

CHAPTER 28
CREDIT LIFE AND CREDIT
ACCIDENT AND HEALTH INSURANCE

191—28.1(509) Purpose. The purpose of this chapter is to protect the interests of debtors and the public in this state by providing a system of rate, policy form, and operating standards for the transaction of credit life and credit accident and health insurance. Compliance with any disclosure requirements in this chapter shall not be deemed to be in compliance with the requirements set out in the Iowa consumer credit code and supporting rules. This chapter shall not be applicable to coverage provided by creditors at their own expense where no charge is made to the insured debtors for their coverage or to coverage which is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of a creditor.

191—28.2(509) Definitions.

“*Consumer credit transaction*” shall have the same definition as set out in Iowa Code section 537.1301(11) to (14).

“*Credit accident and health insurance*” means insurance on a debtor or debtors to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.

“*Credit insurance*” means both credit life and credit accident and health insurance.

“*Credit life insurance*” means insurance on the lives of debtors pursuant to or in connection with a specific loan or other credit transaction.

“*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 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.

“*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.

“*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.

“*Indebtedness*” means total amount repayable including principal, interest and finance charges.

“*Lender-agent*” means a creditor, as defined herein, who offers credit insurance or arranges for the offering of credit insurance to debtors.

“*Open-end credit*” means credit extended by a creditor under an agreement in which:

1. The creditor reasonably contemplates repeated transactions;
2. The creditor imposes a finance charge from time to time on an outstanding unpaid balance; and
3. 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.

“*Person*” means any natural person, partnership, corporation or other business entity.

191—28.3(509) Rights and treatment of debtors.

28.3(1) Multiple plans of insurance. If a creditor has available to the debtors more than one plan of credit life insurance or more than one plan of credit accident and health insurance, the debtors must be informed of all plans applicable to the credit transaction. All relevant plans shall be fully disclosed to the consumer prior to the preparation of any insurance documents and before the consumer becomes obligated on the credit transaction.

28.3(2) Substitution. When a creditor requires credit life insurance, credit accident and health insurance, or both, as additional security for an indebtedness, the debtor shall be given the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by the debtor or by procuring and furnishing the required coverage through any insurer authorized to

transact insurance business in this state. If this subrule is applicable, the debtor shall be informed by the creditor of the right to provide alternative coverage before the transaction is completed.

28.3(3) Evidence of coverage.

a. All credit insurance shall be evidenced by an individual policy, or, in the case of group insurance, by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor at the time the indebtedness is incurred, except as provided in the following. If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for the policy or a notice of proposed insurance shall be delivered to the debtor at the time the indebtedness is incurred. Upon acceptance of the insurance by the insurer and within 30 days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor.

b. Each individual policy or group certificate of credit insurance delivered or issued for delivery in this state shall, in addition to the other requirements of law, set forth:

- (1) The name and home office address of the insurer and, on group certificates, an identification of the master policy;
- (2) The identity of the insured debtor by name or any other reasonable alternative method of identification approved by the insurance commissioner;
- (3) The amount of premium or identifiable insurance charge to the debtor, separately for the credit life insurance and credit accident and health insurance;
- (4) A description of the coverage including the amount and term thereof;
- (5) Any exceptions, limitations and restrictions;
- (6) A statement that the benefits will be paid to the creditor to reduce or extinguish the indebtedness, and any excess shall be paid to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate.

c. A policy, certificate of credit insurance or notice of proposed insurance shall not contain provisions which would encourage misrepresentation or which are unjust, unfair, inequitable, misleading, deceptive or contrary to law or to the public policy of this state.

d. A credit life insurance or credit accident and health insurance policy violates paragraph "*c*" if it provides an amount of insurance less than the amount necessary to discharge the indebtedness, when it does not set forth clearly the information on the insured debtor's policy or certificate in not less than 10-point bold-faced type or in some other prominent method approved by the commissioner.

e. A notice of proposed insurance or a copy of the application for the policy, when delivered pursuant to paragraph "*a*" as evidence of coverage, violates paragraph "*c*" above, if it does not set forth the name and home office of the insurer; the name or names of the debtor; the premium or amount of payment by the debtor, separately for credit life or credit accident and health insurance; the amount, term and a brief description of the coverage provided. 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 subrule is prominently disclosed.

