

March 10, 1961.

Passed on File.

House File 609

By COMMITTEE ON INSURANCE.

<sup>Failed</sup>  
Passed House, Date... 4-20-61...

Passed Senate, Date.....

Vote: Ayes... 30... Nays... 69...

Vote: Ayes..... Nays.....

Approved.....

## A BILL FOR

An Act to regulate the sale of credit life and credit accident and health insurance.

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

1 Section 1. Purpose. The purpose of this chapter is to  
 2 promote the public welfare by regulating life insurance  
 3 and credit accident and health insurance. Nothing in this  
 4 chapter is intended to prohibit or discourage reasonable  
 5 competition. The provisions of this chapter shall be liberally  
 6 construed.

1 Sec. 2. All life insurance and all accident and health  
 2 insurance in connection with loans or other credit transactions  
 3 of less than five years duration shall be subject to the  
 4 provisions of this chapter. Insurance in connection with a loan  
 5 or other credit transaction of five years duration or more shall  
 6 not be subject to the provisions of this chapter, nor shall  
 7 insurance be subject to the provisions of this chapter where the  
 8 issuance of such insurance is an isolated transaction on the  
 9 part of the insurer not related to an agreement or a plan for  
 10 insuring debtors of the creditor.

1 Sec. 3. Definitions. For the purpose of this chapter:

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

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

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

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

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

22 (6) "Commissioner" means the commissioner of insurance.

1 Sec. 4. Policy forms. Credit life insurance and credit  
2 accident and health insurance shall be issued only in the  
3 following forms:

4 (1) Individual policies of life insurance issued to  
5 debtors on the term plan;

6 (2) Individual policies of accident and health insurance  
7 issued to debtors on a term plan or disability benefit provisions  
8 in individual policies of credit life insurance;

9 (3) Group policies of life insurance issued to creditors  
10 providing insurance upon the lives of debtors on the term plan;

11 (4) Group policies of accident and health insurance issued

12 to creditors on a term plan insuring debtors or disability  
13 benefit provisions in group credit life insurance policies to  
14 provide such coverage.

1 Sec. 5. Amount of credit life insurance and credit accident  
2 and health insurance.

3 (1) The initial amount of credit life insurance shall not  
4 exceed the total amount repayable under the contract of  
5 indebtedness, and, where an indebtedness is repayable in  
6 substantially equal installments, the amount of insurance shall  
7 at no time exceed the scheduled or actual amount of unpaid  
8 indebtedness, whichever is greater.

9 (2) Notwithstanding the provisions of the above paragraph,  
10 insurance on agricultural credit transactions or commitments not  
11 exceeding one year in duration may be written up to the amount of  
12 the loan on a non-decreasing or level term plan.

13 (3) The total amount of indemnity payable by credit  
14 accident and health insurance in the event of disability, as  
15 defined in the policy, shall not exceed the aggregate of the  
16 periodic scheduled unpaid installments of the indebtedness; and  
17 the amount of each periodic indemnity payment shall not exceed  
18 the original indebtedness divided by the number of periodic  
19 installments.

1 Sec. 6. Term of credit life insurance and credit accident and  
2 health insurance. The term of any credit life insurance or  
3 credit accident and health insurance shall, subject to acceptance  
4 by the insurer, commence on the date when the debtor becomes  
5 obligated to the creditor, except that, where a group policy  
6 provides coverage with respect to existing obligations, the  
7 insurance on a debtor with respect to such indebtedness shall

8 commence on the effective date of the policy. Where evidence of  
9 insurability is required and such evidence is furnished more than  
10 thirty (30) days after the date when the debtor becomes obligated  
11 to the creditor, the term of the insurance may commence on the  
12 date on which the insurance company determines the evidence to be  
13 satisfactory, and in such event there shall be an appropriate  
14 refund or adjustment of any charge to the debtor for insurance.  
15 The term of such insurance shall not extend more than fifteen  
16 (15) days beyond the scheduled maturity date of the indebtedness  
17 except when extended without additional cost to the debtor. If  
18 the indebtedness is discharged due to renewal or refinancing  
19 prior to the scheduled maturity date, the insurance in force  
20 shall be terminated before any new insurance may be issued in  
21 connection with the renewed or refinanced indebtedness. In all  
22 cases of termination prior to scheduled maturity, a refund shall  
23 be paid or credited as provided in section nine (9).

1 Sec. 7. Provisions of policies and certificates of insurance;  
2 disclosure to debtors.

3 (1) All credit life insurance and credit accident and  
4 health insurance shall be evidenced by an individual policy, or  
5 in the case of group insurance by a certificate of insurance,  
6 which individual policy or group certificate of insurance shall  
7 be delivered to the debtor.

