

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 2263 Session of
1988

INTRODUCED BY ITKIN, MARCH 21, 1988

REFERRED TO COMMITTEE ON INSURANCE, MARCH 21, 1988

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

13
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
19 the public welfare by regulating credit life insurance [and],

1 credit accident and health insurance and credit unemployment
2 insurance. Nothing in this act is intended to prohibit or
3 discourage reasonable competition. The provisions of this act
4 shall be liberally construed.

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

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

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

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

29 (b) As used in this act:

30 (1) "Credit life insurance" means insurance on the life of a

1 debtor pursuant to or in connection with a specific loan or
2 other credit transaction.

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

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

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

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

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

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

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

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

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

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

12 (1) Individual policies of life insurance to insure the
13 lives of debtors on the term plan.

14 (2) Individual policies of accident and health insurance to
15 insure debtors on a term plan or disability benefit provisions
16 in individual policies of credit life insurance.

17 (3) Group policies of life insurance issued for delivery to
18 creditors providing insurance upon the lives of debtors on the
19 term plan.

20 (4) Group policies of accident and health insurance issued
21 for delivery to creditors on a term plan insuring debtors or
22 disability benefit provisions in group credit life insurance
23 policies to provide such coverage.

24 (5) Individual policies of credit unemployment insurance to
25 insure debtors on a term plan.

26 (6) Group policies of credit unemployment insurance issued
27 for delivery to creditors on a term plan insuring debtors or
28 unemployment benefit provisions in group credit life insurance
29 policies to provide such coverage.

30 Section 4. Amount of Credit Life Insurance [and], Credit

1 Accident and Health Insurance and Credit Unemployment

2 Insurance.--(a) The initial amount of credit life insurance
3 shall not exceed the total amount repayable under the contract
4 of indebtedness.

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

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

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

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

27 (e) The total amount of periodic indemnity payable by credit
28 unemployment insurance in the event of unemployment as defined
29 in the policy shall not exceed the aggregate of the periodic
30 scheduled unpaid installments of the indebtedness and the amount

of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

Section 5. Term of Credit Life Insurance [and], Credit Accident and Health Insurance and Credit Unemployment

Insurance.--The term of any credit life insurance [or], credit accident and health insurance or credit unemployment insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor or the date from which interest or finance charges accrue if later, except that where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than thirty days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory and, in such event, there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than fifteen days beyond the scheduled maturity date of the indebtedness, except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in section 8.

Section 6. Provisions of Policies and Certificates of Insurance Disclosure to Debtors.--(a) All credit life insurance

1 [and], credit accident and health insurance and credit
2 unemployment insurance shall be evidenced by an individual
3 policy or in the case of group insurance by a certificate of
4 insurance, which individual policy or group certificate of
5 insurance shall be delivered to the debtor.

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

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

25 (d) If a separate identifiable charge is made to the debtor
26 for the insurance and an individual policy or group certificate
27 of insurance is not delivered to the debtor at the time the
28 indebtedness is incurred, a copy of the application for such
29 policy or a notice of proposed insurance shall be delivered to
30 the debtor at such time, which shall set forth the identity by

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

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

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

28 (g) With regard to group policies of credit life insurance
29 [or], credit accident and health insurance and credit
30 unemployment insurance:

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

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

24 (b) Each individual policy or group certificate shall
25 provide that in the event of termination of the insurance prior
26 to the scheduled maturity date of the indebtedness any refund of
27 an amount paid by the debtor for insurance shall be paid or
28 credited promptly to the person entitled thereto: Provided,
29 however, That the commissioner shall prescribe a minimum refund
30 and no refund which would be less than such minimum need be

1 made. The formula to be used in computing such refund shall be
2 filed with and approved by the commissioner.

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

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

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

25 Section 9. Issuance of Policies.--All policies of credit
26 life insurance [and], credit accident and health insurance and
27 credit unemployment insurance shall be delivered or issued for
28 delivery in this State only by an insurer authorized to do an
29 insurance business therein and shall be issued only through
30 holders of licenses or authorizations issued by the

1 commissioner.

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

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