

FILED MAR 3 1986

SENATE FILE 2255
BY COMMITTEE ON COMMERCE
(formerly SSB 2187)
approved (p. 602)

Passed Senate, Date 3-12-86 (p. 707) Passed House, Date 4-3-86 (p. 1209)
Vote: Ayes 44 Nays 0 Vote: Ayes 75 Nays 15

Approved April 28, 1986 (p. 1428)

Repassed Senate 4-11-86 (p. 1195)
38-2

A BILL FOR

5606 1 An Act permitting the inclusion of charges for credit
2 unemployment insurance in consumer credit transactions under
3 the Iowa consumer credit code.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2255

1 Section 1. Section 537.2501, subsection 2, paragraph b,
2 Code 1985, is amended to read as follows:

3 b. With respect to consumer credit insurance providing
4 life, accident, or health, or unemployment coverage, if the
5 insurance coverage is not required by the creditor, and this
6 fact is clearly and conspicuously disclosed in writing to the
7 consumer, and if, in order to obtain the insurance in
8 connection with the extension of credit, the consumer gives
9 specific dated and separately signed affirmative written
10 indication of the consumer's desire to do so after written
11 disclosure to the consumer of the cost.

12 EXPLANATION

13 This bill amends the Iowa consumer credit code to provide
14 that consumer credit transactions may include, in addition to
15 the finance charge, a charge for credit unemployment
16 insurance.

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H-5606

1 Amend Senate File 2255 as passed by the Senate as
2 follows:

3 1. Page 1, line 11, by inserting after the word
4 "cost." the following: "However, credit unemployment
5 insurance shall be permitted under this paragraph if
6 all of the following conditions have been met:

7 (1) The insurance provides coverage beginning with
8 the first day of unemployment. However, the policy
9 may include a waiting period before the consumer may
10 file a claim.

11 (2) The insurance shall be sold separately and
12 shall be separately priced from any other insurance
13 offered or sold at the same time.

14 (3) The premium rates have been affirmatively
15 approved by the insurance department. In approving or
16 establishing the rates, the department shall review
17 the insurance company's actuarial data to assure that
18 the rates are fair and reasonable. The insurance
19 commissioner shall either hire or contract with a
20 qualified actuary to review the data. The insurance
21 department shall obtain reimbursement from the
22 insurance company for the cost of the actuarial review
23 prior to approving the rates. In addition, the rates
24 shall be made in accordance with the following
25 provisions:

26 a. Rates shall not be excessive, inadequate or
27 unfairly discriminatory.

28 b. Due consideration shall be given to all
29 relevant factors within and outside this state but
30 rates shall be deemed to be reasonable under this
31 section and section 537.2501 if they reasonably may be
32 expected to produce a ratio of fifty percent by
33 dividing claims incurred by premiums earned."

34 2. Title page, line 1, by inserting after the
35 word "Act" the words "relating to credit unemployment
36 insurance in consumer transactions, by providing
37 requirements for the rates for involuntary credit
38 unemployment insurance sold in connection with
39 consumer credit transactions, and".

BY COMMITTEE ON SMALL
BUSINESS AND COMMERCE

H-5606 FILED MARCH 28, 1986

*Adopted as amended by 5682
4/3 (p 1202)*

SENATE FILE 2255
Amendment H-5606
FISCAL NOTE

REQUESTED BY REPRESENTATIVE SWARTZ

In compliance with a written request received April 1, 1986, a fiscal note for HOUSE AMEND H-5606 TO SF 2255 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House Amendment H-5606 to Senate File 2255 amends the Iowa Consumer Credit Code to provide that consumer credit transactions may include, in addition to the finance charge, a charge for credit unemployment insurance when certain conditions have been met.

FISCAL EFFECT: House Amendment H-5606 would require the Insurance Department to hire or contract with a qualified actuary to review insurance company actuarial data relating to credit unemployment insurance rates. If the department hires an actuary, the annual cost would be approximately \$40,000 per year. If the department contracts with an outside consultant, the department estimates the annual cost at approximately \$50,000. The department would also require one additional professional position at \$23,000 per year to review and coordinate activities with the consultant. There would be no impact to the general fund because the amendment requires the Insurance Department to obtain reimbursement from the insurance company for the cost of the actuarial review.

Source: Insurance Department

(LSB 8103S, TCF)

FILED APRIL 2, 1986

BY DENNIS PROUTY, FISCAL DIRECTOR

SENATE FILE 2255

H-5682

1 Amend the Committee on Small Business and Commerce
2 amendment, H-5606 to Senate File 2255 as passed by the
3 Senate as follows:

4 1. Page 1, line 13, by inserting after the word
5 "time." the following: "The credit unemployment
6 insurance need not be sold separately or separately
7 priced from other insurance offered if it is included
8 as part of a mailed insurance offering by a credit
9 card issuer to its credit cardholders. However,
10 credit unemployment insurance shall not be sold in
11 conjunction with an application for a credit card or
12 for the renewal of a credit card."

H-5682 FILED APRIL 3, 1986
ADOPTED (p. 1228)

BY SWARTZ of Marshall

HOUSE AMENDMENT TO
SENATE FILE 2255

S-5609

1 Amend Senate File 2255 as passed by the Senate as
2 follows:

3 1. Page 1, line 11, by inserting after the word
4 "cost." the following: "However, credit unemployment
5 insurance shall be permitted under this paragraph if
6 all of the following conditions have been met:

7 (1) The insurance provides coverage beginning with
8 the first day of unemployment. However, the policy
9 may include a waiting period before the consumer may
10 file a claim.

