

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 665*
Committee Substitute Favorable 5/7/93
Senate Insurance Committee Substitute Adopted 6/2/93

Short Title: Credit Insurance Changes.

(Public)

Sponsors:

Referred to:

March 29, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPROVE THE REGULATION OF CREDIT INSURANCE AND
LOWER PREMIUM RATES CHARGED FOR CREDIT INSURANCE.

The General Assembly of North Carolina enacts:

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

"§ 58-57-1. Application of Article.

All credit life ~~insurance~~ insurance, ~~and all credit accident and health insurance, all credit property insurance, and all credit unemployment insurance as defined herein and~~ 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.

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

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

§ 58-57-5. Definitions.

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

3 (1) Repealed by Session Laws 1991, c. 720, s. 6.

4 (2) 'Credit accident and health insurance' means insurance on a debtor to
5 provide indemnity for payments becoming due on a specific loan or
6 other credit transaction as defined in G.S. 58-51-100;

7 (3) 'Credit life insurance' means insurance on the life of a debtor pursuant
8 to or in connection with a specific loan or other credit transaction as
9 defined in G.S. 58-58-10;

10 (4) '~~Credit life insurance agent~~' means an agent of an insurance company
11 licensed in this State who is authorized to solicit, negotiate or effect
12 credit life ~~insurance or insurance~~, credit accident and health insurance,
13 credit unemployment insurance, credit property insurance, or both, any
14 of them, but only to the extent as is authorized and limited in this
15 Article;

16 (4a) 'Credit transaction' means any transaction by the terms of which the
17 repayment of money loaned or loan commitment made, or payment for
18 goods, services, or properties sold or leased, is to be made at a future
19 date or dates;

20 (4b) 'Credit unemployment insurance' means insurance on a debtor in
21 connection with a specified loan or other credit transaction to provide
22 payment to a creditor of the debtor for the installment payments or
23 other periodic payment becoming due while the debtor is involuntarily
24 unemployed as defined in the policy;

25 (5) 'Creditor' means any lender of money or vendor or lessor of goods,
26 services, property, rights or privileges, including any person that
27 directly or indirectly provides credit in connection with any such sale
28 or lease, for which payment is arranged through a credit-related
29 transaction; or any successor to the right, title or interest of any such
30 lender, vendor, lessor, or person extending credit, and an affiliate,
31 associate, or subsidiary of any of them, or any director, officer, or
32 employee of any of them or any other person in any way associated
33 with any of them;

34 (6) 'Debtor' means a borrower of money or a purchaser or lessee of goods,
35 services, property, rights or privileges for which payment is arranged
36 through a credit transaction;

37 (7) 'Indebtedness' means the total amount payable for the term of the loan
38 by debtor to creditor in connection with a loan or other credit
39 transaction, including principal, interest, allowable charges, and any
40 premiums authorized hereunder;

41 (7a) 'Joint accident and health coverage' means credit accident and health
42 insurance covering two or more debtors; provided that only one
43 monthly benefit, as defined in G.S. 58-57-15(b), shall be payable each

1 month on a specific indebtedness regardless of the number of debtors
 2 insured;

3 (8) 'Joint life coverage' means credit life insurance covering two or more
 4 lives, the entire amount of insurance being payable upon the death of
 5 the first insured debtor to die;

6 (9) 'Lease' means a contract whereby the lessee of a 'motor vehicle,' as
 7 defined in G.S. 20-4.01(23), contracts to pay as compensation for use a
 8 sum substantially equivalent to or in excess of the aggregate value of
 9 the property, but not exceeding the term of years in G.S. 58-57-1.

10 (10) 'Truncated coverage' means a credit insurance benefit with a term of
 11 insurance coverage that is less than the term of the credit transaction;

12 (11) 'Open-end credit' means credit extended by a creditor under an
 13 agreement in which:

14 a. The creditor reasonably contemplates repeated transactions;

15 b. The creditor imposes a finance charge from time to time on an
 16 outstanding unpaid balance; and

17 c. The amount of credit that may be extended to the debtor during
 18 the term of the agreement (up to any limit set by the creditor) is
 19 generally made available to the extent that any outstanding
 20 balance is repaid.

21 'Open-end credit' includes credit card balances."

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

23 "(a) Credit Life Insurance. –

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

1 unearned interest or finance charges, plus an amount equal to three
2 monthly installments or the equivalent thereof.

