

NORTH CAROLINA GENERAL ASSEMBLY
1981 SESSION

CHAPTER 759
HOUSE BILL 1156

AN ACT TO REGULATE CREDIT INSURANCE POLICIES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-344(a)(1) is rewritten to read:

- "(a) (1) Except as provided in G.S. 53-189(a) for transactions of 60 months or less in duration, the initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the greater of the actual or scheduled amount of indebtedness. For transactions of more than 60 months in duration, the initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness less unearned finance charges and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the greater of the actual or scheduled amount of indebtedness less unearned finance charges; provided, however, that additional coverage not exceeding four months of accrued interest on successive net balances may be provided to cover any delinquency in payments."

Sec. 2. G.S. 58-350(c) is amended by adding at the end thereof the following:

"Provided, however, that unless the insured writes the name of his employer on the application and signs a statement that he is employed, there shall be no denial of claims grounded on the insured's failure to be employed on the effective date of the insurance."

Sec. 3. G.S. 58-346(c)(2) is amended by adding at the end thereof the following:

"Provided, however, that unless the insured writes his own age on the form and signs a statement that he has done so, there shall be no denial of claims grounded on the debtor's age. Provided further, if the indebtedness is paid by renewal or refinancing prior to the scheduled maturity date, the effective date of the coverage with respect to any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the original prior indebtedness that was renewed or refinanced, at least to the extent of the amount and term of the coverage outstanding at the time of renewal and refinancing of the debt."

Sec. 4. G.S. 58-350(a) is amended by adding at the end thereof the following:

"Provided, if the indebtedness is paid by renewal or refinancing prior to the scheduled maturity date, the effective date of the coverage with respect to any policy provision shall be deemed to be the first date on which the debtor became insured under the policy covering the original prior indebtedness that was renewed or refinanced, at least to the extent of the amount and term of the coverage outstanding at the time of renewal and refinancing of the debt."

Sec. 5. G.S. 58-350(a) is amended on line 14 by deleting the words "age restrictions similar to" and substituting therefor the words, "the same age restrictions as".

Sec. 6. G.S. 58-350(b) is rewritten to read:

"(b) A policy of credit accident and health insurance shall include a definition of 'disability' providing that during the first 12 months of disability the insured shall be unable to perform the duties of his occupation at the time the disability occurred (or his previous

occupation if the person is unemployed or retired at the time the disability occurs), and thereafter the duties of any occupation for which the insured is reasonably fitted by education, training, or experience."

Sec. 7. Article 32 of General Statutes Chapter 58 is amended by adding a new section to read:

"§ 58-359. **Credit property insurance.** — (a) As used in this Article, the term 'single interest credit property' insurance means insurance of the personal household property of the debtor against loss, with the creditor as sole beneficiary; and the term 'dual credit property' insurance means insurance of personal household property of the debtor, with the creditor as primary beneficiary and the debtor as beneficiary of proceeds not paid to the creditor. For the purpose of this Article, 'personal household property' means household furniture, furnishings and appliances designed for household use and not used by the debtor in a business trade or profession.

(b) Premium rates charged shall not exceed one dollar (\$1.00) per year per one hundred dollars (\$100.00) of insured value for single interest credit property insurance and shall not exceed one dollar and fifty cents (\$1.50) per year per one hundred dollars (\$100.00) of insured value for dual interest credit property insurance. The insured value shall not exceed the lesser of the value of the property or the amount of the initial indebtedness.

The Department shall collect data on credit property insurance written in North Carolina, including but not limited to: the amount of coverage written, direct premiums, earned premiums, dividends and retrospective rate credits paid, direct losses paid, direct losses incurred, commissions paid, loss ratios and policy provisions."

Sec. 8. G.S. 58-351(b) and (c) are rewritten to read:

"(b) The refund of premiums for decreasing term credit life insurance in transactions of 60 months duration or less and the refund of premiums for single interest credit property insurance shall be equal to the amount computed by the sum of digits formula commonly known as the 'Rule of 78'. The refund of premiums for decreasing term credit life insurance in transactions of more than 60 months duration shall be equal to the premium that would be charged for the remaining term and amount of coverage in the policy. The refund of premiums for level term credit life insurance and dual interest credit property insurance shall be equal to the pro rata unearned gross premiums.

(c) The refund of premiums in the case of credit accident and health insurance shall be equal to one-half (1/2) the amount computed by the sum-of-digits formula commonly known as the 'Rule of 78' plus one-half (1/2) the amount of the pro rata unearned gross premium.

In lieu thereof the refund may be computed by the 'Pure Premium' method. The refund is computed from the schedule of credit accident and health premiums and is equal to the premium from that schedule which would be charged for such insurance in the amount of the total remaining benefits for the remaining term of the indebtedness outstanding on the date of termination."

Sec. 9. G.S. 350(d) is amended by deleting the numbers under the column headed "No. of Months in which Indebtedness is Repayable" and substituting therefor "12" for "1-12", "24" for "13-24", "36" for "25-36", "48" for "37-48", "60" for "49-60", "72" for "61-72", "84" for "73-84", "96" for "85-96", "108" for "97-108", and "120" for "109-120", and is further amended by adding at the end thereof the following: "For terms other than the above, premiums shall be prorated."

Sec. 10. G.S. 53-189(a) is amended by adding the following language after the first sentence thereof:

"For single or joint life insurance written prior to July 1, 1982, pursuant to G.S. 53-189, such insurance may be written either level term or decreasing term for an initial amount not in excess of the total indebtedness and the refund of premiums for level term insurance shall be equal to the pro rata unearned gross premium if refunded thereafter. The premium rate for level

term credit life insurance written pursuant to this section shall not exceed one dollar and thirty-five cents (\$1.35) per hundred dollars (\$100.00) per year. For single or joint life insurance written on or after July 1, 1982, pursuant to G.S. 53-189, the amount of insurance shall at no time exceed the actual or scheduled indebtedness and the refund of premiums for level term insurance shall be equal to the pro rata unearned gross premiums."

Sec. 11. This act shall become effective October 1, 1981. All credit life and credit accident and health insurance policies delivered or issued for delivery on or after the effective date of this act shall conform to the provisions of this act. With regard to existing group credit insurance policies, the rates and forms shall be amended to conform to the requirements of this act, or be terminated, not later than the anniversary of the date of issue of the contract next following the effective date of this act.

In the General Assembly read three times and ratified, this the 1st day of July, 1981.