

CHAPTER 14*
INSURANCE IN CONSUMER CREDIT TRANSACTIONS

61—14.1(537) Involuntary unemployment insurance—conditions of sale. Pursuant to Iowa Code section 537.2501, subsection (1), paragraph “f,” the administrator of the Iowa consumer credit code finds that involuntary unemployment insurance sold in conformity with the provisions of this rule is a benefit of value to the consumer debtor and that the charges are reasonable in relation to the benefits, and are of a type which is not for credit. Premiums for involuntary unemployment insurance are permissible additional charges in a consumer credit transaction if all of the following conditions are met fully:

14.1(1) *Insurance not a condition of credit.* The involuntary unemployment insurance coverage is not a factor in the extension of credit and this fact is clearly and conspicuously disclosed in writing by the creditor to the consumer debtor.

14.1(2) *Disclosures.* The creditor has clearly and conspicuously disclosed to the consumer debtor the following information:

a. The premium for the initial term of insurance coverage; provided, the creditor may disclose the premium on a unit-cost basis only in open-end consumer credit transactions;

b. The term of the insurance;

c. The number of the installments or other payments payable by the involuntary unemployment insurance covering the consumer and any limitation on the amount of such payments;

d. The length of any deductible period before the insurance benefits are payable and whether the benefits are retroactive to the commencement of involuntary unemployment;

e. The waiting period in the involuntary unemployment insurance policy during which no claim may arise;

f. The specific conditions of the consumer’s right to cancel the policy.

14.1(3) *Disclosures in writing and orally.* In all consumer credit transactions, all disclosures referred to in subrules 14.1(1) and 14.1(2) herein must be made by the creditor in writing. In addition, all disclosures referred to herein shall also be made orally by the creditor in all consumer credit transactions whenever solicitation is face-to-face or by telephone.

14.1(4) *Consent secured.* Before including the cost of any involuntary unemployment insurance sold by the creditor in any quoted installment or other payment or in any document prepared for closing the credit transaction, the creditor must secure the consumer’s oral and written consent for the purchase of a specific amount of involuntary unemployment insurance. In securing the consent of the consumer, the creditor must disclose orally and in writing that the purchase of involuntary unemployment insurance is entirely optional. No written consent shall be obtained until all disclosures provided for in subrules 14.1(1) and 14.1(2) of this rule have been given both orally and in writing.

14.1(5) *Right to cancel.* The involuntary unemployment insurance policy shall allow the insured consumer to cancel the policy within 30 days of the consumer’s receipt of the policy with a refund of all of the premiums and without cost and to cancel the policy at any time thereafter with a refund of un-earned premiums.

14.1(6) *Premium refunded.* If the insured consumer, at any time, does cancel the involuntary unemployment insurance policy, the full amount of the premium refund referred to in subrule 14.1(5) will be returned directly to the insured consumer or credited to the insured consumer’s account as a partial prepayment of indebtedness.

14.1(7) *Finance charges refunded.* When a consumer cancels the involuntary unemployment insurance, if the creditor financed the involuntary unemployment insurance premiums in a precomputed consumer credit transaction, and if the creditor refunds the insurance premiums by credit to the consumer’s account, then the creditor must make prompt refund to the consumer of all finance charges or credit service charges calculated according to the actuarial method based upon the refunded premiums and the terms of the transaction.

*Effective date of 9/18/85 delayed until the expiration of 45 calendar days into the 1986 session of the General Assembly pursuant to Iowa Code section 17A.8(9).

14.1(8) Refunds in compliance with Iowa Code section 537.2510. In the event of either voluntary or involuntary prepayment of the indebtedness, a refund of unearned premiums shall be made in accordance with section 537.2510.

14.1(9) Coordination of benefits. In the event the creditor sells both involuntary unemployment insurance and any other form of insurance to the consumer in connection with a consumer credit transaction, neither policy may provide for denial of benefits because of preexisting coverage by the other policy. If insured events under both policies lead to simultaneous claims, benefits must be coordinated until all liability is paid in full.

