

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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HOUSE BILL 653*
Committee Substitute Favorable and Engrossed 6/2/05

Short Title: Credit Insurance Changes.-AB

(Public)

Sponsors:

Referred to:

March 16, 2005

A BILL TO BE ENTITLED

1 AN ACT TO MAKE CHANGES TO THE CREDIT INSURANCE LAWS TO
2 DEFINE "CRITICAL PERIOD COVERAGE"; CLARIFY THE APPROPRIATE
3 REFUND OF PREMIUMS METHOD WHEN A POLICY OR GROUP
4 CERTIFICATE IS TERMINATED PRIOR TO THE SCHEDULED MATURITY
5 DATE OF THE SUBJECT DEBT; ALLOW CREDIT CARD COVERAGE FROM
6 OUT-OF-STATE FINANCIAL INSTITUTIONS; PROVIDE THAT INSURERS
7 MUST ACKNOWLEDGE TO THE CLAIMANT ANY CLAIMS NOT PAID
8 WITHIN THIRTY DAYS; CLARIFY THAT INSURERS CAN REQUIRE
9 REGISTRATION WITH THE STATE UNEMPLOYMENT OFFICE AND
10 PROVISION OF AN OFFICIAL STATE UNEMPLOYMENT OFFICE DECISION
11 LETTER REGARDING THE CLAIM TO QUALIFY FOR CREDIT
12 UNEMPLOYMENT INSURANCE BENEFITS UNDER THE POLICY BUT
13 CANNOT IMPOSE A TIME LIMIT ON THAT REGISTRATION; AND
14 PROVIDE THE COMMISSIONER OF INSURANCE WITH THE AUTHORITY
15 TO ENFORCE THE LAWS GOVERNING CREDIT INSURANCE CONSISTENT
16 WITH THE COMMISSIONER'S GENERAL ENFORCEMENT AUTHORITY AS
17 SET FORTH IN CHAPTER 58 OF THE GENERAL STATUTES.
18

19 The General Assembly of North Carolina enacts:

20 **SECTION 1.** G.S. 58-57-5 is amended by adding a new subdivision to read:

21 "(5a) "Critical period coverage" means insurance coverage for which
22 benefits are limited to a stated number of payments or the payments
23 end with the expiration of the policy, whichever is less."

24 **SECTION 2.** G.S. 58-57-50(b) reads as rewritten:

25 "(b) The refund of premiums for decreasing term credit life insurance shall be the
26 actuarial method of calculating refunds which produces a refund equal to the original
27 premium multiplied by the ratio of the sum of the remaining insured balances divided
28 by the sum of the original insured balances as of the due date nearest the date of
29 prepayment in full. The refund of premiums for ~~decreasing term credit life insurance in~~

1 ~~transactions of 60 months duration or less and the refund of premiums for single interest~~
2 ~~credit property insurance and single interest physical damage insurance shall be equal to~~
3 ~~the amount computed by the sum of digits formula known as the "Rule of 78." The~~
4 ~~refund of premiums for decreasing term credit life insurance in transactions of more~~
5 ~~than 60 months duration shall be equal to the premium that would be charged for the~~
6 ~~remaining term and amount of coverage in the policy.~~ The refund of premiums for level
7 term credit life insurance and dual interest credit property insurance and dual interest
8 physical damage insurance shall be equal to the pro rata unearned gross premiums."

9 **SECTION 3.** G.S. 58-57-55 reads as rewritten:

10 **"§ 58-57-55. Issuance of policies.**

11 All policies of credit life insurance and credit accident and health insurance shall be
12 issued only by an insurer authorized to do business in this State and shall be issued only
13 through holders of licenses or authorizations issued by the Commissioner. With the
14 exception of credit insurance issued in accordance with G.S. 58-57-105, all ~~All~~ policies
15 of credit life insurance and credit accident and health insurance shall be delivered or
16 issued for delivery in this State only by an insurer authorized to do an insurance
17 business therein, and shall be issued only through holders of licenses or authorizations
18 issued by the Commissioner. ~~State.~~ The enrollment of debtors under a group policy
19 issued to a creditor and authorized under this Article shall not constitute the issuance of
20 a policy of insurance."

