

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 665*

Short Title: Credit Insurance Changes.

(Public)

Sponsors: Representative B. Miller (by request).

Referred to: Insurance.

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. The title of Article 57 of Chapter 58 of the General Statutes reads
6 as rewritten:

7 **"REGULATION OF CREDIT INSURANCE. ~~LIFE INSURANCE, CREDIT~~
8 ~~ACCIDENT AND HEALTH INSURANCE AND~~
9 ~~CREDIT PROPERTY INSURANCE.~~"**

10 Sec. 2. G.S. 58-57-1 reads as rewritten:

11 **"§ 58-57-1. Application of Article.**

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

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

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

1 **"§ 58-57-5. Definitions.**

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

4 (1) Repealed by Session Laws 1991, c. 720, s. 6.

5 (1a) Effective January 1, 1994, for all credit life insurance transactions, the
6 initial amount of credit life insurance shall not exceed the net amount
7 repayable under the contract of indebtedness.

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

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

14 (4) 'Credit ~~life~~-insurance agent' means an agent of an insurance company
15 licensed in this State who is authorized to solicit, negotiate or effect
16 credit ~~life~~-insurance or ~~accident and health insurance~~, or ~~both~~, but only to
17 the extent as is authorized and limited in this Article;

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

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

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

34 (6a) 'Identifiable charge' means a charge for a kind of credit insurance that
35 is made to debtors having such insurance and not made to debtors not
36 having such insurance; it includes a charge for such insurance that is
37 disclosed in the credit or other instrument furnished to the debtor
38 which sets out the financial elements of the credit transaction and any
39 difference in the finance, interest, service or other similar charge made
40 to debtors who are in like circumstances except for the insured or non-
41 insured status of the debtor or of the property used as security for such
42 credit transaction;

43 (7) 'Indebtedness' means the ~~total~~-amount payable for the specified term of
44 the loan by debtor to creditor in connection with a loan or other credit

~~transaction,~~ transaction. 'Net indebtedness' means the outstanding balance of the loan, excluding unearned finance charges; including principal, interest, allowable charges, and any premiums authorized hereunder;

- (8) 'Joint life coverage' means credit life insurance covering two or more lives, the ~~entire~~ amount of insurance being payable upon the death of the first insured debtor to die;
- (9) 'Lease' means a contract whereby the lessee of a 'motor vehicle,' as defined in G.S. 20-4.01(23), contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property, but not exceeding the term of years in G.S. 58-57-1."

Sec. 4. G.S. 58-57-15(a) reads as rewritten:

"(a) Credit Life Insurance. –

- (1) Except as provided in G.S. 53-189(a) for transactions of 60 months or less in duration, the initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the greater of the actual or scheduled amount of indebtedness. For transactions of more than 60 months in duration, the initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness less unearned finance charges and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the greater of the actual or scheduled amount of indebtedness less unearned finance charges; provided, however, that additional coverage not exceeding four months of accrued interest on successive net balances may be provided to cover any delinquency in payments.
- (2) Notwithstanding the provisions of the above subdivision, insurance on seasonal credit line commitments (such as may be found in agricultural credit transactions) not exceeding one year in duration may be written up to the amount of the loan ~~commitment, whether or not the full amount of the commitment has been advanced by the creditor,~~ commitment on a nondecreasing or level term plan.
- (3) Notwithstanding ~~the provisions of subdivision (a)(1) of this or any other section,~~ insurance on education credit transaction commitments may be written for the amount of such commitment. ~~commitment whether or not the full amount of the commitment has been advanced by the creditor."~~

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

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

The term of any credit ~~life insurance or credit accident and health insurance~~ shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such

1 indebtedness shall commence on the effective date of the policy. The term of such
2 insurance shall not extend more than 15 days beyond the maturity date of the
3 indebtedness or final installment thereof. If the indebtedness is discharged due to
4 prepayment, the insurance in force shall be terminated unless otherwise requested by the
5 insured in writing. If the indebtedness is discharged due to renewal or refinancing prior
6 to such maturity date, the insurance in force shall be terminated before any new
7 insurance may be issued in connection with the renewed or refinanced indebtedness. In
8 all cases of termination prior to scheduled maturity, a refund shall be paid or credited as
9 provided in G.S. 58-57-50."

