

FEB 13 1973

Place On Calendar

Reprinted

HOUSE FILE

186

By COMMITTEE ON COMMERCE

Passed House, Date 2-16-73 (346) Passed Senate, Date _____
 Vote: Ayes 88 Nays 5 Vote: Ayes _____ Nays _____
 Approved _____

A BILL FOR

1 An Act relating to the regulation of premium rates for credit
 2 life and credit accident and health insurance.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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1 Section 1. NEW SECTION. No individual policy of credit
2 life or credit accident and health insurance or certificate
3 under a policy of group credit life or credit accident and
4 health insurance shall be issued for delivery or delivered
5 in this state unless the premium rates charged for the in-
6 surance are approved by the commissioner of insurance.

7 Sec. 2. NEW SECTION. Rates shall be made in accordance
8 with the following provisions:

9 1. Rates shall not be excessive, inadequate or unfairly
10 discriminatory.

11 2. Due consideration shall be given to past and prospec-
12 tive loss experience within and outside this state, to a rea-
13 sonable margin for underwriting profit and contingencies,
14 to past and prospective expenses both countrywide and those
15 especially applicable to this state, and to all other relevant
16 factors within and outside this state, but rates shall be
17 deemed reasonable under this Act if they reasonably may be
18 expected to produce a ratio of fifty percent by dividing
19 claims incurred by premiums earned.

20 3. The commissioner shall, after a public hearing, approve
21 a reasonable charge or premium for credit life and credit
22 accident and health insurance as he deems appropriate and
23 necessary for the implementation of this section.

24 Sec. 3. Section five hundred thirty-five point two (535.2),
25 subsection one (1), Code 1973, is amended by striking the
26 subsection and inserting in lieu thereof the following:

27 1. Except as provided in subsection two (2) hereof, the
28 rate of interest shall be five cents on the hundred by the
29 year in the following cases, unless the parties shall agree
30 in writing for the payment of interest not exceeding nine
31 cents on the hundred by the year:

- 32 a. Money due by express contract.
- 33 b. Money after the same becomes due.
- 34 c. Money loaned.
- 35 d. Money received to the use of another and retained

1 beyond a reasonable time, without the owner's consent, express
2 or implied.

3 e. Money due on the settlement of accounts from the day
4 the balance is ascertained.

5 f. Money due upon open accounts after six months from
6 the date of the last item.

7 g. Money due, or to become due, where there is a contract
8 to pay interest, and no rate is stipulated.

9 EXPLANATION

10 Credit life and accident health rates are currently not
11 regulated in Iowa. In the credit life field there is a reverse
12 competition situation in that the debtor has for all practical
13 purposes no choice of insurance companies but must obtain
14 credit life through the company used by the lending institute
15 if he is to get the loan. This bill requires rate approval
16 by the insurance commissioner and provides that the rate would
17 be reasonable if it meets the criteria set out in section
18 2, subsection 2.

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H-53

1 Amend House File 186 by adding the following new
2 section:
3 Sec. ____ . Section five hundred nine point one
4 (509.1), subsection three (3), paragraph "d", Code
5 1973, is amended as follows:
6 d. The amount of insurance on the life of any
7 debtor shall at no time exceed the amount owed by
8 him to the creditor, or the face amount of any loan
9 or loan commitment, totally or partially executed,
10 creating personal liability and made in good faith
11 for general agricultural or horticultural purposes
12 to a debtor with seasonal income ~~7-or-ten-thousand~~
13 ~~dollars, whichever is less.~~

Filed and adopted
February 15, 1973

By FREEMAN of Buena Vista

H-54

1 Amend House File 186 as follows:
2 1. Page 3, after line 8, by adding the following
3 new section:
4 "NEW SECTION. A company or its agent licensed to
5 sell a policy of credit life or credit accident and
6 health insurance or certificate under a policy of
7 group credit life or credit accident and health insur-
8 ance shall not deposit or offer to deposit funds in
9 a financial institution of this state in exchange for
10 the privilege of selling such insurance to or on
11 behalf of the financial institution. Any person
12 violating the provisions of this section shall be
13 guilty of a misdemeanor."
14 2. Page 1, line 2, by inserting after the word
15 "insurance" the words "and providing a penalty".

