

CONSUMER CREDIT INSURANCE MODEL ACT

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BE IT ENACTED BY THE STATE OF [insert state].

[adapt caption and formal portions to local requirements and statutes]

Section 1. Purpose

The purpose of this Act is to promote the public welfare by regulating consumer credit insurance. Nothing in this Act is intended to prohibit or discourage reasonable competition. The provisions of this Act shall be liberally construed.

Section 2. Scope and Definitions

A. Citation and Scope

- (1) This Act may be cited as the “Consumer Credit Insurance Act.”
- (2) All consumer credit insurance issued or sold in connection with loans or other credit transactions for personal, family or household purposes shall be subject to the provisions of this Act, except:
 - (a) Insurance written in connection with a credit transaction that is:
 - (i) Secured by a first mortgage or deed of trust; and
 - (ii) Made to finance the purchase of real property or the construction of a dwelling thereon, or to refinance a prior credit transaction made for such a purpose;
 - (b) Insurance sold as an isolated transaction on the part of the insurer and not related to an agreement or a plan for insuring debtors of the creditor.
 - (c) Insurance for which no identifiable charge is made to the debtor.
 - (d) Insurance on accounts receivable.

B. Definitions

For the purpose of this Act:

- (1) “Commissioner” means the insurance supervisory authority of the state;

Drafting Note: Insert the title of the chief insurance regulatory official wherever the term “commissioner” appears.

- (2) “Compensation” means commissions, dividends, retrospective rate credits, service fees, expense allowances or reimbursements, gifts, furnishing of equipment, facilities, goods or services, or any other form of remuneration resulting directly from the sale of consumer credit insurance;
- (3) “Consumer credit insurance” is a general term used in this Act to refer to any or all of credit life insurance, credit accident and health insurance, credit unemployment insurance or any other insurance specifically defined in this Act;
- (4) “Credit accident and health insurance” means insurance on a debtor to provide indemnity for payments or debt becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy;
- (5) “Credit life insurance” means insurance on a debtor or debtors, pursuant to or in connection with a specific loan or other credit transaction, to provide for satisfaction of a debt, in whole or in part, upon the death of an insured debtor;
- (6) “Credit transaction” means any transaction by the terms of which the repayment of money loaned or loan commitment made, or payment for goods, services or properties sold or leased, is to be made at a future date or dates;
- (7) “Credit unemployment insurance” means insurance on a debtor to provide indemnity for payments or debt becoming due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined in the policy;
- (8) “Creditor” means the lender of money or vendor or lessor of goods, services or property, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender, vendor, or lessor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them;
- (9) “Debtor” means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction;
- (10) “Gross debt” means the sum of the remaining payments owed to the creditor by the debtor;
- (11) “Identifiable charge” means a charge for a type of consumer credit insurance that is made to debtors having such insurance and not made to debtors not having such insurance; it includes a charge for insurance that is disclosed in the credit or other instrument furnished to the debtor which sets out the financial elements of the credit transaction and any difference in the finance, interest, service or other similar charge made to debtors who are in like circumstances except for the insured or non-insured status of the debtor or of the property used as security for the credit transaction;
- (12) “Insurer” means insurer as defined in [insert section of Code];
- (13) “Net debt” means the amount necessary to liquidate the remaining debt in a single lump-sum payment, excluding all unearned interest and other unearned finance charges;

- (14) “Open-end credit” means credit extended by a creditor under an agreement in which:
- (a) The creditor reasonably contemplates repeated transactions;
 - (b) The creditor imposes a finance charge from time to time on an outstanding unpaid balance; and
 - (c) The amount of credit that may be extended to the debtor during the term of the agreement (up to any limit set by the creditor) is generally made available to the extent that any outstanding balance is repaid.

Drafting Note: The definition of open-end credit should be controlled by applicable lending laws in each state and the definition contained in this bill should be consistent with that contained in the applicable lending law. This definition is consistent with that contained in Federal Truth-in-Lending Regulation Z, which applies in most states. In a state having a controlling lending law containing an inconsistent definition, the definition in this bill should be modified to be consistent with the definition in that state’s lending law.