8 (2) Each individual policy or group certificate of credit  
9 life insurance, credit accident and health insurance, or  
10 combination thereof, shall, in addition to other requirements of  
11 law, set forth the name and home office address of the insurer,  
12 and the identity by name or otherwise of the person or persons  
13 insured, the rate or amount of payment, if any, by the debtor

14 separately for credit life insurance and credit accident and  
15 health insurance, a description of the amount, term and coverage  
16 including any exceptions, limitations and restrictions, and shall  
17 state the benefits shall be paid to the creditor to reduce or  
18 extinguish the unpaid indebtedness and, wherever the amount of  
19 insurance may exceed the unpaid indebtedness, that any such  
20 excess shall be payable to a beneficiary, other than the  
21 creditor, named by the debtor or to his estate.

22 (3) Said individual policy or group certificate of  
23 insurance shall be delivered to the insured debtor at the time  
24 the indebtedness is incurred except as hereinafter provided.

25 (4) If a debtor makes a separate payment for credit life or  
26 credit accident and health insurance and an individual policy or  
27 group certificate of insurance is not delivered to the debtor at  
28 the time the indebtedness is incurred, a copy of the application  
29 for such policy or a notice of proposed insurance shall be  
30 delivered at such time to the debtor. The copy of the  
31 application for, or notice of proposed insurance, shall be signed  
32 by the debtor and shall set forth the identity by name or  
33 otherwise of the person or persons insured, the rate or amount of  
34 payment by the debtor, if any, separately for credit life  
35 insurance and credit accident and health insurance, and a  
36 statement that within thirty (30) days, if the insurance is  
37 accepted by the insurer, there will be delivered to the debtor an  
38 individual policy or group certificate of insurance containing  
39 the name and home office address of the insurer, a description of  
40 the amount, term and coverage including any exceptions,  
41 limitations and restrictions. The copy of the application for,  
42 or notice of proposed insurance, shall also refer exclusively

43 to insurance coverage, and shall be separate and apart from the  
44 loan, sale or other credit statement of account, instrument or  
45 agreement, unless the information required by this subsection  
46 is prominently set forth therein. Upon acceptance of the  
47 insurance by the insurer and within thirty (30) days of the  
48 date upon which the indebtedness is incurred, the insurer shall  
49 cause the individual policy or group certificate of insurance  
50 to be delivered to the debtor. Said application or notice of  
51 proposed insurance shall state that upon acceptance by the  
52 insurer, the insurance shall become effective as provided in  
53 section 6.

1 Sec. 8. Filing, approval and withdrawal of forms.

2 (1) All policies, certificates of insurance, notices of  
3 proposed insurance, applications for insurance, endorsements and  
4 riders delivered or issued for delivery in this state and the  
5 schedules of premium rates pertaining thereto shall be filed with  
6 the commissioner.

7 (2) The commissioner shall within thirty (30) days after  
8 the filing of any such policies, certificates of insurance,  
9 notices of proposed insurance, applications for insurance,  
10 endorsements and riders, disapprove any such form if the premium  
11 rates charged or to be charged are excessive in relation to  
12 benefits, or if it contains provisions which are unjust, unfair,  
13 inequitable, misleading, deceptive or encourage misrepresentation  
14 of the coverage, or are contrary to any provision of the  
15 insurance code or of any rule or regulation promulgated  
16 thereunder. In determining whether to disapprove any such forms  
17 the commissioner shall give due consideration to past and  
18 prospective loss experience within and outside this state, to

19 underwriting practice and judgment to the extent appropriate, and  
20 to all other relevant factors within and outside this state.

21 (3) If the commissioner notifies the insurer that the form  
22 is disapproved, it is unlawful thereafter for such insurer to  
23 issue or use such form. In such notice, the commissioner shall  
24 specify the reason for his disapproval and state that a hearing  
25 will be granted within twenty (20) days after request in writing  
26 by the insurer. No such policy, certificate of insurance, notice  
27 of proposed insurance, nor any application, endorsement or rider,  
28 shall be issued or used until the expiration of thirty (30) days  
29 after it has been so filed, unless the commissioner shall give  
30 his prior written approval thereto.

31 (4) The commissioner may, at any time after a hearing held  
32 not less than twenty (20) days after written notice to the  
33 insurer, withdraw his approval of any such form on any ground set  
34 forth in subsection two (2) above. The written notice of such  
35 hearing shall state the reason for the proposed withdrawal.

36 (5) It is not lawful for the insurer to issue such forms  
37 or use them after the effective date of such withdrawal.

