

Drafting Note: A state may wish to authorize the commissioner to add consumer protections in this model as a regulation. Also, this model can generally be adopted as a regulation with minor editorial changes.

- (1) Transactions involving extensions of credit primarily for business or commercial purposes;
- (2) Insurance on motor vehicles designed for highway use and mobile homes;
- (3) Insurance written in connection with a credit transaction that is secured by a real estate mortgage or deed of trust;
- (4) Creditor-placed insurance;
- (5) Title insurance;
- (6) Non-filing insurance; and
- (7) Insurance purchased by a creditor after repossession or a similar event where the creditor gains possession of the property; and
- (8) Insurance for which no identifiable charge is made to or collected from the debtor.

Section 3. Definitions

As used in this Act:

- A. "Closed-end credit" means a credit transaction that does not meet the definition of open-end credit.

- G. “Credit transaction” means a transaction by which the repayment of money loaned or credit commitment made, or payment of goods, services or properties sold or leased, is to be made at a future date or dates.
- H. “Creditor” means the lender of money or vendor or lessor of goods, services, property, rights or privileges for which payment is arranged through a credit transaction, or any successor to the right, title or interest of a lender, vendor or lessor and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any person in any way associated with any of them.
- I. “Creditor-placed insurance” means insurance that is purchased unilaterally by the creditor, who is the named insured, subsequent to the date of the credit transaction, has provided coverage against loss, expense or damage to the collateralized personal property as a result of fire, theft,

- (1) In connection with credit personal property insurance offered contemporaneously with the extension of credit or offered through direct mail advertisements, disclosure shall be made in writing and presented to the consumer in a clear and conspicuous manner; and
 - (2) In conjunction with the offer of credit insurance subsequent to the extension of credit by other than direct mail advertisements, disclosure may be provided orally or electronically so long as written disclosures are provided to the debtor no later than the earlier of:
 - (a) Ten (10) days after the election, or
 - (b) The date any other written material is provided to the debtor.
- C. An offer to extend coverage

- (6) If the scheduled term of the insurance is less than the scheduled term of the credit transaction, a statement to that effect on the face of the individual policy or certificate of insurance in not less than twelve-point bold face type.
- (7) Policies issued to cover open-end consumer transactions shall provide that the policyholder or certificate holder will be furnished the following disclosure notice with t

- D. The commissioner may, at any time ~~at~~ a hearing held not less than twenty (20) days after written notice to the insurer, withdraw approval of any form or rate on any ground set forth in Subsection B. The written notice of hearing shall state the reason for the proposed withdrawal.
- E. An insurer shall not issue forms or use them after the effective date of withdrawal.

Section 7. Reasonableness of Benefits in Relation to Premium Charge

- A. An insurer may revise its schedule of premium rates from time to time and, shall file the revised ~~schedules~~ schedules with the commissioner pursuant to the filing requirements in Section 6. An insurer shall not issue a credit personal property insurance policy for which the premium rates exceed that determined by the approved schedules of the insurer as then on ~~with~~ with the commissioner.
- B. Benefits provided by credit personal property insurance policies shall be reasonable in relation to the premium charged. This requirement is satisfied if the premium rate charged develops or may reasonably be expected to develop a loss ratio of not less than sixty percent (60%) or such higher loss ratio as designated by the commissioner to afford a reasonable allowance for actual and expected loss experience including a reasonable catastrophe provision, general and administrative ~~expenses~~ expenses, reasonable acquisition expenses, reasonable creditor compensation, investment income, premium taxes, licenses, fees, assessments, and reasonable insurer profit.
- C. For open-end credit transactions, an insurer's rating plan shall address, ~~by~~ ~~proof~~ like accounts, the expected variance in the mix of goods purchased that are covered under the credit personal property coverage versus items purchased that are not covered under the credit

Section 17. Effective Date

This Act shall take effect [insert effective date].

Chronological Summary of Act (all references are to the Proceedings of the NAIC)

2001 Proc. 1st Quarter 167, 279, 300, 302, 309 (adopted).

2002 Proc. 4th Quarter 3233, 524, 768 (amended).