Drafting Note: A concern has been raised that the definition of “consumer credit insurance” not be so broad as to exclude coverage of consumer credit insurance under the various state guaranty funds. Specifically, the NAIC’s Post-Assessment Property and Liability Insurance Guaranty Model Act specifically excludes coverage for “credit insurance, vendor’s single interest insurance, or collateral protection insurance or any similar insurance protecting the interests of a creditor arising out of a creditor-debtor transaction.” That model further comments that: ““Credit insurance” as used here is intended to mean insurance on accounts receivable.” The use of the phrase “consumer credit insurance” in this Consumer Credit Insurance Model Act is intended to differentiate typical forms of insurance made available to consumers from those coverages excluded from the model property and casualty guaranty fund act.

Drafting Note: The definitions in Paragraphs (6), (8), and (9) include terms to allow the writing of Consumer Credit Insurance on leases. States may wish to reword these definitions with the references to leases removed if they feel Consumer Credit Insurance should not be written on leases.

Section 3. Types of Consumer Credit Insurance

The types of consumer credit insurance defined in Section 2 may each be written separately or in combination with other types of consumer credit insurance on an individual policy or group policy basis. The Commissioner may by regulation prohibit or limit any combination.

Drafting Note: States may wish to consider including provisions which call for discounts when policies are sold on a package basis.

Section 4. Amount of Consumer Credit Insurance

A. Credit Life Insurance

- (1) The amount of credit life insurance shall at no time exceed the greater of the actual net debt or the scheduled net debt.
- (2) If the coverage is written on the actual net debt, then the amount payable at the time of loss may not be less than the actual net debt less any payments more than two (2) months overdue.
- (3) If the coverage is written on the scheduled net debt, then the amount payable at the time of loss shall be:
 - (a) If the actual net debt is less than or equal to the scheduled net debt, then the scheduled net debt;
 - (b) If the actual net debt is greater than the scheduled net debt but less than or equal to the scheduled net debt plus two (2) months of payments, then the actual net debt; or
 - (c) If the actual net debt is greater than the scheduled net debt plus two months of payments, then the scheduled net debt plus two months of payments.

Drafting Note: If desired, the following provisions may be added as Paragraphs (4),(5), (6), (7) and (8).

- (4) If a premium is assessed to the debtor on a monthly basis and is based on the actual net debt, then the amount payable at the time of loss shall be the actual net debt on the date of death. When such premium is computed on the basis of a balance which does not include accrued past due interest, then the amount payable at the time of loss shall not be less than the actual net debt less any accrued interest more than two (2) months past due.
- (5) Notwithstanding the provisions of Paragraph (1) of this subsection, insurance on agricultural loan commitments, not exceeding one year in duration, may be written up to the amount of the loan commitment, on a non-decreasing or level term plan.
- (6) Notwithstanding the provisions of Paragraph (1) of this subsection, insurance on educational loan commitments may be written for net unpaid indebtedness plus any unused commitment.
- (7) Coverage may be written for less than the net debt by the following methods:
 - (a) The amount of insurance may be the lesser of a stated level amount and the amount determined by Paragraph (2) of this subsection;
 - (b) The amount of insurance may be the lesser of a stated level amount and the amount determined by Paragraph (3) of this subsection;
 - (c) The amount of insurance may be a constant percentage of the amount determined by Paragraph (2) of this subsection;
 - (d) The amount of insurance may be a constant percentage of the amount determined by Paragraph (3) of this subsection; or
 - (e) In the absence of any preexisting condition exclusions, the amount of insurance payable in the event of death due to natural causes may be limited to the balance as it existed six (6) months prior to the date of death if:
 - (i) There has been one or more increase in the outstanding balance during the six-month period, other than those due to the accrual of interest or late charges; and
 - (ii) Evidence of individual insurability has not been required during the six-month period.
- (8) Other patterns of insurance may be used which are not inconsistent with the rest of this subsection.

Drafting Note: States allowing consumer credit insurance on leases may want to consider adding language to this section which specifically defines acceptable amounts of insurance for leases. Some possible variations would include:

1. Coverage providing for the payment in a lump sum of the remaining lease payments;
2. Coverage providing for the payment in a lump sum of the remaining lease payments plus a stated amount for which the leased property may be purchased at the end of the lease;
3. Coverage providing for the payment as they come due of the lease payments; or
4. Coverage providing for the payment as they come due of the lease payments plus payment at the end of the lease of a stated amount which purchases the leased property.