38 (6) If a group policy of credit life insurance or credit  
39 accident and health insurance has been delivered in this state  
40 before the effective date of this chapter, or has been or is  
41 delivered in another state before or after the effective date of  
42 this chapter, the insurer shall be required to file only the  
43 group certificate and notice of proposed insurance delivered or  
44 issued for delivery in this state as specified in subsections  
45 two (2) and four (4) of section seven (7) of this chapter and  
46 such forms shall be approved by the commissioner if they conform  
47 with the requirements specified in said subsections and if the

48 schedules of premium rates applicable to the insurance evidenced  
49 by such certificate or notice are not in excess of the insurer's  
50 schedules of premium rates filed with the commissioner; provided,  
51 however, the premium rate in effect on existing group policies  
52 may be continued until the first policy anniversary date following  
53 the date this chapter becomes operative as provided in section  
54 thirteen (13).

55 (7) Any order or final determination of the commissioner  
56 under the provisions of this section shall be subject to judicial  
57 review.

1 Sec. 9. Premiums and refunds.

2 (1) Any insurer may revise its schedules of premium rates  
3 from time to time, and shall file such revised schedules with the  
4 commissioner. No insurer shall issue any credit life insurance  
5 policy or credit accident and health insurance policy for which  
6 the premium rate exceeds that determined by the schedules of such  
7 insurer as then on file with the commissioner.

8 (2) Each individual policy, or group certificate, shall  
9 provide that in the event of termination of the insurance prior  
10 to the scheduled maturity date of the indebtedness, any refund of  
11 an amount paid by the debtor for insurance shall be paid or  
12 credited promptly to the person entitled thereto; provided,  
13 however, that the commissioner shall prescribe a minimum refund  
14 and no refund which would be less than such minimum need be made.  
15 The formula to be used in computing such refund shall be filed  
16 with and approved by the commissioner.

17 (3) If a creditor requires a debtor to make any payment  
18 for credit life insurance or credit accident and health insurance  
19 and an individual policy or group certificate of insurance is not

20 issued, the creditor shall immediately give written notice to  
21 such debtor and shall promptly make an appropriate credit to the  
22 account.

23 (4) The amount charged to a debtor for any credit life or  
24 credit health and accident insurance shall not exceed the  
25 premiums charged by the insurer, as computed at the time the  
26 charge to the debtor is determined.

1 Sec. 10. Issuance of policies. All policies of credit life  
2 insurance and credit accident and health insurance shall be  
3 delivered or issued for delivery in this state only by an insurer  
4 authorized to do an insurance business therein, and shall be  
5 issued only through holders of licenses or authorizations issued  
6 by the commissioner.

1 Sec. 11. Claims.

2 (1) All claims shall be promptly reported to the insurer  
3 or its designated claim representative, and the insurer shall  
4 maintain adequate claim files. All claims shall be settled as  
5 soon as possible and in accordance with the terms of the  
6 insurance contract.

7 (2) All claims shall be paid either by draft drawn upon  
8 the insurer or by check of the insurer to the order of the  
9 claimant to whom payment of the claim is due pursuant to the  
10 policy provisions, or upon direction of such claimant to one  
11 specified.

12 (3) No plan or arrangement shall be used whereby any  
13 person, firm or corporation other than the insurer or its  
14 designated claim representative shall be authorized to settle or  
15 adjust claims. The creditor shall not be designated as claim  
16 representative for the insurer in adjusting claims, provided,

17 that a group policyholder may, by arrangement with the group  
18 insurer, draw drafts or checks in payment of claims due to the  
19 group policyholder subject to audit and review by the insurer.

1 Sec. 12. Existing insurance—choice of insurer. When credit  
2 life insurance or credit accident and health insurance is required  
3 as additional security for any indebtedness, the debtor shall,  
4 upon request to the creditor, have the option of furnishing the  
5 required amount of insurance through existing policies of  
6 insurance owned or controlled by him or of procuring and  
7 furnishing the required coverage through any insurer authorized  
8 to transact an insurance business within this state.

1 Sec. 13. Enforcement. The commissioner may, after notice and  
2 hearing, issue such rules and regulations as he deems appropriate  
3 for the supervision of this chapter. Whenever the commissioner  
4 finds that there has been a violation of this chapter or any  
5 rules or regulations issued pursuant thereto, and after written  
6 notice thereof and hearing given to the insurer or other person  
7 authorized or licensed by the commissioner, he shall set forth  
8 the details of his findings together with an order for compliance  
9 by a specified date. Such order shall be binding on the insurer  
10 and other person authorized or licensed by the commissioner on  
11 the date specified unless sooner withdrawn by the commissioner or  
12 a stay thereof has been ordered by a court of competent  
13 jurisdiction. The provisions of sections six (6), seven (7),  
14 eight (8) and nine (9) of this chapter shall not be operative  
15 until ninety (90) days after the effective date of this chapter,  
16 and the commissioner in his discretion may extend by not more  
17 than an additional ninety (90) days the initial period within  
18 which the provisions of said sections shall not be operative.

