to this Article shall be furnished to the borrower
4 within 10 days from the date of application therefor by said borrower."

5 Sec. 14. G.S. 53-189 reads as rewritten:

6 **"§ 53-189. Insurance.**

7 (a) Credit life, credit accident and health, credit unemployment, and credit
8 property insurance may be written in accordance with the provisions of ~~the North~~
9 ~~Carolina Act for the Regulation of Credit Life, Credit Accident and Health and Credit Property~~
10 ~~Insurance, G.S. 58-57-1 et seq. Article 57 of Chapter 58 of the General Statutes.~~ For single
11 or joint life insurance written prior to July 1, 1982, pursuant to G.S. 53-189, such insurance
12 may be written either level term or decreasing term for an initial amount not in excess of the
13 total indebtedness and the refund of premiums for level term insurance shall be equal to the pro
14 rata unearned gross premium if refunded during the first 60 days of the policy and equal to the
15 sum of the digits formula known as the "Rule of 78" if refunded thereafter. The premium rate
16 for level term credit life insurance written pursuant to this section shall not exceed one dollar
17 and thirty five cents (\$1.35) per hundred dollars (\$100.00) per year. For single or joint life
18 insurance written on or after July 1, 1982, pursuant to G.S. 53-189, the amount of insurance
19 shall at no time exceed the actual or scheduled indebtedness and the refund of premiums for
20 level term insurance shall be equal to the pro rata unearned gross premiums.

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

30 Sec. 15. G.S. 25A-17 reads as rewritten:

31 **"§ 25A-17. Additional charges for insurance.**

32 (a) As to revolving charge account contracts defined in G.S. 25A-11, in addition
33 to the finance charges permitted in G.S. 24-11(a), a seller in a consumer credit sale may
34 contract for and receive additional charges or premiums (i) for insurance written in
35 connection with any consumer credit sale, against loss of or damage to property
36 securing the debt pursuant to G.S. 25A-23, provided a clear, conspicuous and specific
37 statement in writing is furnished by the seller to the buyer setting forth the cost of the
38 insurance if obtained from or through the seller and stating that the buyer may choose
39 the insurer through which the insurance is ~~obtained~~obtained; (ii) for credit life, credit
40 accident and health, or credit unemployment insurance, written in connection with any
41 consumer credit sale, provided the insurance coverage is not required by the seller and
42 this fact is clearly disclosed to the buyer, and any buyer desiring such insurance
43 coverage gives affirmative indication of such desire after disclosure of the cost of such
44 insurance.

1 (b) As to revolving charge account contracts defined in G.S. 25A-11, insurance
 2 that is required by a seller and is not an additional charge permitted by subsection (a) of
 3 this section, shall be included in the finance charge as computed according to G.S. 24-
 4 11(a).

5 (c) As to consumer credit installment sale contracts defined in G.S. 25A-12, in
 6 addition to the finance charges permitted in G.S. 25A-15, a seller in a consumer credit
 7 sale may contract for and receive additional charges or premiums (i) for insurance
 8 written in connection with any consumer credit sale, for loss of or damage to property or
 9 against liability arising out of the ownership or use of property, provided a clear,
 10 conspicuous and specific ~~statement in writing~~ disclosure is furnished ~~by the seller~~ to the
 11 buyer setting forth the cost of the insurance if obtained from or through the seller and
 12 stating that the buyer may choose the person through which the insurance is to be
 13 obtained; (ii) for credit life, ~~accident~~, credit accident and health or credit unemployment
 14 ~~loss of income~~ insurance, written in connection with any consumer credit sale, provided
 15 the insurance coverage is not required by the seller and this fact is clearly and
 16 conspicuously disclosed ~~in writing~~ to the buyer; and any buyer desiring such insurance
 17 coverage gives specific ~~dated and separately signed~~ affirmative written indication of such
 18 desire after receiving ~~written~~ clear and specific disclosure to him of the cost of such
 19 insurance."

20 Sec. 16. G.S. 58-33-25(e) reads as rewritten:

21 "(e) A limited representative may receive qualification for one or more licenses
 22 without examination for the following kinds of insurance:

23 (1), (2) Repealed by Session Laws 1989, c. 485, s. 19.

24 (3) Credit Life, Accident and Health

25 (4) ~~Credit~~ Credit, as specified in G.S. 58-7-15(17)

26 (5) Travel Accident and Baggage

27 (6) Motor Club

28 (7) Dental Services

29 (8) Credit Property Insurance and ~~Vendor~~ Single Interest (~~VSI~~) Automobile
 30 Physical Damage Insurance when either is made in connection with a
 31 loan

32 (9) Bail bonds executed or countersigned by surety bondsmen under
 33 Article 71 of this ~~Chapter~~ Chapter

34 (10) Credit unemployment."

35 Sec. 17. The title of Article 57 of Chapter 58 of the General Statutes reads as
 36 rewritten:

37 **"REGULATION OF CREDIT LIFE INSURANCE, CREDIT**
 38 **ACCIDENT AND HEALTH INSURANCE AND**
 39 **CREDIT PROPERTY INSURANCE."**

40 Sec. 18. Section 6 and G.S. 58-57-107, as contained in Section 9 of this act,
 41 are effective upon ratification. The remainder of this act becomes effective January 1,
 42 1994.