

APA-2

STATE BANKING DEPARTMENT
BUREAU OF LOANS

NOTICE OF INTENDED ACTION

AGENCY NAME:

State Banking Department

RULE NO. & TITLE:

155-2-2-.12 Insurance - Alabama Consumer Credit Act

INTENDED ACTION:

Amended Regulation

SUBSTANCE OF PROPOSED ACTION:

The State Banking Department, Bureau of Loans, proposes to amend Regulation 155-2-2-.12 regarding insurance under the Alabama Consumer Credit Act. The amended regulation will allow joint accident and health insurance coverage as well as joint involuntary unemployment insurance. Also creates requirements for offering insurance authorized under the regulation.

TIME, PLACE, MANNER OF PRESENTING VIEWS:

Comment/Views may be submitted to the State Banking Department, in writing, to the following address:

State Banking Department - Bureau of Loans
401 Adams Avenue, Suite 680
Montgomery, Alabama 36130

Attn: Proposed Regulations - Bureau of Loans

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

March 15, 2018

CONTACT PERSON AT AGENCY:

Scott Corscadden, Supervisor, Bureau of Loans



Scott Corscadden
Supervisor, Bureau of Loans

155-2-2-.12 Insurance - Alabama Consumer Credit Act

1. All insurance offered and written pursuant to Section 5 -19-20 shall be with a company licensed to do business in the State of Alabama and shall be in accordance with the Rules, Regulations and Orders of the Alabama Department of Insurance in effect at the time the insurance is written. A schedule of rates, policy forms and certificates or statement of insurance shall be maintained by each licensee at each licensed location showing evidence of such filing and/or approval.

2. Credit Life Insurance. The maximum rates for credit life insurance shall not exceed the following:

a. If the premiums are paid on the monthly basis, \$1.23 per month per \$1,000 of the outstanding insured indebtedness.

b. If the premiums are paid on a single premium basis, the summation of the monthly premiums calculated in accordance with (a) above.

c. For single payment consumer credit contracts, \$1.60 per \$100 per annum based on the total of payments.

d. Joint credit life insurance coverage may be written on both the principal debtor and on one co-signer to the consumer credit contract. The maximum rate for such coverage shall not exceed an amount equal to 150% of the premium rates shown above.

3. Credit Accident and Health Insurance (Disability) Rates. The maximum single premium rates per \$100 of initial indebtedness for credit accident and health insurance offered shall not exceed those rates contained in the following table unless a deviation has been requested and approved by the State Banking Department:

Rate Per \$100 of Initial Indebtedness

| No. of months in which Indebtedness is payable | Non-Retroactive Benefits | | Retroactive Benefits | | |
|---|-----------------------------|--------|-------------------------|-----------------|--------|
| | 14-day Non-retro | 30-day | 7-day Retro | 14-day Retro | 30-day |
| 1 | 1.10 | .50 | 2.50 | 1.80 | 1.30 |
| 3 | 1.30 | .70 | 2.75 | 2.05 | 1.55 |
| 6 | 1.50 | .90 | 3.00 | 2.30 | 1.80 |
| 12 | 1.90 | 1.30 | 3.50 | 2.70 | 2.20 |
| 18 | 2.30 | 1.70 | 4.00 | 3.10 | 2.60 |
| 24 | 2.70 | 2.10 | 4.50 | 3.50 | 3.00 |
| 30 | 3.10 | 2.50 | 5.00 | 3.90 | 3.40 |
| 36 | 3.50 | 2.90 | 5.50 | 4.30 | 3.80 |
| 42 | 3.75 | 3.20 | 5.90 | 4.55 | 4.10 |
| 48 | 4.00 | 3.50 | 6.20 | 4.80 | 4.40 |
| 54 | 4.20 | 3.65 | 6.50 | 5.00 | 4.55 |
| 60 | 4.40 | 3.80 | 6.80 | 5.20 | 4.70 |
| 72 | 4.80 | 4.20 | 7.40 | 5.60 | 5.00 |
| 84 | 5.20 | 4.60 | 8.00 | 6.00 | 5.30 |
| 96 | 5.60 | 5.00 | 8.60 | 6.40 | 5.60 |
| 108 | 6.00 | 5.40 | 9.20 | 6.80 | 5.90 |
| 120 | 6.40 | 5.80 | 9.80 | 7.20 | 6.20 |

Additional 12 months:

| | | | | |
|-----|-----|-----|-----|-----|
| .20 | .20 | .20 | .20 | .20 |
|-----|-----|-----|-----|-----|

Note: Rates for schedule in months not listed above shall be the equivalent interpolation of the listed rates. The "initial indebtedness" shall mean the total of payments for the purpose of this regulation.