B. Credit Accident and Health Insurance and Consumer Credit Unemployment Insurance

- (1) The total amount of periodic indemnity payable by credit accident and health insurance or credit unemployment insurance in the event of disability or unemployment, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the gross debt; and the amount of each periodic indemnity payment shall not exceed the original gross debt divided by the number of periodic installments.
- (2) Notwithstanding the provisions of Paragraph (1), for credit accident and health insurance or credit unemployment insurance written in connection with an open-end credit agreement, the amount of insurance shall not exceed the gross debt which would accrue on that amount using the periodic indemnity. Subject to any policy maximums, the periodic indemnity must not be less than the creditor's minimum repayment schedule.

Section 5. Term of Consumer Credit Insurance

A. Effective Date of Coverage

- (1) For consumer credit insurance made available to and elected by the debtor before or contemporaneous with a credit transaction to which the insurance relates, the term of the insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor except that when evidence of individual insurability is required and such evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the credit insurance may commence on the date on which the insurance company determines the evidence to be satisfactory.
- (2) For insurance coverage made available to and elected by the debtor on a date subsequent to the date of the consumer credit transaction to which the insurance relates, the insurance shall, subject to acceptance by the insurer, commence on a date not earlier than the date the election is made by the debtor nor later than thirty (30) days following the date on which the insurance company accepts the risk for coverage, according to an objective method such as one related to a particular date within a billing or repayment cycle or a calendar month.

Drafting Note: A state may wish to review its existing laws to determine if prompt underwriting action is required of insurers when evidence of insurability is submitted. If no other law imposes such a requirement, one may be inserted as a new paragraph in Subsection 5A.

- (3) Notwithstanding the provisions of Paragraphs (1) and (2) of this subsection, when a group policy provides coverage with respect to debts existing on the policy effective date, the insurance relating to the debt shall not commence before the effective date of the group policy.
- (4) In no event shall a charge for insurance be made to the debtor and retained by the creditor or insurer for any time prior to commencement of the consumer credit insurance to which the charge is related.

B. Termination Date of Coverage

- (1) The term of any consumer credit insurance shall not extend beyond the termination date specified in the policy. The termination date of insurance may precede, coincide with or follow the scheduled maturity date of the debt to which it relates, subject to any other requirements and restrictions of this Act.
- (2) The term of any consumer credit insurance shall not extend more than fifteen (15) days beyond the scheduled maturity date of the debt except when extended without additional cost to the debtor or except when extended pursuant to a written agreement, signed by the debtor, in connection with a variable interest rate credit transaction or a deferral, renewal, refinancing or consolidation of debt.

- (3) If the debt is discharged due to renewal, refinancing or consolidation prior to the scheduled termination date of the insurance, any insurance in force shall be terminated before any new insurance may be written in connection with the renewed, refinanced or consolidated debt.
- (4) In all cases of termination of insurance prior to the scheduled termination of the insurance, an appropriate refund or credit to the debtor shall be made of any unearned insurance charge paid by the debtor for a term of insurance after the date of the termination, except that no refund is required of a charge made for insurance if the insurance is terminated by performance of the insurer's obligation with respect to the insurance.
- (5) An insured debtor may terminate consumer credit insurance at any time by providing advance request to the insurer. The individual policy or group certificate may require that the request be in writing or that the debtor surrender the individual policy or group certificate, or both. The debtor's right to terminate coverage may also be subject to the terms of the credit transaction contract.

Section 6. Disclosure to Debtors and Provisions of Policies and Certificates of Insurance

- A. Pre-purchase disclosure. Before the debtor elects to purchase consumer credit insurance in connection with a credit transaction, the following shall be disclosed to the debtor in writing:
 - (1) That the purchase of consumer credit insurance is optional and not a condition of obtaining credit approval;
 - (2) If more than one kind of consumer credit insurance is being made available to the debtor, whether the debtor can purchase each kind separately or the multiple coverages only as a package;
 - (3) The conditions of eligibility;
 - (4) That, if the consumer has other insurance that covers the risk, he or she may not want or need credit insurance;
 - (5) That within the first thirty (30) days after receiving the individual policy or group certificate, the debtor may cancel the coverage and have all premium paid by the debtor refunded or credited. Thereafter, the debtor may cancel the policy at any time during the term of the loan and receive a refund of any of the unearned premium. However, only in those instances where insurance is a requirement for the extension of credit, the debtor may be required to offer evidence of alternative insurance acceptable to the creditor at the time of cancellation;
 - (6) A brief description of the coverage, including a description of the amount, the term, any exceptions, limitations and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium provision, to whom the benefits would be paid and the premium rate for each coverage or for all coverages in a package;
 - (7) That if the premium or insurance charge is financed, it will be subject to finance charges at the rate applicable to the credit transaction.
- B. The disclosures required in Section 6A shall be provided in the following manner:
 - (1) In connection with consumer credit insurance offered contemporaneously with the extension of credit or offered through direct mail advertisements, disclosure shall be made in writing and presented to the consumer in a clear and conspicuous manner;
 - (2) In conjunction with the offer of credit insurance subsequent to the extension of credit by other than direct mail advertisements, disclosure may be provided orally so long as written disclosures are provided to the debtor no later than the earlier of:

- (a) Ten (10) days after the offer, or
 - (b) The date any other written material is provided to the debtor.
- C. All consumer credit insurance shall be evidenced by an individual policy or a group certificate of insurance which shall be delivered to the debtor.
- D. The individual policy or group certificate shall, in addition to other requirements of law, set forth the following:
 - (1) The name and home office address of the insurer;
 - (2) The name or names of the debtor or debtors, or, in the case of a group certificate, the identity by name or otherwise of the debtor or debtors;
 - (3) The premium or amount of payment by the debtor separately for each kind of coverage or for all coverages in a package, except that for open-end loans, the premium rate and the basis of premium calculation (e.g., average daily balance, prior monthly balance) shall be specified;
 - (4) A full description of the coverage or coverages including the amount and term thereof, and any exceptions, limitation and exclusions;
 - (5) A statement that the benefits shall be paid to the creditor to reduce or extinguish the unpaid debt and, whenever the amount of insurance benefit exceeds the unpaid debt that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor, or to the debtor's estate; and
 - (6) If the scheduled term of insurance is less than the scheduled term of the credit transaction, a statement to that effect on the face of the individual policy or group certificate in not less than ten-point bold face type.
- E. Unless the individual policy or group certificate of insurance is delivered to the debtor at the time the debt is incurred, or at such other time that the debtor elects to purchase coverage, a copy of the application for the policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name or names of the debtor, the premium rate or amount of payment by the debtor for the insurance and the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time the debt is incurred or the election to purchase coverage is made. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty (30) days of the date upon which the debt is incurred or the election to purchase coverage is made, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in Section 5.
- F. The application, notice of proposed insurance or certificate may be used to fulfill all of the requirements of Subsection A and Subsection D if it contains all of the information required by those subsections.
- G. The debtor has thirty (30) days from the date that he or she receives either the individual policy or the group certificate to review the coverage purchased. At any time within the 30-day period, the debtor may contact the creditor or insurer issuing the policy or certificate and request that the coverage be cancelled. The individual policy or group certificate may require the request to be in writing or that the policy or certificate be returned to the insurer or both. The debtor shall, within thirty (30) days of the request, receive a full refund or credit of all premiums or insurance charges paid by the debtor.

- H. If the named insurer does not accept the risk, the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the amount of the premium to be charged, and, if the amount of premium is less than that set forth in the notice of proposed insurance, an appropriate refund shall be made within thirty (30) days. If no insurer accepts the risk, then all premiums paid shall be refunded or credited within thirty (30) days of application to the person entitled thereto.
- I. For the purpose of Subsection E of this section, an individual policy or group certificate delivered in conjunction with an open-end consumer credit agreement or any consumer credit insurance requested by the debtor after the date of the debt shall be deemed to be delivered at the time the debt is incurred or election to purchase coverage is made if the delivery occurs within thirty (30) days of the date the insurance is effective.
- J. An individual policy or group certificate delivered in conjunction with an open-end credit agreement shall continue from its effective date through the term of the agreement unless the individual policy or group certificate is terminated in accordance with its terms at an earlier date.

Section 7. Filing, Approval and Withdrawal of Forms

- A. All policies, certificates of insurance, notices of proposed insurance, disclosure notices, applications for insurance, endorsements and riders delivered or issued for delivery in this state and the schedules of premium rates pertaining thereto shall be filed with the Commissioner before being used.

Drafting Note: Some states may want to have advertising filed, but states should consider relying on safe harbor provisions.