10 Sec. 6. G.S. 58-57-25 reads as rewritten:

11 **"§ 58-57-25. Insurance to be evidenced by individual policy; notice of proposed**
12 **insurance or certificate; required and prohibited provisions; when**
13 **debtor to receive copy.**

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

18 (b) Each individual policy or certificate of credit ~~life insurance, insurance and/or~~
19 ~~credit accident and health insurance~~ shall set forth the name and home-office address of the
20 insurer, the identity of the insured debtor by name or otherwise, the premium or amount
21 of payment, if any, by the debtor separately for credit ~~life insurance and credit accident~~
22 ~~and health insurance~~ if not disclosed in other documents furnished to the debtor, a
23 description of the coverage including the amount and term thereof, and any exceptions,
24 limitations or restrictions, and shall state that the benefits shall be paid to the creditor to
25 reduce or extinguish the unpaid indebtedness, and wherever the amount of insurance
26 may exceed the unpaid indebtedness, that any such excess shall be payable to a
27 beneficiary other than the creditor named by the debtor, or to his estate.

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

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

38 (2) In each such policy there shall be a provision that the validity of the
39 policy shall not be contested, except for nonpayment of premiums,
40 after it has been in force for two years from its date of issue; and that
41 no statement made by any person insured under the policy relating to
42 his insurability shall be used in contesting the validity of the insurance
43 with respect to which such statement was made after such insurance
44 has been in force on such insured for a period of two years during such

1 person's lifetime, and prior to the date on which the claim thereunder
2 arose. Provided, however, that unless the insured writes his own age
3 on the form and signs a statement that he has done so, there shall be no
4 denial of claims grounded on the debtor's age. Provided further, if the
5 indebtedness is paid by renewal or refinancing prior to the scheduled
6 maturity date, the effective date of the coverage with respect to any
7 policy provision shall be deemed to be the first date on which the
8 debtor became insured under the policy covering the original prior
9 indebtedness that was renewed or refinanced, at least to the extent of
10 the amount and term of the coverage outstanding at the time of
11 renewal and refinancing of the debt.

12 (3) In each such policy there shall be a provision that when a claim for the
13 death or disability of the insured arises thereunder, settlement shall be
14 made upon receipt of due proof of such death or such disability.

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

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

23 (6) In each such policy there shall be a provision that the insured debtor
24 shall have the right to rescind the insurance policy or certificate of
25 insurance upon giving written notice to the insurer within ~~15~~ 30 days
26 from the date the insured debtor received such policy or certificate.

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

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

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

37 (e) If said individual policy or certificate of group insurance is not delivered to
38 the debtor at the time the indebtedness is incurred or mailed to the debtor within 30 days
39 thereafter, a written notification must be furnished to the debtor within the 30-day
40 period, which notification shall set forth the following:

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

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

- 1 (3) The premium or identifiable charge to the debtor, if any, separately in
2 connection with credit life ~~insurance~~insurance; and ~~credit accident and~~
3 ~~health insurance~~;
- 4 (4) The amount and term of the coverage provided, if possible, otherwise a
5 clear description of the means of determining the amount and time of
6 expiry;
- 7 (5) A brief description of the coverage provided;
- 8 (6) A statement that, if the insurance is declined by the insurer or
9 otherwise does not become effective, any premium or identifiable
10 charge will be refunded or credited to the debtor; and
- 11 (7) A statement that, upon acceptance by the insurer, the insurance
12 coverage provided shall become effective as specified in G.S. 58-57-
13 20.

14 Any portion of the information required in said notification may be furnished by other
15 documents, if copies of such documents are attached to said notification. If an insurance
16 policy or certificate of insurance is not delivered to the insured debtor at the time the
17 indebtedness is incurred, ~~he the insured~~ shall be furnished at the time the indebtedness is
18 incurred written notice that ~~he the insured~~ shall have the right to rescind the insurance
19 policy or certificate of insurance upon giving written notice to the insurer within ~~15~~30
20 days from the date the insured debtor receives such policy or certificate."

