

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.