f. If an insurer other than the insurer named on the application, notice of proposed insurance, policy or certificate of insurance accepts the risk, the debtor shall receive a new 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 the new premium is less, an appropriate refund shall be made.

g. If an insured debtor states that the debtor is under the maximum age for insurance, but is not, the insurer shall return the premium when this is discovered and no benefit will be paid.

h. If the insurer accepts premiums where the debtor has correctly stated the debtor's age, insurance coverage shall be effective regardless of age limitations or age exclusions unless a premium refund is made within 30 days following the date the application or notice of proposed insurance is received by the insurer.

i. No statements made by a debtor shall be used by an insurer as a basis for denying a claim unless the statement is contained in a written application for insurance signed by the debtor, a copy of which is

or has been furnished to the debtor or to the debtor's beneficiary, and the form of which has been filed with and approved by the insurance commissioner for use in connection with the policy form in question.

j. An application must identify the insurer providing the coverage. An application signed by the debtor is required whenever the policy contains an exclusion on account of age or other eligibility requirement.

28.3(4) Claims processing. All claims shall be promptly reported to the insurer or its designated claim representatives, 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, but in no event shall claims be settled more than 30 days after notification of the claim and compliance by the debtor of all requirements under the policy. All claims shall be paid or credited to the claimant pursuant to the policy provisions, or upon direction of the claimant to one specified. 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 designed as claim representative for the insurer in adjusting claims. However, a group policyholder may, by arrangement with the group insurer, pay or credit the claims due to the group policyholder subject to audit and review by the insurer.

28.3(5) Termination of group credit insurance policy.

a. If a debtor is covered by a group credit insurance policy providing for the payment of single premiums to the insurer, then provision shall be made by the insurer that in the event of termination of the policy for any reason, insurance coverage with respect to any debtor insured under the policy shall be continued for the entire period for which the single premium has been paid.

b. If a debtor is covered by a group credit insurance policy providing for the payment of premiums to the insurer on a monthly outstanding balance basis, then the policy shall provide that, in the event of its termination for whatever reason, the termination notice shall be given to the insured debtor at least 30 days prior to the effective date of termination except where replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The notice required in this paragraph shall be given by the insurer or, at the option of the insurer, by the creditor.

28.3(6) Interest on premiums. If the creditor adds identifiable insurance charges or premiums for credit insurance to the indebtedness and any direct or indirect finance carrying, credit or service charge is made to the debtor on the insurance charges or premiums, the creditor must remit and the insurer shall collect the premium within 60 days after it is added to the indebtedness.

28.3(7) Renewal or refinancing of the indebtedness. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited to the debtor as provided in rule 28.8(509). In any renewal or refinancing of the indebtedness, the effective date of the coverage as respects any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the indebtedness which was renewed or refinanced, at least to the extent of the amount and term of the indebtedness outstanding at the time of renewal and refinancing of the debt. This subrule shall apply to all consumer credit transactions renewed pursuant to Iowa Code section 537.2504 or 537.2505.

28.3(8) Maximum aggregate provisions. A provision in a policy or certificate that sets a maximum limit on total payments must apply only to that policy or certificate.

28.3(9) Voluntary prepayment of indebtedness. If a debtor prepays the indebtedness other than as a result of death or through a lump sum disability payment:

a. Any credit life insurance covering the indebtedness shall be terminated and an appropriate refund of the credit life insurance premium shall be paid to the debtor in accordance with rule 28.9(509); and

b. Any credit accident and health insurance covering the indebtedness shall be terminated and an appropriate refund of the credit accident and health insurance premium shall be paid to the debtor in accordance with rule 28.9(509). If a claim under the coverage is in progress at the time of prepayment, the amount of refund may be determined as if the prepayment did not occur until the payment of benefits terminates. No refund need be paid during any period of disability for which credit accident and health

benefits are payable. A refund shall be computed as if prepayment occurred at the end of the disability period.