Filed and adopted
February 15, 1973

By FREEMAN of Buena Vista

H-56

1 Amend House File 186, page 2, by striking from
2 lines 29, 30 and 31 the following: ", unless the
3 parties shall agree in writing for the payment of
4 interest not exceeding nine cents on the hundred by
5 the year".

Offered and ruled
not germane
February 15, 1973

By HARGRAVE of Johnson

H--61

Amend House File 186 as follows:

1. Page 2, by striking lines 25 and 26 and inserting in lieu thereof the words "subsection one (1), Code 1973, is

amended to read as follows:"

2. Page 3, after line 8, by adding the following:

"Excessive-charges-or-premiums-for-credit-life, accident-or-health-insurance-written-in-connection-with money

loaned-shall-be-included-in-the-rate-of-interest-unless or--the-coverage-of-the-debtor-by-the-insurance-is not-a-factor-in-the-approval-by-the-creditor-of-the

of-credit-and-this-fact-is-clearly-disclosed-in-writing extension to-the

person-applying-for-or-obtaining-the-extension-of-credit and

but--in-order-to-obtain-the-insurance-in-connection with-the-extension-of-credit-the-person-to-whom-the credit-is

extended-must-give-specific-affirmative-written indication-of his-desire-to-do-so-after-written-disclosure-to-him-of the-cost

thereof.

The-foregoing-provision-regarding-excessive-charges or-premiums-to-be-included-in-the-rate-of-interest shall have

application-only-to-the-original-parties-to-an-agreement and shall-in-no-manner-affect-the-negotiability-of-instruments or

the-rights-of-subsequent-holders.

The-insurance-commissioner, after-hearing-where-all interested-parties-shall-be-given-an-opportunity-to-be heard,

shall-approve-a-reasonable-charge-or-premium-for-credit life-and-accident-or-health-credit-insurance.--Such charge-or-premium-shall-allow-a-fair-and-reasonable reasonable

return or-profit-for-the-risk-involved-in-providing-such coverage."

Filed - Adopted 2-16-73
February 15, 1973

By COCHRAN of Webster

February 27, 1973

HOUSE FILE 186

Senate Commerce 2/21/73 Pass 4/4

By COMMITTEE ON COMMERCE

House File 186

Rabedeaux, Chairman
Hultman
Priebe

(AS AMENDED AND PASSED BY THE HOUSE)

*loc
del*

House, Date *5-2-73 (1123)* Passed Senate, Date *4-18-73*

Vote: Ayes *86* Nays *1* Vote: Ayes *40* Nays *2*

Approved *5-24-73*

Motion to reconsider filed 4/18, ~~passed~~ ^{lost} 4/26

A BILL FOR *Passed Senate as further amended by House 5-10-73 (1182)*

40-2

- 1 An Act relating to the regulation of premium rates for credit
- 2 life and credit accident and health insurance and
- 3 providing a penalty.
- 4 *Be It Enacted by the General Assembly of the State of Iowa:*

1 Section 1. *NEW SECTION*. No individual policy of credit
2 life or credit accident and health insurance or certificate
3 under a policy of group credit life or credit accident and
4 health insurance shall be issued for delivery or delivered
5 in this state unless the premium rates charged for the in-
6 surance are approved by the commissioner of insurance.

7 Sec. 2. *NEW SECTION*. Rates shall be made in accordance
8 with the following provisions:

9 1. Rates shall not be excessive, inadequate or unfairly
10 discriminatory.

11 2. Due consideration shall be given to past and prospec-
12 tive loss experience within and outside this state, to a rea-
13 sonable margin for underwriting profit and contingencies,
14 to past and prospective expenses both countrywide and those
15 especially applicable to this state, and to all other relevant
16 factors within and outside this state, but rates shall be
17 deemed reasonable under this Act if they reasonably may be
18 expected to produce a ratio of fifty percent by dividing
19 claims incurred by premiums earned.