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

22 **"§ 58-57-40. Credit life insurance rate standards.**

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

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

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

35 (c) ~~If premiums are payable in one sum in advance, for decreasing term life~~
36 ~~insurance on indebtedness repayable in substantially equal monthly installments, a~~
37 ~~premium not exceeding seventy cents (70¢) per one hundred dollars (\$100.00) of initial~~
38 ~~insured indebtedness per year is authorized. If premiums are payable in one sum in~~
39 advance, for decreasing term life insurance on indebtedness repayable in substantially
40 equal monthly installments, a premium rate reasonable in relation to the benefit
41 provided and expected to develop a loss ratio of not less than sixty percent (60%) is
42 authorized. Such premium rate must be filed and approved by the Commissioner prior
43 to the insurance coverage being marketed in this State. All in-force policy premiums
44 must be amended on the next annual anniversary date of the policy following January 1,

1 1994. On or before March 1st of each year, all credit insurance carriers licensed in this
 2 State shall file with the Commissioner a claim experience report, as prescribed by the
 3 Commissioner, which demonstrates that the previous year premium rate charged
 4 developed a loss ratio of not less than sixty percent (60%).

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

7 (e) ~~For level term life insurance, a premium rate of one dollar and thirty cents~~
 8 ~~(\$1.30) per one hundred dollars (\$100.00) per year is authorized. For level term life~~
 9 ~~insurance, a premium rate reasonable in relation to the benefit provided and expected to~~
 10 ~~develop a loss ratio of not less than sixty percent (60%) is authorized. Such premium~~
 11 ~~rate must be filed and approved by the Commissioner prior to the insurance coverage~~
 12 ~~being marketed in this State. All in-force policy premiums must be amended on the~~
 13 ~~next annual anniversary date of the policy following January 1, 1994. On or before~~
 14 ~~March 1st of each year, all credit insurance carriers, licensed in this State, shall file with~~
 15 ~~the Commissioner a claim experience report, as prescribed by the Commissioner, which~~
 16 ~~demonstrates that the previous year premium charges developed a loss ratio of not less~~
 17 ~~than sixty percent (60%).~~

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

$$21 \quad \text{Opn} = \frac{20 \text{ SPn}}{n + 1}$$

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

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

25 n = Original repayment period, in months.

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

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

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

36 Insured Indebtedness	Fee Permitted
37 less than \$250.00	none
38 \$250.00 or more but —	\$1.00
39 —less than \$500.00	
40 \$500.00 or more	\$2.00

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

43 Sec. 8. G.S. 58-57-45(a) reads as rewritten:

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

Sec. 9. G.S. 58-57-45(d) reads as rewritten:

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

SINGLE PREMIUM RATES PER \$100.00 OF INITIAL INSURED INDEBTEDNESS

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

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

(d) If premiums are payable in one sum in advance for the entire duration of the indebtedness, for insurance with a preexisting exclusion as defined above, a premium rate reasonable in relation to the benefit provided and expected to develop a loss ratio of not less than sixty percent (60%) is authorized. Such premium rate must be filed and

1 approved by the Commissioner prior to the insurance coverage being marketed in this
 2 State. All in-force policy premiums must be amended on the next anniversary date of
 3 the policy following January 1, 1994. The single premium rate per one hundred dollars
 4 (\$100.00) of initial insured indebtedness shall be calculated based on the number of
 5 months in which the indebtedness is repayable, and nonretroactive benefits for 14-day
 6 and 30-day waiting periods up to 120 months are authorized. A retroactive benefit is
 7 authorized for seven-day waiting period up to 60 months and 14-day and 30-day
 8 retroactive benefits are authorized up to 120 months. On or before March 1st of each
 9 year, all credit insurance carriers licensed in this State shall file with the Commissioner
 10 a claim experience report, as prescribed by the Commissioner, which demonstrates that
 11 the previous year premium charge develops a loss ratio of not less than sixty percent
 12 (60%)."

13 Sec. 10. G.S. 58-57-45(g) reads as rewritten:

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

Insured Indebtedness	Fee Permitted
less than \$250.00	none
\$250.00 or more but	\$1.00
—less than \$500.00	
\$500.00 or more	\$2.00

