

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL**No. 1118** Session of
1989

INTRODUCED BY ITKIN, JOHNSON, RYBAK, CAWLEY, JOSEPHS, MICHLOVIC,
McVERRY, BELFANTI, CAPPABIANCA, STABACK, FAIRCHILD, LINTON,
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PISTELLA, BATTISTO, CARLSON, BISHOP, LAUGHLIN, JAROLIN,
ROBINSON, BILLOW, FREEMAN AND LASHINGER, APRIL 11, 1989

AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF
REPRESENTATIVES, AS AMENDED, APRIL 24, ,1990

AN ACT

1 Amending the act of September 2, 1961 (P.L.1232, No.540),
2 entitled "An act providing for the regulation of credit life
3 insurance and credit accident and health insurance;
4 conferring powers and imposing duties on the Insurance
5 Commissioner and prescribing penalties," adding provisions
6 relating to credit unemployment insurance.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. The title and section 1 of the act of September
10 2, 1961 (P.L.1232, No.540), known as the Model Act for the
11 Regulation of Credit Life Insurance and Credit Accident and
12 Health Insurance, are amended to read:

AN ACT

14 Providing for the regulation of credit life insurance [and],
15 credit accident and health insurance and credit unemployment
16 insurance; conferring powers and imposing duties on the
17 Insurance Commissioner and prescribing penalties.

18 Section 1. Purpose.--The purpose of this act is to promote

1 the public welfare by regulating credit life insurance [and],
2 credit accident and health insurance and credit unemployment
3 insurance. Nothing in this act is intended to prohibit or
4 discourage reasonable competition. The provisions of this act
5 shall be liberally construed.

6 Section 2. Section 2 of the act, amended December 10, 1974
7 (P.L.847, No.284), is amended to read:

8 Section 2. Scope of Act; Short Title; Definitions.--(a)

9 (1) This act shall be known and may be cited as the "Model
10 Act for the Regulation of Credit Life Insurance [and], Credit
11 Accident and Health Insurance and Credit Unemployment
12 Insurance."

13 (2) All life insurance [and], all accident and health
14 insurance and all unemployment insurance in connection with
15 loans or other credit transactions shall be subject to the
16 provisions of this act, except [such insurance] life insurance
17 and accident and health insurance in connection with a loan or
18 other credit transaction of more than twenty years duration; and
19 except [such] life and accident and health insurance in
20 connection with a first real estate mortgage, provided however,
21 that such insurance in connection with a first real estate
22 mortgage on a new or used mobile home or dwelling trailer shall
23 be subject to the provisions of this act regardless of the
24 duration of the underlying loan or other credit transaction; nor
25 shall life, accident and health and unemployment insurance be
26 subject to the provisions of this act where the issuance of such
27 insurance is an isolated transaction on the part of the insurer
28 not related to an agreement or a plan for insuring debtors of
29 the creditor.

30 (b) As used in this act:

1 (1) "Credit life insurance" means insurance on the life of a
2 debtor pursuant to or in connection with a specific loan or
3 other credit transaction.

4 (2) "Credit accident and health insurance" means insurance
5 on a debtor to provide indemnity for payments becoming due on a
6 specific loan or other credit transaction while the debtor is
7 disabled as defined in the policy.

8 (3) "Creditor" means the lender of money or vendor or lessor
9 of goods, services, property rights or privileges for which
10 payment is arranged through a credit transaction or any
11 successor to the right, title or interest of any such lender,
12 vendor or lessor and an affiliate, associate or subsidiary of
13 any of them or any director, officer or employe of any of them
14 or any other person in any way associated with any of them.

15 (4) "Debtor" means a borrower of money or a purchaser or
16 lessee of goods, services, property rights or privileges for
17 which payment is arranged through a credit transaction.

18 (5) "Indebtedness" means the total amount payable by a
19 debtor to a creditor in connection with a loan or other credit
20 transaction.

21 (6) "Commissioner" means the Insurance Commissioner.

22 (7) "Mobile home" means any portable structure or movable
23 unit equipped to be drawn or travel on the public highways and
24 streets that is used either temporarily or permanently as a
25 residence home, dwelling unit, apartment or other housing
26 accommodation or as an office.

27 (8) "Dwelling trailer" means any portable dwelling structure
28 or movable dwelling unit designed, constructed and equipped for
29 human use with a chassis or undercarriage as an integral part
30 thereof, with or without independent motive power, capable of

1 being drawn or driven upon the public highways and streets.

2 (9) "Credit unemployment insurance" means insurance on a
3 debtor to provide indemnity for payments becoming due on a
4 specific loan or other credit transaction while the debtor is
5 unemployed as defined in the policy.

6 Section 3. Sections 3, 4, 5, 6, 7(g), 8, 9 and 11 of the act
7 are amended to read:

8 Section 3. Forms of Credit Life Insurance [and], Credit
9 Accident and Health Insurance and Credit Unemployment
10 Insurance.--Credit life insurance [and], credit accident and
11 health insurance and credit unemployment insurance shall be
12 issued only in the following forms:

13 (1) Individual policies of life insurance to insure the
14 lives of debtors on the term OR OUTSTANDING BALANCE plan. <—

15 (2) Individual policies of accident and health insurance to
16 insure debtors on a term OR OUTSTANDING BALANCE plan or <—
17 disability benefit provisions in individual policies of credit
18 life insurance.