20 3. The commissioner shall, after a public hearing, approve
21 a reasonable charge or premium for credit life and credit
22 accident and health insurance as he deems appropriate and
23 necessary for the implementation of this section.

24 Sec. 3. Section five hundred thirty-five point two (535.2),
25 subsection one (1), Code 1973, is amended to read as follows:

26 1. Except as provided in subsection two (2) hereof, the
27 rate of interest shall be five cents on the hundred by the
28 year in the following cases, unless the parties shall agree
29 in writing for the payment of interest not exceeding nine
30 cents on the hundred by the year:

31 a. Money due by express contract.

32 b. Money after the same becomes due.

33 c. Money loaned.

34 d. Money received to the use of another and retained

1 beyond a reasonable time, without the owner's consent, express
2 or implied.

3 e. Money due on the settlement of accounts from the day
4 the balance is ascertained.

5 f. Money due upon accounts after six months from
6 the date of the last item.

7 g. Money due, or to become due, where there is a contract
8 to pay interest, and no rate is stipulated.

9 [Excessive charges or premiums for credit life, accident
10 or health insurance written in connection with money loaned
11 shall be included in the rate of interest unless

12 a. the coverage of the debtor by the insurance is not a
13 factor in the approval by the creditor of the extension of
14 credit, and this fact is clearly disclosed in writing to the
15 person applying for or obtaining the extension of credit; and

16 b. in order to obtain the insurance in connection with
17 the extension of credit, the person to whom the credit is
18 extended must give specific affirmative written indication
19 of his desire to do so after written disclosure to him of the
20 cost thereof.

21 The foregoing provision regarding excessive charges or
22 premiums to be included in the rate of interest shall have
23 application only to the original parties to an agreement and
24 shall in no manner affect the negotiability of instruments
25 or the rights of subsequent holders.

26 The insurance commissioner, after hearing where all
27 interested parties shall be given an opportunity to be heard,
28 shall approve a reasonable charge or premium for credit life
29 and accident or health credit insurance. Such reasonable
30 charge or premium shall allow a fair and reasonable return or
31 profit for the risk involved in providing such coverage.]

32 Sec. 4. Section five hundred nine point one (509.1),
33 subsection three (3), paragraph d, Code 1973, is amended
34 as follows:

35 d. The amount of insurance on the life of any debtor

36 shall at no time exceed the amount owed by him to the
37 creditor, or the face amount of any loan or loan commitment,
38 totally or partially executed, creating personal liability
39 and made in good faith for general agricultural or
40 horticultural purposes to a debtor with seasonal income[,
41 or ten thousand dollars, whichever is less].

42 **Sec. 5. NEW SECTION.** A company or its agent licensed
43 to sell a policy of credit life or credit accident and
44 health insurance or certificate under a policy of group
45 credit life or credit accident and health insurance shall
46 not deposit or offer to deposit funds in a financial
47 institution of this state in exchange for the privilege
48 of selling such insurance to or on behalf of the financial
49 institution. Any person violating the provisions of this
50 section shall be guilty of a misdemeanor.

51 **EXPLANATION**

52 Credit life and accident health rates are currently not
53 regulated in Iowa. In the credit life field there is a reverse
54 competition situation in that the debtor has for all practical
55 purposes no choice of insurance companies but must obtain
56 credit life through the company used by the lending institute
57 if he is to get the loan. This bill requires rate approval
58 by the insurance commissioner and provides that the rate would
59 be reasonable if it meets the criteria set out in section
60 2, subsection 2.

S-404

1 Amend House File 186 as amended and passed by the House as
2 follows:
3 1. Page 2, by striking lines 1 through 23, inclusive and
4 inserting in lieu thereof the following:
5 ^{4A} Section 1. Section five hundred nine point one (509.1),
6 subsection three (3), Code 1973, is amended by adding a new
7 paragraph to read as follows:
8 NEW PARAGRAPH. The maximum premium which may be charged
9 for insurance on the life of a debtor shall be seventy-five
10 cents per one hundred dollars per annum on the initial
11 amount
12 of insurance where the insurance declines on a monthly
13 basis.
14 For level term insurance and for insurance that declines on
15 other than a monthly basis, the rate shall be the actuarial
16 equivalent of the above charge or premium. There may be
^{4B} a minimum charge of not more than five dollars. *404B - Lost 4/18.*
2. By renumbering the sections to conform with this
amendment.