28.3(10) *Involuntary prepayment of indebtedness.* If an indebtedness is prepaid by the proceeds of a credit life insurance policy covering the debtor or by a lump sum payment of a disability claim under a credit insurance policy covering the debtor, then it shall be the responsibility of the insurer to see that the following are paid to the insured debtor, if living, or the beneficiary, other than the creditor, named by the debtor or to the debtor's estate:

a. In the case of prepayment by the proceeds of a credit life insurance policy, or by the proceeds of a lump sum total and permanent disability benefit under credit life coverage, an appropriate refund of the credit accident and health insurance premium in accordance with rule 28.9(509);

b. In the case of prepayment by a lump sum disability claim, an appropriate refund of the credit life insurance premium in accordance with rule 28.9(509);

c. In either case, the amount of the benefits in excess of the amount required to repay the indebtedness after crediting any unearned interest or finance charges.

28.3(11) *Amounts to be insured.*

a. Credit life insurance benefits shall be consistent with the premium charge. Credit life insurance may provide benefits in amounts which do not exceed, but may be less than, the scheduled amount of indebtedness, including unearned interest or finance charges, or the actual amount of unpaid indebtedness, whichever is greater.

b. Credit accident and health insurance may provide benefits not exceeding the amount of outstanding indebtedness inclusive of unearned interest or finance charges.

191—28.4(509) Policy forms and related material.

28.4(1) *Permissible forms.* Credit life insurance and credit accident and health insurance shall be issued only in the following forms:

a. Individual policies of life insurance issued to debtors on the term plan;

b. Individual policies of accident and health insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;

c. Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;

d. Group policies of accident and health insurance issued to creditors on a term plan insuring debtors or disability benefit provisions in group credit life insurance policies to provide such coverage.

28.4(2) *Filing requirements.* All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements, disclosure forms and riders delivered or issued for delivery in this state must be filed and approved by the insurance commissioner prior to use of the form.

28.4(3) *Issuance of policies.* All policies of credit life insurance and credit accident and health insurance shall be delivered or issued for delivery in this state only by an insurer authorized to do an insurance business herein. No person shall, directly or indirectly, act within this state as agent in receiving or procuring applications for credit insurance for any company until procuring from the insurance commissioner a license to act as agent for that company.

191—28.5(509) Determination of reasonableness of benefits in relation to premium charge.

28.5(1) *General standard.* Under the credit insurance law, benefits provided by credit insurance policies must be reasonable in relation to the premium charged. This requirement is satisfied if the premium rate charged develops or may be reasonably expected to develop a loss ratio of not less than 50 percent. With the exception of deviations approved under rule 28.11(509), the rates shown in rules 28.7(509) and 28.8(509), as adjusted pursuant to rule 28.10(509), shall be conclusively presumed to satisfy this general standard.

28.5(2) *Nonstandard coverage.* If any insurer files for approval of any form providing coverage more restrictive than that described in rules 28.7(509) and 28.8(509), the insurer shall demonstrate to the satisfaction of the insurance commissioner that the premium rates to be charged for the restricted

coverage will develop or may be reasonably expected to develop a loss ratio not less than that contemplated for standard coverage at the premium rates described in these rules.

28.5(3) Coverage without separate charge. If no specific charge is made to the debtor for credit insurance, the standards of this rule are not required to be used; but any premium rates resulting from the standards used which exceed the premium rate standards set out in rules 28.7(509) and 28.8(509) must be filed with the insurance commissioner. For purposes of this subrule, it will be considered that the debtor is charged a specific amount for insurance if an identifiable charge for insurance is disclosed in the credit or other instrument furnished the debtor which sets out the financial elements of the credit transactions, or if there is a differential in finance, interest, service or other similar charge made to debtors who are in like circumstances, except for their insured or noninsured status.

191—28.6 Reserved.

191—28.7(509) Credit life insurance rates.