14.1(10) Compliance with statutes and regulations. The sale and financing of involuntary unemployment insurance must comply with all pertinent federal and Iowa laws and regulations concerning consumer credit insurance or concerning any insurance sold in connection with a consumer credit transaction.

14.1(11) File with administrator. Before advertising, offering to sell, or selling involuntary unemployment insurance, the creditor must file with the administrator of the Iowa consumer credit code:

- a. A copy of all master or group policies in use in Iowa.
- b. A notice which discloses:
 - (1) The expected loss ratio for the involuntary unemployment insurance.
 - (2) Whether the creditor is associated with or related to the insurance carrier in any way, and a brief description of that relationship, if any, and
 - (3) Whether the creditor will realize an economic benefit from the sale of the insurance and an explanation of the nature of any such economic benefit, including the amount of any commission received by the creditor.

After the initial filing, the creditor must yearly file the same notice except that in the loss ratio reported shall be the actual loss ratio for the reported year. Filing shall be on or before January 31 of subsequent filings each year in which the insurance is sold.

14.1(12) Packaging of insurance. If a creditor packages the sale of involuntary unemployment insurance with other insurance in connection with a consumer credit transaction, the other insurance must be a type which is authorized as an additional charge pursuant to Iowa Code section 537.2501(1) or 537.2501(2) "b" and must be of a type which is optional.

14.1(13) Loss ratios. The charges for involuntary unemployment insurance must be reasonable in relation to the benefits. In order for charges for involuntary unemployment insurance to be reasonable in relation to the benefits, the loss ratios must be at least 65 percent beginning with the first full calendar year in which the insurance is first sold in Iowa. When involuntary unemployment insurance is sold packaged with other credit insurance the package must produce at least the same loss ratio.

14.1(14) Loss ratios less than 65 percent. A creditor who pursuant to subrule 14.1(11), paragraph "b," reports to the administrator a yearly loss ratio of less than 65 percent must within 60 days of such a report (no later than March 31 of each year) either cease selling involuntary unemployment insurance or provide a written report to the administrator. The written report must explain in detail the methods which the creditor has initiated to obtain a loss ratio of at least 65 percent in the next reporting year.

a. Any creditor who reports a loss ratio of less than 65 percent for two consecutive years and does not cease selling involuntary unemployment insurance may be subject to administrative proceedings pursuant to Iowa Code section 537.6108.

b. Any creditor who has a yearly loss ratio of less than 65 percent for sales of involuntary unemployment insurance in Iowa and thereafter continues to sell such insurance in Iowa but who does not thereafter file a report with the administrator pursuant to 14.2(11) "b" of this rule and does not initiate methods to obtain a 65 percent loss ratio for the next reporting period may be subject to administrative proceedings pursuant to section 537.6108.

c. Nothing provided for herein shall preclude the attorney general from commencing judicial proceedings to enjoin the sale of involuntary unemployment insurance when the loss ratio falls below 65 percent, or such insurance is otherwise sold in violation of section 537.2501(1) "f" or this rule.

14.1(15) *Compliance with department of insurance requirements.* Compliance with this rule shall not relieve an insurer from complying with all applicable requirements of the commissioner of insurance especially in regard to approval of rates and forms.

14.1(16) *Definitions.*

“Involuntary unemployment insurance” means insurance providing the insured borrower with coverage for consumer credit repayment obligations for a period or periods during which the borrower is involuntarily unemployed. Involuntary unemployment insurance means insurance at least providing benefits for loss of employment income caused by individual or mass layoff, general strike, termination by employer, unionized labor dispute, and lockout.

“Open-end credit” means consumer credit as defined in Iowa Code section 537.1301, subsection (29).

Nonseverable. The provisions of this rule are nonseverable.

This rule is intended to implement Iowa Code section 537.2501(1)“f.”

[Filed 7/26/85, Notice 1/16/85—published 8/14/85, effective 9/18/85*]