

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 579*

Short Title: Credit Insurance Changes.-AB

(Public)

Sponsors: Senators Dalton; Atwater and Dorsett.

Referred to: Commerce.

March 16, 2005

A BILL TO BE ENTITLED

1 AN ACT TO MAKE CHANGES TO THE CREDIT INSURANCE LAWS TO
2 DEFINE "CRITICAL PERIOD COVERAGE"; CLARIFY THE APPROPRIATE
3 REFUND OF PREMIUMS METHOD WHEN A POLICY OR GROUP
4 CERTIFICATE IS TERMINATED PRIOR TO THE SCHEDULED MATURITY
5 DATE OF THE SUBJECT DEBT; ALLOW CREDIT CARD COVERAGE FROM
6 OUT-OF-STATE FINANCIAL INSTITUTIONS; PROVIDE THAT INSURERS
7 MUST ACKNOWLEDGE TO THE CLAIMANT ANY CLAIMS NOT PAID
8 WITHIN THIRTY DAYS; CLARIFY THAT INSURERS CAN REQUIRE
9 REGISTRATION WITH THE STATE UNEMPLOYMENT OFFICE TO
10 QUALIFY FOR CREDIT UNEMPLOYMENT INSURANCE BUT CANNOT
11 IMPOSE A TIME LIMIT ON THAT REGISTRATION NOR CONDITION
12 QUALIFICATION FOR BENEFITS UNDER A POLICY UPON
13 QUALIFICATION FOR STATE UNEMPLOYMENT BENEFITS; CLARIFY
14 THAT, WITH RESPECT TO CREDIT UNEMPLOYMENT INSURANCE, THE
15 REFUND SHALL EQUAL THE PRO RATA UNEARNED GROSS PREMIUM;
16 AND PROVIDE THE COMMISSIONER OF INSURANCE WITH THE
17 AUTHORITY TO ENFORCE THE LAWS GOVERNING CREDIT INSURANCE
18 CONSISTENT WITH THE COMMISSIONER'S GENERAL ENFORCEMENT
19 AUTHORITY AS SET FORTH IN CHAPTER 58 OF THE GENERAL
20 STATUTES.
21

22 The General Assembly of North Carolina enacts:

23 **SECTION 1.** G.S. 58-57-5 is amended by adding a new subdivision to read:

24 "(5a) "Critical period coverage" means insurance coverage for which
25 benefits are limited to a stated number of payments or the payments
26 end with the expiration of the policy, whichever is less."

27 **SECTION 2.** G.S. 58-57-50(b) reads as rewritten:

28 "(b) The refund of premiums for decreasing term credit life insurance shall be
29 equal to the premium that would be charged for the remaining term and amount of

1 ~~coverage in the policy. The refund of premiums for decreasing term credit life insurance~~
2 ~~in transactions of 60 months duration or less and the refund of premiums for single~~
3 ~~interest credit property insurance and single interest physical damage insurance shall be~~
4 ~~equal to the amount computed by the sum of digits formula known as the "Rule of 78."~~
5 ~~The refund of premiums for decreasing term credit life insurance in transactions of more~~
6 ~~than 60 months duration shall be equal to the premium that would be charged for the~~
7 ~~remaining term and amount of coverage in the policy. The refund of premiums for level~~
8 ~~term credit life insurance and dual interest credit property insurance and dual interest~~
9 ~~physical damage insurance shall be equal to the pro rata unearned gross premiums."~~

10 **SECTION 3.** G.S. 58-57-55 reads as rewritten:

11 **"§ 58-57-55. Issuance of policies.**

12 All policies of credit life insurance and credit accident and health insurance shall be
13 issued only by an insurer authorized to do business in this State and shall be issued only
14 through holders of licenses or authorizations issued by the Commissioner. With the
15 exception of credit insurance issued in accordance with G.S. 58-57-105, all All-policies
16 of credit life insurance and credit accident and health insurance shall be delivered or
17 issued for delivery in this State only by an insurer authorized to do an insurance
18 business therein, and shall be issued only through holders of licenses or authorizations
19 issued by the Commissioner. State. The enrollment of debtors under a group policy
20 issued to a creditor and authorized under this Article shall not constitute the issuance of
21 a policy of insurance."

22 **SECTION 4.** G.S. 58-57-60 is amended by adding a new subsection to read:

23 "(d) A claim acknowledgment shall be sent to the claimant within 30 days after
24 receiving written or electronic notice of the claim. Acknowledgment shall include the
25 following:

- 26 (1) A statement made to the insured or the claimant advising that the claim
27 is being investigated.
28 (2) Payment of the claim.
29 (3) A bona fide written offer of settlement.
30 (4) A written denial of the claim."

