

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: HB1972

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Ware, R.L.

3. Committee: Commerce and Labor

4. Title: Credit insurance.

5. Summary/Purpose: Requires a disclosure notice for debtors on credit property, credit involuntary unemployment, credit life and credit accident and sickness insurance policies. No contract of insurance upon a debtor paid by a single premium shall be made or effectuated unless, at the time of the contract, the debtor is provided with a notice prominently disclosing the right to a refund of premium in the event the insurance is terminated prior to its scheduled maturity date or the insured indebtedness is terminated or paid off early, and of the obligation of the debtor to provide notification to the insurer under subsection G. This notice shall be signed and dated by the debtor and the agent, if any, soliciting the application or the creditor's representative, if any, soliciting the enrollment request. A copy of the signed notice shall be given to the debtor and a copy shall be made part of the insurer's file. The State Corporation Commission shall not approve any form providing credit property or credit involuntary unemployment insurance unless the insurance policy or certificate states that the unearned premium refund will be calculated on an actuarial basis. No refund of five dollars or less is required.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: No

8. Fiscal implications: None on the State Corporation Commission

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: The Consumer Credit Insurance Association (CCIA) was the interested party which sought introduction of House Bill 1972. Refund requirements applicable to life and property/casualty single premium credit insurance products could not be administered by credit insurers because they have no way of knowing when a debtor has prepaid or otherwise terminated his loan. With the revisions included in House Bill 1972, the debtor will have to notify the insurer when he has prepaid a loan in order to receive a refund of the unearned premium. The debtor will be notified of this requirement at the time of the contract by disclosure notice, which will be signed and dated by the insured and agent and become part of the insurer's file.

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Bureau staff offered technical assistance to representatives from the Consumer Credit Insurance Association (CCIA) in the drafting of this bill. The bill appears to include all the Bureau's suggested changes.

Date: 01/18/09 V. Tompkins

cc: Secretary of Commerce and Trade

Secretary of Health and Human Resources