

February 25, 1955.
Insurance.

House File 468
By CARSON AND SWISHER (Putney).

Passed House, Date.....
Vote: Ayes..... Nays.....
Passed Senate, Date.....
Vote: Ayes..... Nays.....
Approved *April 19, 1955*

A BILL FOR

An Act relating to group insurance to insure debtors of a creditor and to amend section five hundred nine point one (509.1), Code 1954.

Be It Enacted by the General Assembly of the State of Iowa:

This is a Companion Bill; for complete text see Senate File 329.

EXPLANATION OF H. F. 468

Subsection 3 of section 509.1 sets forth the requirements for the issuance of a group life insurance policy to a creditor. The statute restricts the eligibility of debtors to those whose indebtedness is repayable in installments and makes no provision for debtors whose indebtedness is repayable in any other manner. In Iowa, which is a predominantly agricultural state, this restriction is undesirable because agricultural debtors normally do not repay their debts in installments. With this restriction a large segment of the urban population is also denied this desirable protection. Many small businessmen, merchants, white collar workers and others frequently borrow money on a commercial loan basis, in which case the indebtedness is usually not repayable in installments.

It is proposed to amend subsection 3 of section 509.1 to enable low cost creditor group life insurance to be provided to any debtor, whether his indebtedness be repayable in installments or in some other manner. The proposed amendment would remove the undesirable restriction, thereby allowing all debtors, both rural and urban, to be eligible for this protection.

The need for the added provision in paragraph "d" arises from the fact that in most cases the cost of creditor group life insurance will be paid by the individual debtor through a contribution made by him at the inception of the contract. It is therefore necessary to compute in advance the liability to be assumed by the insurance company, in order to determine the correct premium to be charged.

When a contract of indebtedness is repayable in equal periodic installments or when a contract is repayable in a single lump sum, it is simple to compute the liability assumed by the insurance company and possible to determine the proper premium to be charged.

However, an indebtedness created pursuant to an agricultural loan will often be repayable in irregular installments. Furthermore, it is customary in such cases to allow an automatic extension of installment payments if an unavoidable delay occurs in harvesting and marketing.

The resultant irregularity of the repayment schedule, under a statute limiting the amount of the insurance to the amount owed, would make it difficult, if not impossible,

to compute in advance the ultimate liability of the insurance company and therefore difficult, if not impossible, to determine the just and proper premium to be charged.

By limiting the amount of insurance to the face amount of the commitment, in the case of an indebtedness created pursuant to an agricultural loan, this problem is avoided. The amount of insurance is limited to the face amount of the commitment and continues in force for such amount throughout the full term of the contract. Adequate insurance is thereby provided for the protection of the debtor, and it is then possible to compute the just and proper premium to be charged the debtor for such protection.

The addition of the provision in paragraph "e" is necessary by reason of the fact that in some cases the amount of insurance in force at the time of death may exceed the unpaid indebtedness if the debt was created as an agricultural loan. It guarantees to the debtor that the excess insurance, if any, over and above the amount owed will be paid to his family or estate.