S-404 Filed
April 17, 1973

By COLEMAN
PRIEBE
BRILES
LAMBORN
HULTMAN

*404A - adapted as
amended. 4/18*

S-405

1 Amend House File 186 as amended, passed, and
2 reprinted by the House, page 3B, line 40, by in-
3 serting after the word "income" the following:
4 "; however, it shall not exceed twenty-five thousand
5 dollars".

S-405 Filed and lost
April 18, 1973

By SCHWIEGER

S-406

1 Amend House File 186 as amended, passed, and
2 reprinted by the House, page 3B, line 40 by in-
3 serting after the word "income" the following:
4 "; however, it shall not exceed thirty-five thousand
5 dollars".

S-406 Filed and adopted
April 18, 1973

By PRIEBE

S-407

1 Amend Coleman, et al amendment S-404A to House File 186,
2 by striking lines 5, 6, and 7, and the words "NEW
3 PARAGRAPH" in line 8, and inserting in lieu thereof
4 the following: "Section 1. NEW SECTION".

S-407 Filed and adopted
April 18, 1973

By HULTMAN

S-408

1 Amend House File 186, as passed and reprinted by the
2 House, page 3b, by inserting after line 50 the following
new sections:

3 "Sec. ____ . NEW SECTION. No individual policy of
4 accident and health insurance or certificate under a
5 of group credit accident and health insurance shall be
6 issued for delivery or delivered in this state unless
7 premium rates charged for the insurance are approved by
8 commissioner of insurance.

9 Sec. ____ . NEW SECTION. Rates for such credit
10 and health insurance shall be made in accordance with
11 following provisions:

12 1. Rates shall not be excessive, inadequate or
13 discriminatory.

14 2. Due consideration shall be given to past and
15 tive loss experience within and outside this state, to a
16 sonable margin for underwriting profit and contingencies,
17 to past and prospective expenses both countrywide and
18 especially applicable to this state, and to all other
19 vant factors within and outside this state, but rates
20 be deemed reasonable under this Act if they reasonably
21 be expected to produce a ratio of fifty percent by
22 claims incurred by premiums earned.

23 3. The commissioner shall, after a public hearing,
24 approve a reasonable charge or premium for credit
25 and health insurance as he deems appropriate and
necessary

Page 2

1 for the implementation of this section."

S-408 Filed and adopted
April 18, 1973

By McCARTNEY

S-410

1 Amend House File 186 as amended, passed and reprinted by
2 the House, page 1, line 2, by inserting after the word
3 "insurance" the following: ", providing for a maximum
4 level of credit life insurance,".

S-410 Filed and adopted
April 18, 1973

By SCHWIEGER

S-434

1 Amend House File 186 as amended, passed and reprinted
2 by the House, page 2, by striking lines 21 through 23,
3 inclusive and inserting in lieu thereof, the following:
4 "a reasonable charge or premium for credit accident and
5 health insurance as he deems appropriate and necessary
6 for the implementation of this section. A charge or
7 premium of not more than seventy-five cents per annum
8 per one hundred dollars of the initial amount of de-
9 creasing term credit life insurance, or its actuarial
10 equivalent for credit life insurance written on other
11 than the decreasing term basis, shall be conclusively
12 presumed to meet the requirements of this section."

S-434 Filed
April 24, 1973

By RABEDEAUX and McCARTNEY

HOUSE AMENDMENT TO SENATE AMENDMENT TO HOUSE FILE 186

1 Amend the Senate Amendment to House File 186 as
2 follows:
3 1. By striking lines 3 through 12 and
4 inserting in lieu thereof the following:
5 "1. Page 2, by striking lines 21 through 23,
6 inclusive and inserting in lieu thereof the following:
7 "a reasonable charge or premium for credit accident
8 and health insurance as he deems appropriate and
9 necessary for the implementation of this section. A
10 charge or premium of not more than seventy-five cents
11 per annum per one hundred dollars of the initial
12 amount of decreasing term credit life insurance, or its
13 actuarial equivalent for credit life insurance
14 written on other than the decreasing term basis, shall
15 be conclusively presumed to meet the requirements of
16 this section."
17 2. By striking lines 16 through 42.