19 (3) Group policies of life insurance issued for delivery to
20 creditors providing insurance upon the lives of debtors on the
21 term OR OUTSTANDING BALANCE plan. <—

22 (4) Group policies of accident and health insurance issued
23 for delivery to creditors on a term OR OUTSTANDING BALANCE plan <—
24 insuring debtors or disability benefit provisions in group
25 credit life insurance policies to provide such coverage.

26 (5) Individual policies of credit unemployment insurance to
27 insure debtors on a term OR OUTSTANDING BALANCE plan. <—

28 (6) Group policies of credit unemployment insurance issued
29 for delivery to creditors on a term OR OUTSTANDING BALANCE plan <—
30 insuring debtors. ~~or unemployment benefit provisions in group~~ <—

1 ~~credit life insurance policies to provide such coverage.~~

2 Section 4. Amount of Credit Life Insurance [and], Credit
3 Accident and Health Insurance and Credit Unemployment
4 Insurance.--(a) The initial amount of credit life insurance
5 shall not exceed the total amount repayable under the contract
6 of indebtedness.

7 Where an indebtedness repayable in substantially equal
8 installments is secured by an individual policy of credit life
9 insurance, the amount of insurance shall at no time exceed the
10 scheduled amount of indebtedness or the amount of unpaid
11 indebtedness, whichever is the greater, and where secured by a
12 group policy of credit life insurance shall at no time exceed
13 the amount of unpaid indebtedness.

14 (b) Notwithstanding any other provisions of this act,
15 insurance on agricultural credit transaction commitments not
16 exceeding one year in duration may be written up to the amount
17 of the loan commitment on a nondecreasing or level term plan.

18 (c) Notwithstanding any other provisions of this act or any
19 other section, insurance on educational credit transaction
20 commitments may be written for the amount of the portion of such
21 commitment that has not been advanced by the creditor.

22 (d) The total amount of periodic indemnity payable by credit
23 accident and health insurance in the event of disability as
24 defined in the policy shall not exceed the aggregate of the
25 periodic scheduled unpaid installments of the indebtedness and
26 the amount of each periodic indemnity payment shall not exceed
27 the original indebtedness divided by the number of periodic
28 installments.

29 (e) The total amount of periodic indemnity payable by credit
30 unemployment insurance in the event of unemployment as defined

1 in the policy shall not exceed the aggregate of the periodic
2 scheduled unpaid installments of the indebtedness and the amount
3 of each periodic indemnity payment shall not exceed the original
4 indebtedness divided by the number of periodic installments.

5 Section 5. Term of Credit Life Insurance [and], Credit
6 Accident and Health Insurance and Credit Unemployment
7 Insurance.--The term of any credit life insurance [or], credit
8 accident and health insurance or credit unemployment insurance
9 shall, subject to acceptance by the insurer, commence on the
10 date when the debtor becomes obligated to the creditor or the
11 date from which interest or finance charges accrue if later,
12 except that where a group policy provides coverage with respect
13 to existing obligations, the insurance on a debtor with respect
14 to such indebtedness shall commence on the effective date of the
15 policy. Where evidence of insurability is required and such
16 evidence is furnished more than thirty days after the date when
17 the debtor becomes obligated to the creditor, the term of the
18 insurance may commence on the date on which the insurance
19 company determines the evidence to be satisfactory and, in such
20 event, there shall be an appropriate refund or adjustment of any
21 charge to the debtor for insurance. The term of such insurance
22 shall not extend more than fifteen days beyond the scheduled
23 maturity date of the indebtedness, except when extended without
24 additional cost to the debtor. If the indebtedness is discharged
25 due to renewal or refinancing prior to the scheduled maturity
26 date, the insurance in force shall be terminated before any new
27 insurance may be issued in connection with the renewed or
28 refinanced indebtedness. In all cases of termination prior to
29 scheduled maturity, a refund shall be paid or credited as
30 provided in section 8.

1 Section 6. Provisions of Policies and Certificates of
2 Insurance Disclosure to Debtors.--(a) All credit life insurance
3 [and], credit accident and health insurance and credit
4 unemployment insurance shall be evidenced by an individual
5 policy or in the case of group insurance by a certificate of
6 insurance, which individual policy or group certificate of
7 insurance shall be delivered to the debtor.

8 (b) Each individual policy or group certificate of credit
9 life insurance [or], credit accident and health insurance and
10 credit unemployment insurance shall, in addition to other
11 requirements of law, set forth the name and home office address
12 of the insurer, the name or names of the debtor or in the case
13 of a certificate under a group policy the identity by name or
14 otherwise of the debtor, the rate or amount of payment, if any,
15 by the debtor separately for credit life insurance [and], credit
16 accident and health insurance and credit unemployment insurance,
17 a description of the amount, term and coverage including any
18 exceptions, limitations or restrictions and shall state that the
19 benefits shall be paid to the creditor to reduce or extinguish
20 the unpaid indebtedness, and wherever the amount of insurance
21 may exceed the unpaid indebtedness that any such excess shall be
22 payable to a beneficiary other than the creditor named by the
23 debtor or to his estate.