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

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

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

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

25 "**§ 58-57-20. Term; termination prior to scheduled maturity.**

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

1 termination prior to scheduled maturity, a refund shall be paid or credited as provided in
2 G.S. 58-57-50."

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

4 **"§ 58-57-25. Insurance to be evidenced by individual policy; notice of proposed**
5 **insurance or certificate; required and prohibited provisions; when**
6 **debtor to receive copy.**

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

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

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

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

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

1 maturity date, the effective date of the coverage with respect to any
2 policy provision shall be deemed to be the first date on which the
3 debtor became insured under the policy covering the original prior
4 indebtedness that was renewed or refinanced, at least to the extent of
5 the amount and term of the coverage outstanding at the time of
6 renewal and refinancing of the debt.

7 (3) In each such policy there shall be a provision that when a claim for the
8 ~~death or disability~~ death, disability, or unemployment of the insured
9 arises thereunder, settlement shall be made upon receipt of due proof
10 of such ~~death or such disability~~ death, disability, or unemployment.

11 (4) On the face of each such policy there shall be placed a title which shall
12 briefly and accurately describe the nature and form of the policy.

13 (5) Each such policy, including rider and endorsement, shall be identified
14 by a form number in the lower left-hand corner of the first page
15 thereof, and no restriction, condition or provision in or endorsed on
16 such policy shall be valid unless such provision or condition is printed
17 in type as large as ~~eight-point type~~ 10-point type, one-point leaded.

18 (6) In each such policy there shall be a provision that the insured debtor
19 shall have the right to rescind the insurance policy or certificate of
20 insurance upon giving written notice to the insurer within ~~45~~ 30 days
21 from the date the insured debtor received such policy or certificate.

22 (d) No individual policy of credit ~~life insurance or credit accident and health~~
23 ~~insurance~~ [and] and no group policy of credit ~~life insurance or credit accident and health~~
24 ~~insurance~~ shall be delivered or issued for delivery in this State if it contains any
25 provision:

26 (1) Limiting the time within which any action at law or in equity may be
27 commenced to less than three years after the cause of action accrues;
28 or

29 (2) To the effect that the agent soliciting the insurance is the agent of the
30 person insured under the policy, or making the acts or representations
31 of such agent binding upon the person so insured under the policy.

32 (e) If said individual policy or certificate of group insurance is not delivered to
33 the debtor at the time the ~~indebtedness is incurred~~ debtor requests credit insurance or
34 mailed to the debtor within 30 days thereafter, a written notification must be furnished
35 to the debtor within the 30-day period, which notification shall set forth the following:

36 (1) The name and home-office address of the insurer;

37 (2) The identity of the debtor, by name or otherwise;

38 (3) The premium or identifiable charge to the debtor, if any, separately ~~in~~
39 ~~connection with~~ for each type of credit life insurance insurance; and credit
40 ~~accident and health insurance;~~

41 (4) The amount and term of the coverage provided, if possible, otherwise a
42 clear description of the means of determining the amount and time of
43 expiry;

44 (5) A brief description of the coverage provided;

- 1 (6) A statement that, if the insurance is declined by the insurer or
2 otherwise does not become effective, any premium or identifiable
3 charge will be refunded or credited to the debtor; and
4 (7) A statement that, upon acceptance by the insurer, the insurance
5 coverage provided shall become effective as specified in G.S. 58-57-
6 20.

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

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

16 "**§ 58-57-35. General premium rate standard.**

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

39 (b) The premium or cost of credit ~~life or disability life~~, disability, or
40 unemployment insurance, when written by or through any lender or other creditor, its
41 affiliate, associate or subsidiary shall not be deemed as interest or charges or
42 consideration or an amount in excess of permitted charges in connection with the loan
43 or credit transaction and any gain or advantage to any lender or other creditor, its
44 affiliate, associate or subsidiary, arising out of the premium or commission or dividend

1 from the sale or provision of such insurance shall not be deemed a violation of any other
2 law, general or special, civil or criminal, of this State, or of any rule, regulation or order
3 issued by any regulatory authority of this State.