11 (2) The insurance shall be sold separately and
12 shall be separately priced from any other insurance
13 offered or sold at the same time. The credit
14 unemployment insurance need not be sold separately or
15 separately priced from other insurance offered if it
16 is included as part of a mailed insurance offering by
17 a credit card issuer to its credit cardholders.
18 However, credit unemployment insurance shall not be
19 sold in conjunction with an application for a credit
20 card or for the renewal of a credit card.

21 (3) The premium rates have been affirmatively
22 approved by the insurance department. In approving or
23 establishing the rates, the department shall review
24 the insurance company's actuarial data to assure that
25 the rates are fair and reasonable. The insurance
26 commissioner shall either hire or contract with a
27 qualified actuary to review the data. The insurance
28 department shall obtain reimbursement from the
29 insurance company for the cost of the actuarial review
30 prior to approving the rates. In addition, the rates
31 shall be made in accordance with the following
32 provisions:

33 a. Rates shall not be excessive, inadequate or
34 unfairly discriminatory.

35 b. Due consideration shall be given to all
36 relevant factors within and outside this state but
37 rates shall be deemed to be reasonable under this
38 section and section 537.2501 if they reasonably may be
39 expected to produce a ratio of fifty percent by
40 dividing claims incurred by premiums earned."

41 2. Title page, line 1, by inserting after the
42 word "Act" the words "relating to credit unemployment
43 insurance in consumer transactions, by providing
44 requirements for the rates for involuntary credit
45 unemployment insurance sold in connection with
46 consumer credit transactions, and".

S-5609 Filed April 7, 1986 REC'D FROM THE HOUSE

Senate concurred 4/11 (p. 1195)

SSB 2187

COMMERCE: Priebe, Chair; Tieden and Deluhery

*New
SF 2255*

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act permitting the inclusion of charges for credit
2 unemployment insurance in consumer credit transactions under
3 the Iowa consumer credit code.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 537.2501, subsection 2, paragraph b,
2 Code 1985, is amended to read as follows:

3 b. With respect to consumer credit insurance providing
4 life, accident, ~~or~~ health, or unemployment coverage, if the
5 insurance coverage is not required by the creditor, and this
6 fact is clearly and conspicuously disclosed in writing to the
7 consumer, and if, in order to obtain the insurance in
8 connection with the extension of credit, the consumer gives
9 specific dated and separately signed affirmative written
10 indication of the consumer's desire to do so after written
11 disclosure to the consumer of the cost.

12 EXPLANATION

13 This bill amends the Iowa consumer credit code to provide
14 that consumer credit transactions may include, in addition to
15 the finance charge, a charge for credit unemployment
16 insurance.

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SENATE FILE 2255

AN ACT

RELATING TO CREDIT UNEMPLOYMENT INSURANCE IN CONSUMER TRANSACTIONS, BY PROVIDING REQUIREMENTS FOR THE RATES FOR INVOLUNTARY CREDIT UNEMPLOYMENT INSURANCE SOLD IN CONNECTION WITH CONSUMER CREDIT TRANSACTIONS, AND PERMITTING THE INCLUSION OF CHARGES FOR CREDIT UNEMPLOYMENT INSURANCE IN CONSUMER CREDIT TRANSACTIONS UNDER THE IOWA CONSUMER CREDIT CODE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 537.2501, subsection 2, paragraph b, Code 1985, is amended to read as follows:

b. With respect to consumer credit insurance providing life, accident, or health, or unemployment coverage, if the insurance coverage is not required by the creditor, and this fact is clearly and conspicuously disclosed in writing to the

consumer, and if, in order to obtain the insurance in connection with the extension of credit, the consumer gives specific dated and separately signed affirmative written indication of the consumer's desire to do so after written disclosure to the consumer of the cost. However, credit unemployment insurance shall be permitted under this paragraph if all of the following conditions have been met:

(1) The insurance provides coverage beginning with the first day of unemployment. However, the policy may include a waiting period before the consumer may file a claim.

(2) The insurance shall be sold separately and shall be separately priced from any other insurance offered or sold at the same time. The credit unemployment insurance need not be sold separately or separately priced from other insurance offered if it is included as part of a mailed insurance offering by a credit card issuer to its credit cardholders. However, credit unemployment insurance shall not be sold in conjunction with an application for a credit card or for the renewal of a credit card.

(3) The premium rates have been affirmatively approved by the insurance department. In approving or establishing the rates, the department shall review the insurance company's actuarial data to assure that the rates are fair and reasonable. The insurance commissioner shall either hire or contract with a qualified actuary to review the data. The insurance department shall obtain reimbursement from the insurance company for the cost of the actuarial review prior to approving the rates. In addition, the rates shall be made in accordance with the following provisions:

a. Rates shall not be excessive, inadequate or unfairly discriminatory.

b. Due consideration shall be given to all relevant factors within and outside this state but rates shall be deemed to be reasonable under this section and section 537.2501 if they reasonably may be expected to produce a ratio

of fifty percent by dividing claims incurred by premiums earned.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2255, Seventy-first General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved April 28, 1986

TERRY E. BRANSTAD
Governor