24 (c) Said individual policy or group certificate of insurance
25 shall be delivered to the insured debtor within thirty days
26 after the date the indebtedness is incurred.

27 (d) If a separate identifiable charge is made to the debtor
28 for the insurance and an individual policy or group certificate
29 of insurance is not delivered to the debtor at the time the
30 indebtedness is incurred, a copy of the application for such

1 policy or a notice of proposed insurance shall be delivered to
2 the debtor at such time, which shall set forth the identity by
3 name or otherwise of the person or persons insured, the rate or
4 amount of payment by the debtor, if any, separately for credit
5 life insurance [and], credit accident and health insurance and
6 credit unemployment insurance, and a statement that subject to
7 acceptance by the insurer and within thirty days, there will be
8 delivered to the debtor a policy or certificate of insurance
9 naming the insurer and fully describing the insurance. The copy
10 of the application for or notice of proposed insurance shall
11 also refer exclusively to insurance coverage and shall be
12 separate and apart from the loan, sale or other credit statement
13 of account, instrument or agreement, unless the information
14 required by this subsection is prominently set forth therein.
15 Upon acceptance of the insurance by the insurer and within
16 thirty days of the date upon which the indebtedness is incurred,
17 the insurer shall cause the individual policy or group
18 certificate of insurance to be delivered to the debtor. Said
19 application or notice of proposed insurance shall state that
20 upon acceptance by the insurer, the insurance shall become
21 effective as provided in section 5.

22 (e) If the named insurer does not accept the risk, then and
23 in such event, the debtor shall receive a policy or certificate
24 of insurance setting forth the name and home office address of
25 the substituted insurer and the amount of the premium to be
26 charged, and if the amount of premium is less than that set
27 forth in the notice of proposed insurance, an appropriate refund
28 shall be made.

29 Section 7. Filing Approval and Withdrawal of Forms.--* * *

30 (g) With regard to group policies of credit life insurance

1 [or], credit accident and health insurance and credit
2 unemployment insurance:

3 (i) delivered in this State before the effective date of
4 this act, or

5 (ii) delivered in another state before or after the
6 effective date of this act, the insurer shall be required to
7 file only the group certificate and notice of proposed
8 insurance, delivered or issued for delivery in this State as
9 specified in subsections (b) and (d) of section 6 of this act
10 and such forms shall be approved by the commissioner if they
11 contain the information specified therein and if the schedules
12 of premium rates applicable to the insurance evidenced by such
13 certificate or notice are not in excess of the insurer's
14 schedules of premium rates on file with the commissioner.

15 Section 8. Premiums and Refunds.--(a) Any insurer may revise
16 its schedules of premium rates from time to time and shall file
17 such revised schedules with the commissioner. No insurer shall
18 issue any credit life insurance policy [or], credit accident and
19 health insurance policy or credit unemployment insurance policy
20 for which the premium rate exceeds that determined by the
21 schedules of such insurer as then on file with the commissioner:
22 Provided, however, That the premium rate in effect on existing
23 group policies may be continued until the first policy
24 anniversary date following the date this act becomes operative
25 as provided in section 12.

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

1 however, That the commissioner shall prescribe a minimum refund
2 and no refund which would be less than such minimum need be
3 made. The formula to be used in computing such refund shall be
4 filed with and approved by the commissioner.

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

11 (d) The amount charged to a debtor for any credit life [or],
12 credit health and accident insurance or credit unemployment
13 insurance shall not exceed the aggregate of the premiums to be
14 charged by the insurer as computed at the time the charge to the
15 debtor is determined.

16 (e) Nothing in this act shall be construed to authorized any
17 payments for credit life [or], credit accident and health
18 insurance or credit unemployment insurance now prohibited under
19 any statute or rule thereunder governing credit transactions:
20 Provided, however, That where payment for credit life [or],
21 credit accident and health insurance or credit unemployment
22 insurance is not prohibited under any statute or rule thereunder
23 governing credit transactions, the commissions, dividends or
24 other returns to the creditor therefrom shall not be deemed a
25 violation of this or any other law, general or special, civil or
26 criminal of the Commonwealth of Pennsylvania.

27 Section 9. Issuance of Policies.--All policies of credit
28 life insurance [and], credit accident and health insurance and
29 credit unemployment insurance shall be delivered or issued for
30 delivery in this State only by an insurer authorized o do an

1 insurance business therein and shall be issued only through
2 holders of licenses or authorizations issued by the
3 commissioner.

4 Section 11. Existing Insurance, Choice of Insurer.--When
5 credit life insurance [or], credit accident and health insurance
6 or credit unemployment insurance is required as additional
7 security for any indebtedness, the debtor shall, upon request to
8 the creditor, have the option of furnishing the required amount
9 of insurance through existing policies of insurance owned or
10 controlled by him or of procuring and furnishing the required
11 coverage through any insurer authorized to transact an insurance
12 business within this State.

13 Section 4. This act shall take effect in 60 days.