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

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

9 **"§ 58-57-40. Credit life insurance rate standards.**

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

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

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

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

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

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

22 (c) ~~If premiums are payable in one sum in advance, for decreasing term life~~
23 ~~insurance on indebtedness repayable in substantially equal monthly installments, a~~
24 ~~premium not exceeding seventy cents (70¢) per one hundred dollars (\$100.00) of initial~~
25 ~~insured indebtedness per year is authorized. If premiums are payable in one sum in~~
26 ~~advance, for decreasing term life insurance on indebtedness repayable in substantially~~
27 ~~equal monthly installments, a premium rate not exceeding sixty-five (65¢) cents per one~~
28 ~~hundred dollars (\$100.00) of initial insured indebtedness per year is authorized.~~
29 Effective January 1, 1995, a premium rate not exceeding sixty cents (60¢) per one
30 hundred dollars (\$100.00) of indebtedness per year is authorized. Effective January 1,
31 1996, a premium rate not exceeding fifty-five cents (55¢) per one hundred dollars
32 (\$100.00) of indebtedness per year is authorized. Effective January 1, 1997, a premium
33 rate not exceeding fifty cents (50¢) per one hundred dollars (\$100.00) of indebtedness
34 per year is authorized.

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

37 (e) ~~For level term life insurance, a premium rate of one dollar and thirty cents~~
38 ~~(\$1.30) per one hundred dollars (\$100.00) per year is authorized. For level term life~~
39 ~~insurance, a premium rate of one dollar and twenty-five cents (\$1.25) per one hundred~~
40 ~~dollars (\$100.00) per year is authorized. Effective January 1, 1995, a premium rate of~~
41 ~~one dollar and twenty cents (\$1.20) per one hundred dollars (\$100.00) per year is~~
42 ~~authorized. Effective January 1, 1996, a premium rate of one dollar and fifteen cents~~
43 ~~(\$1.15) per one hundred dollars (\$100.00) per year is authorized. Effective January 1,~~

1 1997, a premium rate of one dollar and ten cents (\$1.10) per one hundred dollars
2 (\$100.00) per year is authorized.

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

$$6 \quad \text{Opn} = \frac{20 \text{ SPn}}{n + 1}$$

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

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

11 n = Original repayment period, in months.

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

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

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

21 Insured Indebtedness	Fee Permitted
22 less than \$250.00	none
23 \$250.00 or more but 24 less than \$500.00	\$1.00
25 \$500.00 or more	\$2.00 <u>\$3.00</u>

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

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

29 **"§ 58-57-45. Credit accident and health insurance rate standards.**

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

1 became insured under the policy covering the original prior indebtedness that was
 2 renewed or refinanced, at least to the extent of the amount and term of the coverage
 3 outstanding at the time of renewal and refinancing of the debt.

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

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

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

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

20 No. of Months 21 in which 22 Indebtedness 23 is 24 Repayable	20 Nonretroactive Benefits		20 Retroactive Benefits		
	22 14-Day	22 30-Day	22 7-Day	22 14-Day	22 30-Day
25 12	25 1.40	25 .95	25 2.60	25 2.10	25 1.40
26 24	26 1.90	26 1.40	26 3.50	26 2.85	26 1.90
27 36	27 2.40	27 1.90	27 4.35	27 3.65	27 2.40
28 48	28 2.85	28 2.40	28 5.25	28 4.40	28 2.85
29 60	29 3.35	29 2.85	29 6.10	29 5.20	29 3.35
30 72	30 3.85	30 3.35		30 5.95	30 3.85
31 84	31 4.30	31 3.85		31 6.70	31 4.30
32 96	32 4.80	32 4.30		32 7.50	32 4.80
33 108	33 5.25	33 4.80		33 8.25	33 5.25
34 120	34 5.75	34 5.25		34 9.00	34 5.75

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

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

39
$$\text{Opn} = \frac{20 \text{ SPn}}{n + 1}$$

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

42 Opn = Monthly outstanding balance premium rate per one thousand dollars (\$1,000).
 43 n = Original repayment period, in months.
 44

(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	\$2.00 -\$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."

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

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

(a) Notwithstanding G.S. 58-3-145, 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. 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 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 life coverage may not exceed one and two-thirds (1 2/3) the permitted single credit life insurance premium rate.

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

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

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

(a) Each year 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. The following requirements must be met:

- 1 (1) Coverage is provided or offered, with or without underwriting, to all
2 debtors regardless of age who are working for salary, wages, or other
3 employment income for at least 30 hours per week and have done so
4 for 12 consecutive months;
5 (2) Coverage sets forth a definition of involuntary unemployment as a loss
6 of employment income that may include, but is not limited to, loss
7 caused by layoff, general strike, termination of employment, or
8 lockout;
9 (3) Coverage does not contain any exclusion except: debts with irregular
10 monthly payments; voluntary forfeiture of salary, wages, or other
11 employment income; resignation; retirement; sickness, disease, or
12 normal pregnancy; or loss of income due to termination as a result of
13 willful misconduct that is a violation of some established, definite rule
14 of conduct, a forbidden act, or willful dereliction of duty, or criminal
15 misconduct.