31 **SECTION 5.** G.S. 58-57-110 reads as rewritten:

32 **"§ 58-57-110. Credit unemployment insurance rate standards; policy provisions.**

33 (a) Each year the Commissioner shall prescribe a minimum incurred loss ratio
34 standard requirement to develop a premium rate reasonable in relation to the benefits
35 provided by credit unemployment insurance coverage. The following requirements must
36 be met:

- 37 (1) Coverage is provided or offered, with or without underwriting, to all
38 debtors regardless of age who are working for salary, wages, or other
39 employment income for at least 30 hours per week and have done so
40 for 12 consecutive ~~months;~~ months.
41 (2) Coverage sets forth a definition of involuntary unemployment as a loss
42 of employment income that may include, but is not limited to, loss
43 caused by layoff, general strike, termination of employment, or
44 ~~lockout;~~ lockout.

1 (3) Coverage does not contain any exclusion except: debts with irregular
2 monthly payments; voluntary forfeiture of salary, wages, or other
3 employment income; resignation; retirement; sickness, disease, or
4 normal pregnancy; or loss of income due to termination as a result of
5 willful misconduct that is a violation of some established, definite rule
6 of conduct, a forbidden act, or willful dereliction of duty, or criminal
7 misconduct.

8 (4) As long as there is no required time period limitation for registration,
9 the insured may be required to register with the State unemployment
10 office in order to qualify for benefit payments under the credit
11 unemployment coverage. Qualification for State unemployment
12 benefits shall not be required in order to qualify for benefit payments
13 under the credit unemployment coverage.

14 (b) The Commissioner may approve other policy provisions and coverages
15 consistent with the purposes of unemployment coverage.

16 (c) Joint coverage rates for credit unemployment insurance shall be one and
17 two-thirds (1 2/3) times the approved single rate of coverage.

18 (d) The refund provision for credit unemployment insurance shall be equal to the
19 pro rata unearned gross premium."

20 **SECTION 6.** Article 67 of Chapter 58 of the General Statutes is amended by
21 adding a new section to read:

22 **"§ 58-57-71. Enforcement and penalties.**

23 (a) The Commissioner may, after notice and opportunity for a hearing, impose
24 civil penalties or petition for restitution under G.S. 58-2-70, revoke, suspend, or restrict
25 the license of any insurer if:

26 (1) The insurer fails or refuses to comply with any law, order, or rule
27 applicable to the insurer.

28 (2) The insurer's financial condition is unsound, or its assets above its
29 liabilities, exclusive of capital, are less than the amount of its capital or
30 required minimum surplus.

31 (3) The insurer has published or made to the Department or to the public
32 any false statement or report.

33 (4) The insurer or any of the insurer's officers, directors, employees, or
34 other representatives refuse to submit to any examination authorized
35 by law or refuse to perform any legal obligation in relation to an
36 examination.

37 (5) The insurer is found to make a practice of unduly engaging in
38 litigation or of delaying the investigation of claims or the adjustment
39 or payment of valid claims.

40 (b) Any suspension, revocation, or refusal to renew an insurer's license under this
41 section may also be made applicable to the license or registration of any individual
42 regulated under this Chapter who is a party to any of the causes for licensing sanctions
43 listed in subsection (a) of this section.

1 (c) The Commissioner may impose a civil penalty under G.S. 58-2-70 if an
2 insurer fails to acknowledge a claim within 30 days after receiving written or electronic
3 notice of the claim, but only if the notice contains sufficient information for the insurer
4 to identify the specific coverage involved. Acknowledgment of the claim shall be one of
5 the following:

6 (1) A statement made to the claimant or to the claimant's legal
7 representative advising that the claim is being investigated.

8 (2) Payment of the claim.

9 (3) A bona fide written offer of settlement.

10 (4) A written denial of the claim. With respect to a claim under an
11 accident, health, or disability policy, if the acknowledgment sent to the
12 claimant indicates that the claim remains under investigation, within
13 45 days after receipt by the insurer of the initial claim, the insurer shall
14 send a claim status report to the insured and every 45 days thereafter
15 until the claim is paid or denied. The report shall give details sufficient
16 for the insured to understand why processing of the claim has not been
17 completed and whether the insurer needs additional information to
18 process the claim. If the claim acknowledgment includes information
19 about why processing of the claim has not been completed and
20 indicates whether additional information is needed, it may satisfy the
21 requirement for the initial claim status report.

22 (d) If a foreign insurance company's license is suspended or revoked, the
23 Commissioner shall cause written notification of the suspension or revocation to be
24 given to all of the company's agents in this State. Until the Commissioner restores the
25 company's license, the company shall not write any new business in this State.

26 (e) The Commissioner may, after considering the standards under
27 G.S. 58-30-60(b), restrict an insurer's license by prohibiting or limiting the kind or
28 amount of insurance written by that insurer. For a foreign insurer, this restriction relates
29 to the insurer's business conducted in this State. The Commissioner shall remove any
30 restriction under this subsection once the Commissioner determines that the operations
31 of the insurer are no longer hazardous to the public or the insurer's policyholders or
32 creditors."

33 **SECTION 7.** G.S. 58-57-70 and G.S. 58-57-80 are repealed.

34 **SECTION 8.** This act becomes effective January 1, 2006, and applies to
35 policies or certificates issued or renewed on or after that date.