28.7(1) Premium rate. Credit life insurance premium rates for the insured portion of an indebtedness repayable in equal monthly installments, where the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid, shall be as set forth in paragraphs “a” and “b” below. Paragraph “c” below refers to premium rates for other types of benefits either alone or in combination with the type of benefits applicable to paragraphs “a” and “b.”

a. \$.89 per month per \$1,000 of outstanding principal balance if premiums are payable on a monthly outstanding balance basis.

b. Gross coverage — decreasing term. If premiums are payable on a single premium basis and the amount of insurance decreases in equal monthly amounts, the prima facie premium rate shall be \$.58 per annum per \$100 of initial insured indebtedness.

c. Gross coverage — level term. If premiums are payable on a single premium basis when the benefit provided is level term, the prima facie rate shall be \$1.07 per annum per \$100 of initial insured indebtedness.

d. Joint coverage on either of the bases in paragraph “a,” “b,” or “c” of this subrule shall be 166 percent of the specific rate for that type of coverage.

e. A combination of the appropriate rate for level term and the appropriate rate for decreasing term (with equal decrements), if coverage provided is a combination of level term and decreasing term (with equal decrements).

f. If the benefits provided are other than those described in the introduction to this subrule, premium rates for the benefits shall be actuarially consistent with the rates provided in paragraphs “a,” “b,” “c,” and “d” above.

28.7(2) The premium rates in 28.7(1) shall apply to policies providing credit life insurance to be issued with or without evidence of insurability, to be offered to all debtors, and containing:

a. No exclusions other than suicide within six months of the incurred indebtedness; and

b. Either no age restrictions or age restrictions making ineligible for coverage debtors 65 or over at the time the indebtedness is incurred or debtors having attained age 66 or over on the maturity date of the indebtedness.

c. Insurance written in connection with an open-end credit plan may exclude from the classes eligible for insurance classes of debtors determined by age, and provide for the cessation of insurance or reduction in the amount of insurance upon attainment of not less than age 65.

d. On insurance written in connection with closed-end credit plans and open-end credit plans where the amount of insurance is based on or limited to the outstanding unpaid balance, no provision excluding or denying a claim for death resulting from a preexisting condition except for those conditions for which the insured debtor received medical diagnosis or treatment within six months preceding the effective date of coverage and which caused or substantially contributed to the death of the insured debtor within six months following the effective date of coverage. The effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the

advance or charge is posted to the plan account. Other more restrictive provisions may be used subject to appropriate rate adjustment approved by the insurance commissioner.

191—28.8(509) Credit accident and health insurance.

28.8(1) Premium rate. Credit accident and health insurance premium rates for the insured portion of an indebtedness repayable in equal monthly installments, where the insured portion of the indebtedness decreases uniformly by the amount of the monthly installment paid, shall be as set forth in paragraphs “a” and “b” below. Paragraphs “c,” “d” and “e” refer to premium rates for other types of benefits either alone or in combination with the type of benefits applicable to paragraphs “a” and “b.”

a. If premiums are payable on a single premium basis for the duration of the coverage, the rates shall be as follows:

Single Premium Per \$100 of Initial Insured Indebtedness

Months	Nonretroactive 14-Day Elimination	30-Day Elimination	Retroactive 14-Day Elimination	30-Day Elimination
12	\$1.26	\$0.72	\$1.98	\$1.53
24	\$1.98	\$1.44	\$2.70	\$2.25
36	\$2.70	\$2.16	\$3.42	\$2.97
48	\$3.15	\$2.61	\$3.87	\$3.42
60	\$3.51	\$2.97	\$4.23	\$3.78

Credit accident and health insurance rates for durations less than 12 months shall be derived by multiplying the number of months by one-twelfth of the 12-month rate. Rates for durations of more than 12 months but less than 60 months, which are not listed above shall be derived by straight-line interpolation between the listed rates, with the results rounded to the nearest cent. Rates for durations exceeding 60 months shall be derived by adding 3 cents to the 60-month rate for each month in excess of 60 months and rounding to the nearest cent.

b. If premiums are paid on the basis of a premium rate per month per \$1,000 of outstanding insured indebtedness, these premiums shall be computed according to the following formula or according to a formula approved by the insurance commissioner which produces rates actuarially equivalent to the single premium rates:

$$Op_n = \frac{20 SP_n}{n+1}$$

Where SP_n = Single Premium Rate per \$100 of initial insured indebtedness repayable in n equal monthly installments.