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

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

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

21 "**§ 58-57-60. Claims.**

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

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

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

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

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

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

4 Insured Value	Fee Permitted
5 less than \$250.00	none
6 \$250.00 or more but 7 less than \$500.00	\$1.00
8 \$500.00 or more	\$2.00 -\$3.00

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

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

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

16 "**§ 24-8. Loans not in excess of \$300,000; what interest, fees and charges permitted.**

17 No lender shall charge or receive from any borrower or require in connection with a
 18 loan any borrower, directly or indirectly, to pay, deliver, transfer or convey or otherwise
 19 confer upon or for the benefit of the lender or any other person, firm or corporation any
 20 sum of money, thing of value or other consideration other than that which is pledged as
 21 security or collateral to secure the repayment of the full principal of the loan, together
 22 with fees and interest provided for in ~~chapter 24~~ this Chapter or ~~chapter~~ Chapter 53 of the
 23 North Carolina General Statutes, where the principal amount of a loan is not in excess
 24 of three hundred thousand dollars (\$300,000.00); provided, this section shall not prevent
 25 a borrower from selling, transferring, or conveying property other than security or
 26 collateral to any person, firm or corporation for a fair consideration so long as such
 27 transaction is not made a condition or requirement for any loan; provided that this shall
 28 not prevent the lender from collecting from the borrower for remittance to others,
 29 money in payment of taxes, assessments, cost of upkeep, recording fees, surveys,
 30 attorneys' fees, fire, title, ~~life~~ life, accident and health, unemployment, and mortgage
 31 insurance premiums and other such fees and costs, nor from receiving the proceeds from
 32 any insurance policies where a loss occurs under the terms of such policies. This section
 33 shall not be applicable to any corporation licensed as a 'Small Business Investment
 34 Company' under the provisions of the United States Code Annotated, Title 15, section
 35 661, **et seq.** nor shall it be applicable to the sale or purchase of convertible debentures,
 36 nor to the sale or purchase of any debt security with accompanying warrants, nor to the
 37 sale or purchase of other securities through an organized securities exchange."

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

39 "(c) Evidence of hazard insurance may be required by the lender of the borrower.
 40 Credit life, credit accident and health, and credit unemployment insurance, or any of
 41 them, may be offered but not required; ~~Decreasing term credit life insurance is optional, in~~
 42 ~~an amount not exceeding the sum of the monthly installments payable under the loan and for a~~
 43 ~~period not exceeding the term of the loan;~~ provided (i) that the borrower has indicated a
 44 desire to purchase such insurance by signing a statement to that effect, (ii) that the

1 borrower is advised that he may acquire this insurance from any insurance carrier, (iii)
2 that the borrower is aware that this insurance may be rescinded within ~~45~~30 days after
3 receipt of the ~~policy, policy or certificate,~~ and (iv) that the borrower directs the lender to
4 purchase the above insurance from the proceeds of his loan.

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

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

10 **"§ 53-189. Insurance.**

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

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

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

35 **"§ 25A-17. Additional charges for insurance.**

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

1 this fact is clearly disclosed to the buyer, and any buyer desiring such insurance
 2 coverage gives affirmative indication of such desire after disclosure of the cost of such
 3 insurance.

4 (b) As to revolving charge account contracts defined in G.S. 25A-11, insurance
 5 that is required by a seller and is not an additional charge permitted by subsection (a) of
 6 this section, shall be included in the finance charge as computed according to G.S. 24-
 7 11(a).

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

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

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

25 (1), (2) Repealed by Session Laws 1989, c. 485, s. 19.

26 (3) Credit Life, Accident and Health

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

28 (5) Travel Accident and Baggage

29 (6) Motor Club

30 (7) Dental Services

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

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

36 (10) Credit unemployment."

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

39 **"REGULATION OF CREDIT LIFE INSURANCE, CREDIT**
 40 **ACCIDENT AND HEALTH INSURANCE AND**
 41 **CREDIT PROPERTY INSURANCE."**

42 Sec. 18. Section 6 and G.S. 58-57-107, as contained in Section 9 of this act,
 43 are effective upon ratification. The remainder of this act becomes effective January 1,
 44 1994.