1     Sec. 14. Judicial review. Any party to the proceeding  
2 affected by an order of the commissioner shall be entitled to  
3 judicial review by following the procedure set forth in chapter  
4 five hundred seven B (507B).

1     Sec. 15. Penalties. In addition to any other penalty  
2 provided by law, any person who violates an order of the  
3 commissioner after it has become final, and while such order is  
4 in effect, shall, upon proof thereof to the satisfaction of the  
5 court, forfeit and pay to the state of Iowa a sum not to exceed  
6 two hundred fifty (250) dollars which may be recovered in a civil  
7 action, except that if such violation is found to be willful, the  
8 amount of such penalty shall be a sum not to exceed one thousand  
9 (1,000) dollars. The commissioner, in his discretion, may revoke  
10 or suspend the license or certificate of authority of the person  
11 guilty of such violation. Such order for suspension or  
12 revocation shall be upon notice and hearing, and shall be subject  
13 to judicial review as provided in section fourteen (14) of this  
14 chapter.

1     Sec. 16. Separability provisions. If any provision of this  
2 chapter or the application of such provision to any person or  
3 circumstances, shall be held invalid, the remainder of the  
4 chapter, and the application of such provision to any person  
5 or circumstances other than those as to which it is held invalid,  
6 shall not be affected thereby.

#### EXPLANATION OF HOUSE FILE 609

The nature of credit insurance is such that increased competition forces rates upward. As a result rates vary widely with respect to benefits provided. This bill provides the insurance commissioner with the authority to regulate the rates charged for this type of insurance.

HOUSE FILE 609

1 Amend House File 609 as follows:  
 2 1. By striking the period at the end of the title thereof and  
 3 adding the following: "and relating to premium and profit therefrom."  
 4 2. By inserting the following subsection five (5) at the end  
 5 of section nine (9) thereof:  
 6 "(5) Any premium, commission or profit received by a creditor  
 7 in connection with any policy of credit life insurance or credit  
 8 accident and health insurance insuring debtors of a creditor shall  
 9 not be construed as interest or charges for extending credit, and  
 10 shall not be deemed a violation of any law of this state. Any  
 11 creditor doing business in this state may in the same office or  
 12 place of business where such creditor transacts business, obtain  
 13 credit life insurance and credit accident and health insurance upon  
 14 a debtor, or one of them if there are two or more obligated on one  
 15 credit transaction."

Filed  
April 14, 1961.

FISCHER of Grundy.

HOUSE FILE 609

1 Amend House File 609 by striking all of paragraph two  
 2 (2) of section eight (8) and inserting in lieu thereof the  
 3 following:  
 4 "(2) The commissioner shall, within thirty (30) days  
 5 after the filing of any such policies, certificates of insur-  
 6 ance, notices of proposed insurance, applications for insurance,  
 7 endorsements and riders, disapprove any such form if it con-  
 8 tains provisions relating to coverage which are unjust, unfair,  
 9 inequitable, misleading, deceptive or encourage misrepresenta-  
 10 tion, or are contrary to any provision of the insurance code  
 11 or of any rule or regulation promulgated thereunder."

Filed  
April 14, 1961.

*adopted 4-20-61*  
RAPSON of Cherokee.

HOUSE FILE 609

1 Amend House File 609 by inserting in line twelve (12)  
 2 of section five (5) after the word "loan" the word "commit-  
 3 ment".

Filed  
April 14, 1961.

*William 4-20-61*  
KNOCK of Union.

HOUSE FILE 609

1 Amend House File 609 by striking all of paragraph two  
 2 (2) of section five (5) and inserting in lieu thereof the  
 3 following:  
 4 "(2) Notwithstanding the provisions of the above para-  
 5 graph, insurance on transactions with farmers or other debtors  
 6 whose income is intermittent or seasonal; or commitments not  
 7 exceeding one year in duration, may be written up to the amount  
 8 of the loan commitment on a non-decreasing or level term plan."

Filed  
April 14, 1961.

*adopted 4-20-61*  
DIETZ of Scott.

HOUSE FILE 609

1 Amend House File 609 by adding the following subsection at  
 2 the end of section seven (7):  
 3 (5) Notwithstanding the provisions of the preceding sub-  
 4 section, when the indebtedness is evidenced by a sale agreement  
 5 containing the information required by subparagraph four (4)  
 6 of paragraph "c", subsection six (6) of section three hundred  
 7 twenty-two point three (322.3) of the Code, such agreement  
 8 shall be deemed to comply with the provisions of this section  
 9 relating to the application for or notice of proposed insurance.

Filed  
April 17, 1961.

*adopted 4-20-61*  
PAUL of Poweshiek.