- B. The Commissioner shall within thirty (30) days after the filing of any such policies, certificates of insurance, notices of proposed insurance, disclosure notices, applications for insurance, endorsements and riders, disapprove any such form if the benefits provided are not reasonable in relation to the premium charged, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the coverage, or are contrary to any provision of the Insurance Code or of any rule or regulation promulgated thereunder. If the Commissioner does not disapprove a filing within thirty (30) days, it may be deemed approved.
- C. If the Commissioner notifies the insurer that the form is disapproved, it is unlawful thereafter for the insurer to issue or use the form. In such notice, the Commissioner shall specify the reason for disapproval and state that a hearing will be granted within twenty (20) days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider, shall be issued or used until the expiration of thirty (30) days after it has been so filed, unless the Commissioner shall give prior written approval.
- D. The Commissioner may, at any time after a hearing held not less than twenty (20) days after written notice to the insurer, withdraw approval of any such form on any ground set forth in Subsection B above. The written notice of hearing shall state the reason for the proposed withdrawal.
- E. It is not lawful for the insurer to issue forms or use them after the effective date of such withdrawal.
- F. If a group policy of consumer credit insurance
 - (1) Has been delivered in this state before the effective date of this Act; or
 - (2) Has been or is delivered in another state before or after the effective date of this Act

then the insurer shall be required to file only the group certificate and notice of proposed insurance delivered or issued for delivery in this state as specified in Subsections C and E of Section 6 of this Act and such forms shall be approved by the Commissioner if they conform with the requirements specified in these subsections and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the insurer's schedules of premium rates filed with the Commissioner; provided, however, the premium rate in effect on existing group policies may be continued until the first

policy anniversary date following the date this Act becomes operative as provided in Section 12. However, all other forms specified in Section 7A shall also be filed as specified in this section unless the group policy has been or is delivered in another state which has adopted statutes, regulations, or other provisions similar to this statute. In that event, the forms should be filed for informational purposes. However, the insurer shall be prohibited from using any form filed for informational purposes if the Commissioner subsequently determines that the form is not in substantive compliance with the requirements of this statute.

- G. Any order or final determination of the Commissioner under the provisions of this section shall be subject to judicial review.

Drafting Note: This regulatory format applies only to states with a file and use regulatory system. Appropriate modifications will need to be made in states requiring a prior approval, use and file, or no file system.

Section 8. Premiums and Refunds

- A. An insurer may revise its schedules of premium rates from time to time, and shall file the revised schedules with the Commissioner. No insurer shall issue any consumer credit insurance policy for which the premium rate exceeds that determined by the schedules of the insurer as then on file with the Commissioner. The Commissioner shall have the authority to promulgate regulations to assure that the premium rates are reasonable in relation to the benefits provided, including the authority to regulate the compensation component of the premium rates.

Drafting Note: In the event that a state wishes to develop a regulatory framework allowing for component rating, the following is suggested language:

Alternative Section 8A:

- A. An insurer may revise its schedules of premium rates from time to time, and shall file the revised schedules with the Commissioner. No insurer shall issue any consumer credit insurance policy for which the premium rate exceeds that determined by the schedules of the insurer as then on file with the Commissioner. The Commissioner shall have the authority to promulgate regulations to assure that the premium rates are reasonable in relation to the benefits provided, including the authority to regulate the compensation component of the premium rates. In determining whether the premium rates are reasonable in relation to the benefits provided, the Commissioner shall consider and provide for: actual and expected loss experience, general and administrative expenses, loss settlement and adjustment expenses, reasonable creditor compensation, investment income, the manner in which premiums are charged, and other acquisition costs, reserves, taxes, regulatory license fees and fund assessments, reasonable insurer profit and other relevant data, consistent with generally accepted actuarial standards.

Drafting Note: The NAIC, as a whole, neither endorses nor opposes component rating as the appropriate methodology for developing rates for consumer credit insurance products.

- B. Each individual policy or group certificate shall provide for a refund in the event of termination of the insurance prior to the scheduled maturity date of the insurance and upon notice to the insurer. The refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided however, that the Commissioner shall prescribe a minimum refund and no refund which would be less than such minimum need be made. Refund formulas which any insurer desires to use must develop refunds which are at least as favorable to the debtor as refunds equal to the premium cost of scheduled benefits subsequent to the date of cancellation or termination, computed at the schedule of premium rates in effect on the date of issue. The formula to be used in computing such refund shall be filed with and approved by the Commissioner.

Drafting Note: The above refund requirement can be satisfied by a method commonly referred to as either the Rule of Anticipation or the Actuarial Method. The Commissioner may wish to consider other refund methodologies which meet the above requirement.