Received from the House
May 4, 1973

*Senate concurred
5/10*

1 Amend House File 186 as amended, passed and reprinted by
2 the House as follows:
3 1. Page 2, by striking lines 1 through 23, inclusive
4 and inserting in lieu thereof the following:
5 Section 1. NEW SECTION. The maximum premium which
6 may be charged for insurance on the life of a debtor shall
7 be seventy-five cents per one hundred dollars per annum
8 on the initial amount of insurance where the insurance
9 declines on a monthly basis. For level term insurance and
10 for insurance that declines on other than a monthly basis,
11 the rate shall be the actuarial equivalent of the above
12 charge or premium.
13 2. Page 3B, line 40, by inserting after the word "income"
14 the following: "; however, it shall not exceed thirty-five
15 thousand dollars".
16 3. Page 3B, by inserting after line 50 the following new
17 sections:
18 Sec. _____. NEW SECTION. No individual policy of credit
19 accident and health insurance or certificate under a policy
20 of group credit accident and health insurance shall be
21 issued for delivery or delivered in this state unless the
22 premium rates charged for the insurance are approved by the
23 commissioner of insurance.
24 Sec. _____. NEW SECTION. Rates for such credit accident
25 and health insurance shall be made in accordance with the
26 following provisions:
27 1. Rates shall not be excessive, inadequate or unfairly
28 discriminatory.
29 2. Due consideration shall be given to past and prospec-
30 tive loss experience within and outside this state, to a
31 reasonable margin for underwriting profit and contingencies,
32 to past and prospective expenses both countrywide and those
33 especially applicable to this state, and to all other rele-
34 vant factors within and outside this state, but rates shall
35 be deemed reasonable under this Act if they reasonably may
36 be expected to produce a ratio of fifty percent by dividing
37 claims incurred by premiums earned.
38 3. The commissioner shall, after a public hearing,
39 approve a reasonable charge or premium for credit accident
40 and health insurance as he deems appropriate and necessary
41 for the implementation of this section.
42 4. By renumbering the sections to conform with this amendment.
43 5. Page 1, line 2, by inserting after the word "insurance"
44 the following: ", providing for a maximum level of credit
45 life insurance,".

Received from the Senate
April 26, 1973

*Have Concerned
as amended 5/2 (1123)*

H-398

1 Amend House File 186 as amended and passed by the
2 House and reprinted as follows:
3 1. Page 3B, line 49, by adding after the word
4 "institution." the words "This shall not be construed
5 to exclude bona fide deposits by a company or its
6 agent where there is no agreement for the deposit of
7 funds in exchange for the privilege of selling
8 insurance."

H-398 Filed
April 30, 1973

By HENNESSEY of Delaware

*Filed
out of order 5/2*

H-422

1 Amend the Senate Amendment to House File 186
2 as follows:

3 1. By striking lines 3 through 12 and inserting
4 in lieu thereof the following:

5 "1. Page 2, by striking lines 21 through 23,
6 inclusive and inserting in lieu thereof, the following:
7 "a reasonable charge or premium for credit accident
8 and health insurance as he deems appropriate and
9 necessary for the implementation of this section. A
10 charge or premium of not more than seventy-five cents
11 per annum per one hundred dollars of the initial
12 amount of decreasing term credit life insurance, or
13 its actuarial equivalent for credit life insurance
14 written on other than the decreasing term basis,
15 shall be conclusively presumed to meet the require-
16 ments of this section."

17 2. By striking lines 16 through 42.

H-422 Filed and adopted
May 2, 1973

By BROCKETT of Marshall
HOLDEN of Scott
STROMER of Hancock
SMALL of Johnson
ROORDA of Jasper
GRASSLEY of Butler
STANLEY of Muscatine
KNOKE of Pottawattamie
COCHRAN of Webster