Op = Monthly Outstanding Balance Premium Rate per \$1,000.

n = Original repayment period, in months.

c. The actuarial equivalent of paragraphs “a” and “b” shall be used if the coverage provided is a constant maximum indemnity for a given period of time.

d. An appropriate combination of the premium rate for a constant maximum indemnity for a given period of time and the premium rate for a maximum indemnity which decreases in even amounts per month, if the coverage provided is a combination of a constant maximum indemnity for a given period of time after which the maximum indemnity begins to decrease in even amounts per month.

e. If the benefits provided are other than those described in paragraph “a” above, rates shall be actuarially consistent with rates provided in paragraphs “a,” “b,” “c” and “d.”

f. The outstanding balance rate for credit accident and health insurance may be either a term-specified rate or may be a single composite term outstanding balance rate applicable to all loans made under open-end or closed-end credit plans.

28.8(2) The premium rates in 28.8(1) shall apply to all policies providing credit accident and health insurance, be issued with or without evidence of insurability, be offered to all eligible debtors, and contain:

a. No provision excluding or denying a claim for disability resulting from preexisting conditions except for those conditions for which the insured debtor received medical advice, diagnosis or treatment within six months preceding the effective date of the debtor's coverage and which caused loss within the six months following the effective date of coverage. On insurance written in connection with closed-end credit plans and open-end credit plans where the amount of insurance is based on or limited to the outstanding unpaid balance, the effective date of coverage for each part of the insurance attributable to a different advance or charge to the plan account is the date on which the advance or charge is posted to the plan account.

b. No other provision which excludes or restricts liability in the event of disability caused in a specific manner except that it may contain provisions excluding or restricting coverage in the event of normal pregnancy and intentionally self-inflicted injuries.

c. No actively-at-work requirement more restrictive than one requiring that the debtor be actively at work at a full-time gainful occupation on the effective date of coverage. "Full-time" means a regular work week of not less than 30 hours. A debtor shall be deemed to be actively at work if absent from work due solely to regular day off, holiday or paid vacation.

d. No age restrictions, or only age restrictions making ineligible for coverage debtors 65 or over at the time the indebtedness is incurred or debtors who will have attained age 66 or over on the maturity date of the indebtedness.

e. A daily benefit equal in amount to one-thirtieth of the monthly benefit payable under the policy for the indebtedness.

f. A definition of "disability" which provides that during the first 12 months of disability the insured shall be unable to perform the duties of the occupation at the time the disability occurred, and thereafter the duties of any occupation for which the insured is reasonably fitted by education, training or experience. This paragraph shall not apply to lump-sum disability coverage.

g. Insurance written in connection with an open-end credit plan may exclude from the classes eligible for insurance classes of debtors determined by age and provide for the cessation of insurance or reduction in the amount of insurance upon attainment of not less than age 66.

191—28.9(509) Refund formulas.

28.9(1) Refund formulas must be filed with and approved by the insurance commissioner prior to use.

28.9(2) In the event of termination, no charge for credit insurance may be made for the first 15 days of a loan month and a full month may be charged for 16 days or more of a loan month.

28.9(3) The requirement that refund formulas be filed with the insurance commissioner shall be considered fulfilled if the refund formulas are set forth in the individual policy or group certificate filed with the insurance commissioner.

28.9(4) No refund of \$1 or less need be made.

191—28.10(509) Experience reports and adjustment of prima facie rates.

28.10(1) Each insurer doing insurance business in this state shall annually file with the insurance commissioner and the NAIC Support and Services Office a report of credit life and credit accident and health business written on a calendar-year basis. The report shall utilize the Credit Insurance Supplement-Annual Statement Blank as approved by the National Association of Insurance Commissioners. The filing shall be made in accordance with and no later than the due date in the instructions to the annual statement and should be sent separately to the life and health bureau.