4. Any request for a deviation from the rates established in the table in subsection (3) must be received in writing by the State Banking Department. Upon receipt the State Banking Department shall submit such request for deviation to the Alabama State Insurance Department for review and approval. The person who has requested a deviation shall be informed, in writing, whether the requested deviation has been approved or denied.

5. Credit Accident and Health Insurance (Disability) may be sold only to a debtor who is employed for at least a minimum of thirty (30) hours per week. A creditor may rely on the debtor's written certification of the number of hours the debtor is employed per week at the time the insurance is sold.

6. ~~Joint accident and health insurance coverage shall not be written.~~ may be written on both the principal debtor and on one co-signer to the consumer credit contract provided that both principal debtor and co-signer are employed for at least a minimum of thirty (30) hours per week. The maximum rate for such coverage shall not exceed an amount equal to one hundred and eighty five percent (185%) of the premium rates shown above.

7. Involuntary Unemployment Insurance: The premium charged for, and refund methods applicable to, involuntary unemployment insurance shall be in compliance with the rules, regulations ~~or~~ and orders of the Alabama Department of Insurance. Such approved involuntary unemployment insurance may be offered as single or joint insurance coverage. Joint involuntary unemployment insurance coverage may be written on both the principal debtor and one cosigner, provided that both principal debtor and co-signer are employed for at least a minimum of thirty (30) hours per week. The maximum rate for such coverage shall not exceed an amount equal to one hundred and seventy five percent (175%) of the premium rates shown above.

8. The consumer's written consent for the placing of dual-interest insurance may be obtained at the time of execution of the consumer credit contract or at the time of placement of such insurance.

9. Personal Property Insurance.

a. Where single interest personal property coverage is written, such policies or certificates shall clearly state that such coverage protects the lender's interest only.

b. The premium charged for, and refund methods applicable to, any personal property insurance shall in compliance with the rules, regulations or orders of the Commissioner of Insurance, State of Alabama.

c. Where the indebtedness is also secured by other collateral and such collateral is covered by an existing insurance policy in the form of a loss payable to the creditor, the amount of personal property insurance sold or provided by the creditor shall not exceed the difference between the insured value of such collateral and the total indebtedness. If such other collateral is an automobile or mobile home, the insured value shall be the retail value as determined by a nationally recognized pricing guide that states the retail and loan value.

d. In the event of total loss of insured personal property during the policy term on dual interest coverage, payment of the total original amount of insurance shall be made and the total premium may be considered earned. Settlement of claims shall be as of the date of loss.

e. A creditor may offer and sell to debtor on a voluntary basis dual interest insurance. The premium charge for voluntary personal property insurance shall be determined in compliance with rules, regulations or orders of the Alabama Department of Insurance.

10. Automobile and Mobile Home Insurance.

- a. Where single interest automobile or mobile home coverage is written, such policies or certificates shall clearly state that such coverage protects the lender's interest only. Limited or modified physical damage insurance is deemed to be single interest coverage for purposes of these regulations.
- b. The premium charged for, and refund methods applicable to, any automobile or mobile home insurance shall be in compliance with the rules, regulations or orders of the Commissioner of Insurance, State of Alabama.
- c. Single interest coverage is permitted only after the debtor has been notified in writing of the cancellation or lack of dual interest coverage. The debtor shall be afforded at least 15 days to procure a dual interest policy and if such policy is procured, any single interest coverage written by the creditor shall be flat canceled at that time. Single interest coverage may not exceed the retail value of the collateral or the net payoff on the account, whichever is less, at the time of the insurance contract.
- d. In the event of a total loss, no deductible shall be permitted on any form of single interest insurance coverage.
- e. No insurance coverage shall be sold by a creditor unless the average recognized retail value (as determined by a nationally recognized pricing guide which states retail and loan value) of the automobile is four times greater than the annual insurance premium.
- f. No supplementary coverage such as, but not limited to, rental reimbursement and contents coverage shall be required.
- g. On loans where other collateral is used in addition to the automobile to be insured, no automobile insurance shall be sold by a creditor unless the recognized loan value (as determined by a nationally recognized pricing guide which states retail and loan value) is at least 30% of the amount financed.
- h. No automobile insurance shall be sold by a creditor on any vehicle having a recognized retail value (as determined by a nationally recognized pricing guide which states the retail and loan value) of under \$300.00.
- i. In the event insurance cannot be placed or is cancelled by the insurance company, the return premium shall be used to secure other comparable coverage and/or shall be credited to the next maturing installment(s) or may be credited to the final installment(s) along with the finance charge applicable to the return.
- j. In the event a loss occurs that is insured under the provisions of this section, the creditor shall, immediately upon being notified by the debtor or