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

24 Sec. 11. G.S. 58-57-50 reads as rewritten:

25 **§ 58-57-50. Premium refunds or credits.**

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

30 (b) ~~The refund of premiums for decreasing term credit life insurance in~~
 31 ~~transactions of 60 months duration or less and the refund of premiums for single interest~~
 32 ~~credit property insurance and single interest physical damage insurance shall be equal to~~
 33 ~~the amount computed by the sum of digits formula known as the "Rule of 78."-The~~
 34 ~~refund of premiums for decreasing term credit life insurance and the refund of~~
 35 ~~premiums for single interest credit property insurance and single interest physical~~
 36 ~~damage insurance in transactions of more than 60 months duration shall be equal to the~~
 37 ~~premium that would be charged for the remaining term and amount of coverage in the~~
 38 ~~policy. The refund of premiums for level term credit life insurance and dual interest~~
 39 ~~credit property insurance and dual interest physical damage insurance shall be equal to~~
 40 ~~the pro rata unearned gross premiums.~~

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

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

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

7 (e) If a creditor requires a debtor to make any payment for credit ~~life insurance or~~
8 ~~credit accident and health insurance~~ and an individual policy or group certificate of
9 insurance is not issued, the creditor shall immediately give written notice to such debtor
10 and shall promptly make an appropriate credit to the ~~account~~ account or issue a refund."

11 Sec. 12. G.S. 58-57-55 reads as rewritten:

12 **"§ 58-57-55. Issuance of policies.**

13 All policies of credit ~~life insurance and credit accident and health insurance~~ shall be
14 delivered or issued for delivery in this State only by an insurer authorized to do an
15 insurance business therein, and shall be issued only through holders of licenses or
16 authorizations issued by the Commissioner. ~~The enrollment of debtors under a group policy~~
17 ~~issued to a creditor and authorized under this Article shall not constitute the issuance of a~~
18 ~~policy of insurance."~~

19 Sec. 13. G.S. 58-57-60 reads as rewritten:

20 **"§ 58-57-60. Claims.**

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

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

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

35 Sec. 14. G.S. 58-57-65 is repealed.

36 Sec. 15. Article 57 of Chapter 58 of the General Statutes is amended by
37 adding the following new section to read:

38 **"§ 58-57-66. Existing insurance; choice of insurer.**

39 When credit insurance is required as additional security for any indebtedness, the
40 debtor shall, upon request to the creditor, have the option of furnishing the required
41 amount of insurance through existing policies of insurance owned or controlled by the
42 debtor or of processing and furnishing the required coverage through any insurer
43 authorized to transact an insurance business in this State. Creditors shall be responsible

1 for notifying purchasers, on the application for insurance, of the kinds of coverage that
 2 may be used in the exercise of this option."

3 Sec. 16. G.S. 58-57-90 reads as rewritten:

4 **"§ 58-57-90. Credit property insurance.**

5 (a) As used in this Article, the term 'single interest credit property' insurance
 6 means insurance of the personal household property of the debtor against loss, with the
 7 creditor as sole beneficiary; and the term 'dual credit property' insurance means
 8 insurance of personal household property of the debtor, with the creditor as primary
 9 beneficiary and the debtor as beneficiary of proceeds not paid to the creditor. For the
 10 purpose of this Article, 'personal household property' means household furniture,
 11 furnishings and appliances designed for household use and not used by the debtor in a
 12 business trade or profession. Credit property insurance insures the indebtedness, not the
 13 item of property itself, and therefore does not include homeowners, renters, or inland
 14 marine insurance.

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

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

Insured Value	Fee Permitted
less than \$250.00	none
\$250.00 or more but —less than \$500.00	\$1.00
\$500.00 or more	\$2.00

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

31 ~~The Department shall collect data on credit property insurance written in North~~
 32 ~~Carolina, including but not limited to: the amount of coverage written, direct premiums,~~
 33 ~~earned premiums, dividends and retrospective rate credits paid, direct losses paid, direct~~
 34 ~~losses incurred, commissions paid, loss ratios and policy provisions. For credit property~~
 35 insurance, a premium rate reasonable in relation to the benefit provided and expected to
 36 develop a loss ratio of not less than sixty percent (60%) is authorized. Such premium
 37 rate must be filed and approved by the Commissioner prior to the insurance coverage
 38 being marketed in this State. All in-force policy premiums must be amended on the
 39 next annual anniversary date of the policy following January 1, 1994. On or before
 40 March 1st of each year, all credit insurance carriers licensed in this State, shall file with
 41 the Commissioner a claim experience report, as prescribed by the Commissioner, which
 42 demonstrates that the previous year premium charges developed a loss ratio of not less
 43 than sixty percent (60%)."

44 Sec. 17. This act becomes effective January 1, 1994.