21 **SECTION 4.** G.S. 58-57-60 is amended by adding a new subsection to read:

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

- 25 (1) A statement made to the insured or the claimant advising that the claim
26 is being investigated.
27 (2) Payment of the claim.
28 (3) A bona fide written offer of settlement.
29 (4) A written denial of the claim."

30 **SECTION 5.** G.S. 58-57-110 reads as rewritten:

31 **"§ 58-57-110. Credit unemployment insurance rate standards; policy provisions.**

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

- 36 (1) Coverage is provided or offered, with or without underwriting, to all
37 debtors regardless of age who are working for salary, wages, or other
38 employment income for at least 30 hours per week and have done so
39 for 12 consecutive ~~months;~~ months.
40 (2) Coverage sets forth a definition of involuntary unemployment as a loss
41 of employment income that may include, but is not limited to, loss
42 caused by layoff, general strike, termination of employment, or
43 ~~lockout;~~ lockout.

1 (3) Coverage does not contain any exclusion except: debts with irregular
2 monthly payments; voluntary forfeiture of salary, wages, or other
3 employment income; resignation; retirement; sickness, disease, or
4 normal pregnancy; or loss of income due to termination as a result of
5 willful misconduct that is a violation of some established, definite rule
6 of conduct, a forbidden act, or willful dereliction of duty, or criminal
7 misconduct.

8 (4) Eligibility for benefits may be based upon registration with the State
9 unemployment office but shall not be limited by any provision
10 requiring registration within a specified time. An insurer may require
11 the insured to provide a copy of the official State unemployment office
12 decision letter regarding the claim for State unemployment benefits in
13 order to qualify for benefits. The official State unemployment office
14 decision letter may only be used to deny a claim for benefits under the
15 credit unemployment coverage if the letter cites a reason listed in
16 G.S. 58-57-110(a)(3).

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

19 (c) Joint coverage rates for credit unemployment insurance shall be one and
20 two-thirds (1 2/3) times the approved single rate of coverage."

21 **SECTION 6.** Article 67 of Chapter 58 of the General Statutes is amended by
22 adding a new section to read:

23 **"§ 58-57-71. Enforcement and penalties.**

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

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

29 (2) The insurer's financial condition is unsound, or its assets above its
30 liabilities, exclusive of capital, are less than the amount of its capital or
31 required minimum surplus.

32 (3) The insurer has published or made to the Department or to the public
33 any false statement or report.

34 (4) The insurer or any of the insurer's officers, directors, employees, or
35 other representatives refuse to submit to any examination authorized
36 by law or refuse to perform any legal obligation in relation to an
37 examination.

38 (5) The insurer is found to make a practice of unduly engaging in
39 litigation or of delaying the investigation of claims or the adjustment
40 or payment of valid claims.

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

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

6 (1) A statement made to the claimant or to the claimant's legal
7 representative advising that the claim is being investigated.

8 (2) Payment of the claim.

9 (3) A bona fide written offer of settlement.

10 (4) A written denial of the claim. With respect to a claim under an
11 accident, health, or disability policy, if the acknowledgment sent to the
12 claimant indicates that the claim remains under investigation, within
13 45 days after receipt by the insurer of the initial claim, the insurer shall
14 send a claim status report to the insured and every 45 days thereafter
15 until the claim is paid or denied. The report shall give details sufficient
16 for the insured to understand why processing of the claim has not been
17 completed and whether the insurer needs additional information to
18 process the claim. If the claim acknowledgment includes information
19 about why processing of the claim has not been completed and
20 indicates whether additional information is needed, it may satisfy the
21 requirement for the initial claim status report.

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

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

33 **SECTION 7.** G.S. 58-57-70 and G.S. 58-57-80 are repealed.

34 **SECTION 8.** This act becomes effective January 1, 2006, and applies to
35 policies or certificates issued or renewed on or after that date.