- C. If a creditor requires a debtor to make any payment for consumer credit insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to the debtor and shall promptly make an appropriate credit to the account or issue a refund.
- D. The amount charged to a debtor for any consumer credit insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

Drafting Note: Where a state prohibits payments for insurance by the debtor in connection with credit transactions, the following paragraph may be included.

- E. Nothing in this Act shall be construed to authorize any payments for insurance now prohibited under any statute, or rule thereunder, governing credit transactions.

Section 9. Issuance of Policies

All policies of consumer credit insurance shall be delivered or issued for delivery in this state only by an insurer authorized to engage in the business of insurance therein, and shall be issued only through holders of licenses or authorizations issued by the Commissioner.

Section 10. Claims

- A. All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.
- B. All claims shall be paid either by draft drawn upon the insurer, by electronic funds transfer, or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.
- C. No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts, checks, or electronic transfers in payment of claims due to the group policyholder subject to audit and review by the insurer.
- D. All claims for consumer credit insurance shall be subject to Section [insert code section for the Unfair Claims Settlement Practices Act].

Section 11. Existing Insurance—Choice of Insurer

When consumer credit insurance is required as additional security for any debt; the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by the debtor or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this state.

Section 12. Duties of an Insurer

Except as otherwise prohibited by law, duties imposed upon an insurer within this Act may be carried out by a creditor if the creditor is acting as a common law or statutory agent on behalf of the insurer.

Section 13. Enforcement

The Commissioner may, after notice and hearing, issue such rules and regulations as the Commissioner deems appropriate for the supervision of this Act. Whenever the Commissioner finds that there has been a violation of this Act or any rules or regulations issued pursuant thereto, and after written notice thereof and hearing given to the insurer or other person authorized or licensed by the Commissioner, he or she shall set forth the details of the findings together with an order for compliance by a specified date. The order shall be binding on the insurer and other person authorized or licensed by the Commissioner on the date specified unless sooner withdrawn by the Commissioner or a stay thereof has been ordered by a court of competent jurisdiction. The provisions of Sections 5 through 11 of this Act shall not be operative until ninety (90) days after the effective date of this Act, and the Commissioner in his or her discretion may extend by not more than an additional ninety (90) days the initial period within which the provisions of the specified sections shall not be operative. The Commissioner may set forth by regulation *prima facie* reasonable premium rates, together with corresponding safe-harbor benefit provisions, which premium rates shall be conclusively presumed reasonable in relation to the benefits provided when used for policies containing such benefit provisions.

Section 14. Judicial Review

Any party to the proceeding affected by an order of the Commissioner shall be entitled to judicial review by following the procedure set forth in [insert applicable section].

Section 15. Penalties

In addition to any other penalty provided by law, any person, firm or corporation which violates an order of the Commissioner after it has become final, and while such order is in effect, shall, upon proof thereof to the satisfaction of the court, forfeit and pay to the State of [insert state] a sum not to exceed \$[insert amount] which may be recovered in a civil action, except that if such violation is found to be willful, the amount of such penalty shall be a sum not to exceed \$[insert amount]. The Commissioner, in his discretion, may revoke or suspend the license or certificate of authority of the person, firm or corporation guilty of such violation. Such order for suspension or revocation shall be upon notice and hearing, and shall be subject to judicial review as provided in Section 13 of this Act.

Section 16. Severability Provision

If any provision of this Act, or the application of such provision to any person or circumstances, shall be held invalid, the remainder of the Act, and the application of such provision to any person or circumstances other than those as to which it is held invalid, shall not be affected thereby.

Chronological Summary of Action (all references are to the Proceedings of the NAIC).

1958 Proc. I 105, 106-112, 169 (adopted).
 1959 Proc. I 119, 126-130 (amended).
 1961 Proc. I 294, 300-305, 306 (amended).
 1968 Proc. II 499, 508-512, 567 (reprinted and amended) (1961 version reprinted 508-512).
 1979 Proc. I 44, 47, 373, 449-450, 451 (amended to limit to 5 years or less)
 1988 Proc. I 9, 21-22, 828, 851-853, 854-859 (amended and reprinted).
 1988 Proc. II 5, 14, 758, 785-787, 788-791 (technical amendments).
 1993 Proc. 4th Quarter 16, 19, 69-78 (amended).
 1995 Proc. 4th Quarter 11, 33, 98, 108, 111 (amended).