

VIRGINIA ACTS OF ASSEMBLY -- 2000 SESSION

CHAPTER 173

An Act to amend and reenact § 38.2-102 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 38.2-3113.3, relating to life insurance; educational loans.

[H 940]

Approved March 24, 2000

Be it enacted by the General Assembly of Virginia:

1. That § 38.2-102 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 38.2-3113.3 as follows:

§ 38.2-102. Life.

A. "Life insurance" means insurance upon the lives of human beings. "Life insurance" includes policies that also provide (i) endowment benefits; (ii) additional benefits in the event of death, dismemberment, or loss of sight by accident or accidental means; (iii) additional benefits to safeguard the contract from lapse or to provide a special surrender value, a special benefit or an annuity, in the event of total and permanent disability of the insured; and (iv) optional modes of settlement of proceeds. As used in this title, unless the context requires otherwise, "life insurance" shall be deemed to include "credit life insurance," "industrial life insurance," "variable life insurance" and "modified guaranteed life insurance."

B. "Life insurance" also includes additional benefits to provide for educational loans, subject to the provisions of § 38.2-3113.3.

§ 38.2-3113.3. Educational loan provisions in life insurance policies.

Educational loan provisions may be included as additional benefits, as part of the policy, or as a rider or as a separate agreement, subject to the following requirements:

1. Any and all necessary eligibility qualifications for an educational loan shall be specified in the life insurance policy, rider or separate agreement. The policy, rider or separate agreement shall also state clearly that the loan will be granted provided the covered individual applying for such loan has satisfied the stated qualifications. Loan eligibility qualifications shall not be more restrictive than the following:

a. The loan applicant is a covered individual under the life insurance policy;

b. The purpose of the loan is to provide funds for a covered individual under the policy, rider or separate agreement, or the dependent of a covered individual under the policy, rider or separate agreement to attend an institution of higher learning, a trade school or a technical school. As used in this section, an "institution of higher learning" shall not be defined more restrictively than an accredited college or university that is also approved by the United States Department of Education. Age eligibility of the individual for whom the educational loan will be used may be limited to an age range no less restrictive than age fifteen to age twenty-five, subject to continued life insurance coverage of the covered individual during this duration; and

c. The individual for whose education the loan will be used must attend a qualifying institution at least halftime, determined in a manner consistent with the institution's standards for establishing full-time and half-time attendance, and must maintain an academic record sufficient to demonstrate reasonable progression or advancement.

2. The amount of funds available for an educational loan shall be specified in the policy, rider or separate agreement, and shall be further limited to an amount not to exceed the actual cost of the school or institution during any given year of attendance less other aid received. If the amount available for the educational loan varies by the year of attendance in the school or institution, this shall be so stated and a schedule of annual loan availability by dollar amount shall be included in the policy, rider or separate agreement.

3. The terms of the loan shall be clearly stated in the policy or rider, or the policy or rider shall refer to the availability of a separate document specifying all loan terms upon request of any insured individual. If the terms of the loan are included in a separate document, such document must be filed with the Commission for review. For purposes of this section, "terms of the loan" include, but are not limited to, (i) any and all fees, charges, and interest rates applied to borrowed funds, including a clear statement concerning possible fluctuation of such fees and charges depending upon the applicant's credit worthiness and/or depending upon any sources or indices used to determine such fees, charges or interest rates, (ii) minimum monthly payments, (iii) maximum amount of years for loan repayment, and (iv) policy assignment, if applicable.

4. Any life insurance policy, rider or separate agreement providing for educational loans shall include a prominent disclosure advising the reader of the prudence of obtaining information about educational loans from a variety of sources before making any decision about borrowing funds for financing higher education.

5. No policy, rider or separate agreement providing for educational loans shall be delivered or issued for delivery in this Commonwealth unless a copy of the form has been filed with and approved by the Commission in accordance with § 38.2-316. No advertising material shall be used in the solicitation or promotion of the educational loan feature of a life insurance policy, rider or separate agreement until such material has been filed with and approved by the Commission in the same manner as is required for forms pursuant to § 38.2-316.