otherwise, of such loss, promptly report such fact to the insurance company or its designated claim agent or representative, and shall exercise his best efforts to secure a just settlement without undue delay.

k. The date of total loss shall be used in computing refunds or unearned finance charges and insurance premiums if coverage was written or financed by the creditor or the creditors affiliate.

11. Non-filing Insurance. Non-filing insurance may be written in lieu of recording a security interest in the property given as security on a loan or credit sale. The cost of such insurance shall in no case exceed the amount required to actually file or record a security interest. Self-insurance against non-filing shall not be permitted.

12. Other Insurance.

a. Any prior written permission or non-objection letters to offer and finance any insurance other than those specifically authorized by the Act shall expire upon final adoption of these regulations.

b. A creditor may offer and finance other insurances only under the following procedure: The creditor shall submit with its request to write other insurances to the Supervisor: (i) a description of the insurance product for which the permission is being sought, with copies of certificates, policies or benefit forms which will be furnished to customers; (ii) a statement of actions to be taken by the creditor to assure compliance with other applicable laws and regulations; and (iii) other information requested by the Supervisor or the Administrator. Only upon the written approval and pursuant to the conditions established by the Supervisor may the creditor offer and finance the approved insurance. Upon disapproval, the creditor may appeal the decision to the Administrator.

13. Requirements for Offering Insurance Authorized by this Regulation. Any licensee offering insurance pursuant to this Regulation shall:

a. Provide written disclosure to the customer that (i) during the process of applying for a consumer credit contract the consumer may be solicited for one or more insurance products; and (ii) the purchase of any insurance product may not be a condition for a consumer credit contract approval or for obtaining a consumer credit contract with the licensee.

b. Provide to each prospective insured a separate disclosure statement, signed by both the principal debtor and the cosigner if joint insurance is to be purchased that co-signer, along with the licensee's agent indicating the following:

- i. The principal debtor's desire and if joint insurance is to be purchased, the insured cosigner's desire to purchase the insurance coverage(s) as described in the disclosure statement.
- ii. The principal debtor and any covered co-signer or borrowers fully understand that buying the insurance is not a condition of the loan. This disclosure shall be made in bold face print in the disclosure statement.
- iii. The insured(s) may cancel the policy within thirty (30) days after the insurance is issued and receive a full refund of the insurance premium paid, by returning the insurance contract to the insurer or upon written

- instructions to the insurer from the insured.
- iv. The insured(s) may cancel the insurance more than thirty (30) days after the insurance has been issued by giving notice of cancellation to the insurer, and on cancellation, shall receive a portion of the insurance premium paid on a pro-rata basis.
 - c. Provide, at the consumer credit contract closing, the principal debtor with either the insurance contract purchased, or an easy to read and understand description for each insurance product requested for purchase. Such description shall be in compliance with the rules, regulations, and orders of the Alabama Department of Insurance.
 - d. Within ten (10) working days of the later of making the consumer credit contract or the issuance of the requested insurance coverage, the licensee (or the insurer on behalf of the licensee) shall mail (either electronically or by US mail) a notice reminding the principal debtor of:
 - i. The insurance coverage purchased;
 - ii. The purchase of this insurance was not a condition for the consumer credit contract loan approval or for obtaining the consumer contract;
 - iii. The purchased insurance coverages may be canceled at any time;
 - iv. How to cancel the purchased insurance or whom to contact with questions regarding cancellation; and
 - v. How to receive a refund of any unearned insurance premium upon cancellation of the insurance.

Author: Scott Corscadden, General Counsel Supervisor, Bureau of Loans
Statutory Authority: Code of Alabama 1975, §5-19-20, §5-19-21
History: Amended March 9, 1998