28.10(2) The insurance commissioner will, no later than on a triennial basis, review the loss ratio standards set forth in rule 28.5(509), and the prima facie rates set forth in rules 28.7(509) and 28.8(509) and determine the rate of expected claims on a statewide basis, compare the rate of expected claims with the rate of actual claims for the preceding triennium determined from the incurred claims and earned

premiums at prima facie rates reported in the annual statement supplement, and publish the adjusted actual statewide prima facie rates to be used by insurers during the next triennium. These rates will reflect the difference between (a) actual claims based on experience; and (b) expected claims based on the loss ratio standards set forth in rule 28.5(509) applied to the prima facie rates set forth in rules 28.7(509) and 28.8(509).

28.10(3) The actual prima facie rates adjusted pursuant to subrule 28.10(2) above shall be published by bulletin from the insurance commissioner to all credit life and credit accident and health insurers licensed in Iowa.

191—28.11(509) Use of rates—direct business only.

28.11(1) *As used in this rule:*

“*Earned premiums*” means gross written premiums minus refunds on terminations, with this result adjusted for the change in unearned premium reserve.

“*Experience*” means “earned premiums” and “incurred claims” during the experience period.

“*Experience period*” means the most recent period of time for which experience is reported, but not for a period longer than three full years.

“*Incurred claims*” means total claims paid during the experience period, adjusted for the change in claim reserve.

28.11(2) *Use of prima facie rates.* An insurer that files rates or has rates on file that are not in excess of the prima facie rates shown in rules 28.7(509) and 28.8(509), to the extent adjusted pursuant to rule 28.10(509), may use those rates without further proof of their reasonableness.

28.11(3) *Use of rates higher than prima facie rates.* An insurer may file for approval of and use rates that are higher than the prima facie rates shown in rules 28.7(509) and 28.8(509), to the extent adjusted pursuant to rule 28.10(509), if it can be expected that the use of higher rates will result in a ratio of claims incurred to premiums earned (assuming the use of the higher rates) that is not less than 50 percent for those accounts to which the higher rates apply and that the upward deviations will not result on a statewide basis in that insurer having a ratio of claims incurred to premiums earned less than the expected loss ratio underlying the current prima facie rate developed or adjusted pursuant to rule 28.10(509).

If rates higher than the prima facie rates shown in rules 28.7(509) and 28.8(509), to the extent adjusted pursuant to rule 28.10(509), are filed for approval, the filing shall specify the account to which the rates apply. The rates may be:

- a. Applied uniformly to all accounts of the insurer; or
- b. Applied on an equitable basis approved by the insurance commissioner to only one or more accounts of the insurer for which the experience has been less favorable than expected.

28.11(4) *Approval period of deviated rates.*

a. A deviated rate will be in effect for a period of time not longer than three years based on the most recent three-year experience period. An insurer may file for a new rate before the end of a rate period, but not more often than once during any 12-month period.

b. Notwithstanding the provision of 28.11(2), if an account changes insurers, the rate approved to be used for the account by the prior insurer is the maximum rate that may be used by the succeeding insurer for the remainder of the rate approval period approved for the prior insurer or until a new rate is approved for use on the account, if sooner.

28.11(5) *Use of rates lower than filed rates.* An insurer may at any time use a rate for an account that is lower than its filed rate without notice to the insurance commissioner.

191—28.12(509) Supervision of credit insurance operations.

28.12(1) Each insurer transacting credit insurance in this state shall be responsible for conducting a thorough periodic review of creditors, with respect to their credit insurance business, to ensure compliance with the insurance laws of this state and the rules promulgated by the insurance commissioner. The review required above shall include, but not be limited to, a determination that:

- a. The proper charges are being made by the creditor;

- b. The proper refunds are being made;
- c. All known claims are being filed and properly handled;
- d. Amounts of insurance payable on death in excess of the amount necessary to discharge the indebtedness are properly refunded; and
- e. The creditor is promptly and fairly processing complaints concerning its credit insurance operations and is maintaining proper procedures for and records of the complaints processed.

28.12(2) Written records of the reviews shall be maintained by the insurer for review by the insurance commissioner.

191—28.13(509) Prohibited transactions. The following practices, when engaged in by insurers in connection with the sale or placement of credit insurance, or as an inducement, shall constitute unfair methods of competition and shall be subject to the unfair trade practices Acts of this state.

28.13(1) The offer or grant by an insurer to a creditor of any special advantage or any service not set out in either the group insurance contract or in the agency contract, other than the payment of agent's commissions.

28.13(2) Agreement by an insurer to deposit with a bank or financial institution money or securities of the insurer with the design or intent that the same shall affect or take the place of a deposit of money or securities which otherwise would be required of the creditor by the bank or financial institution as a compensating balance or offsetting deposit for a loan or other advancement.

28.13(3) Deposit by an insurer of money or securities without interest or at a lesser rate of interest than is currently being paid by the creditor, bank or financial institution to other depositors of like amounts. This subrule shall not be construed to prohibit the maintenance by an insurer of demand deposits or premium deposit accounts reasonably necessary for use in the ordinary course of the insurer's business.

28.13(4) Failure by the insurance companies to refund, within a reasonable time period, unearned premiums to the person who originally paid the premium.

28.13(5) Misrepresentation or deception by the lender-agent by either leading a borrower to believe that the borrower must purchase insurance from a specific insurance company or failing to inform the borrower that insurance is not mandatory and by including the cost of insurance premiums in all loan quotations.

28.13(6) Any representation, either express or implied, that could reasonably cause a borrower to believe that the loan might be jeopardized if insurance is not purchased through the recommended channels and, by taking advantage of the weak bargaining position of the debtor, cause the purchase of insurance which might not otherwise be wanted.

28.13(7) Claim adjusting not in reasonable conformity with policy provisions.

28.13(8) Failure by both companies and agents to inform the debtor of coverage.

28.13(9) Charging rates that are unfairly discriminatory in that the company charges different rates for identical groups with similar mortality, morbidity, expenses and other valid underwriting characteristics.

28.13(10) Any violation of Iowa Code chapter 507B or Iowa Code section 714.16.

191—28.14(509) Disclosure and readability.

28.14(1) Disclosure. When a premium or identifiable charge is payable by a debtor for credit insurance coverage offered by a creditor, at the time insurance is applied for, disclosures shall be made to the principal debtor and copies given and retained, in accordance with state and federal law. The creditor shall also disclose the optional nature of the coverage, premium or identifiable charge separately by type of coverage, eligibility requirements, and policy limitations and exclusions. These disclosures shall be made prominently above the space for the signature indicating election to obtain the coverage. These disclosures may be made in conjunction with either (a) the federal truth-in-lending disclosure, or (b) a notice of proposed insurance, or insurance policy or certificate.

28.14(2) Readability. The insurance commissioner shall not approve any form unless the policy or certificate is written in nontechnical, readily understandable language, using words of common everyday usage:

- a. Each insurer is required to test the readability of its policies or certificates by use of the Flesch Readability Formula, as set forth in Rudolf Flesch, The Art of Readable Writing (1949, as revised 1974);
- b. A total readability score of 40 or more on the Flesch scale is required;
- c. All policies or certificates within the scope of this rule shall be filed with the insurance commissioner accompanied by a certification setting forth the Flesch score and certifying the compliance with the guidelines set forth in this rule.

191—28.15(509) Severability. If any provision or clause of this chapter or its application to any person or situation is held invalid, the invalidity shall not affect any other provision or application of the chapter which can be given effect without the invalid provision or application, and to this end the provisions of this chapter are declared severable.

191—28.16(509) Effective date.

28.16(1) This chapter shall take effect January 1, 1991.

28.16(2) Any deviations thought to be appropriate by an insurer as a result of promulgation of this chapter shall be filed in accordance with the provisions of rule 28.11(509) no later than January 1, 1991.

28.16(3) Certificates, notices of proposed insurance and premium rates in connection with existing group policies shall conform to the requirements of this chapter not later than the anniversary date of the group policy next following January 1, 1991.

191—28.17(509) Fifteen-day free examination. The certificate of insurance, notice of proposed insurance, or individual policy may be returned to the creditor within 15 days of receipt of the policy or certificate for a full refund of premium paid, if after examination, the debtor(s) is not satisfied with the insurance for any reason. Notice of the 15-day free examination right shall be prominently printed upon the cover of the insurance policy, certificate of insurance or notice of proposed insurance.

These rules are intended to implement Iowa Code chapter 509.

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