

1 HB541
2 185277-1
3 By Representative Johnson (K)
4 RFD: Financial Services
5 First Read: 20-APR-17

SYNOPSIS: Under existing law, in a consumer credit transaction, a creditor may offer and a debtor has the option to accept credit life and disability and involuntary unemployment insurance for the term of the credit transaction.

This bill would specify that in addition to offering credit life and disability insurance and involuntary unemployment insurance as single coverage, a creditor may offer it as joint coverage if credit is extended to more than one party in a single transaction.

A BILL
TO BE ENTITLED
AN ACT

Relating to insurance; to amend Section 5-19-20 of the Code of Alabama 1975, to provide further for the offering of credit life and disability and involuntary unemployment insurance as part of a consumer credit transaction.

1 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

2 Section 1. Section 5-19-20 of the Code of Alabama
3 1975, is amended to read as follows:

4 "§5-19-20.

5 "(a) With respect to any consumer credit
6 transaction, the creditor shall not require any insurance
7 other than insurance against loss of or damage to any property
8 in which the creditor is given a security interest and
9 insurance insuring the lien of the creditor on the property
10 which is collateral for the transaction.

11 "(b) (1) Credit life and disability and involuntary
12 unemployment insurance may be offered and, if accepted, may be
13 provided by the creditor. The charge to the debtor for the
14 insurance shall not exceed the premium permitted for the
15 coverages. Insurance with respect to any credit transaction
16 shall not exceed the approximate amount and term of the
17 credit. In addition to offering credit life and disability and
18 involuntary unemployment insurance as single coverage, a
19 creditor may offer credit life and disability and involuntary
20 unemployment insurance as joint coverage.

21 "(2) This subdivision (2) applies to all consumer
22 credit transactions entered into on or after June 19, 1996. If
23 the consumer credit transaction is scheduled to be repaid in
24 substantially equal installments which include a portion of
25 the amount financed, the amount of credit life insurance at
26 any time shall not exceed the greater of the approximate
27 unpaid balance of the debt, excluding unearned finance

1 charges, if any, or the approximate unpaid scheduled balance
2 of the debt, excluding unearned finance charges, if any, plus
3 the amount of one scheduled payment. The amount of credit life
4 insurance on single payment consumer credit transactions and
5 the amount of accident and health insurance and involuntary
6 unemployment insurance shall not exceed the approximate amount
7 of the total of payments. The amount of credit life insurance
8 under an open-end credit plan shall not exceed the approximate
9 unpaid balance of the debt from time to time. The debtor's
10 estate or a named beneficiary shall be entitled to any excess
11 credit life insurance benefit.

12 "(c) If the debtor fails to provide any required
13 property insurance, the creditor may, but is not required to,
14 purchase insurance insuring its interest only, or with the
15 debtor's written consent, insuring both the creditor's
16 interest and the debtor's interest, and the premium for the
17 property insurance together with interest on the premium at
18 the contract rate or other rate agreed to in writing may be
19 charged by the creditor to the debtor. The premium charged to
20 the debtor for any insurance shall not exceed the premium
21 approved by the administrator or the rates filed by the
22 insurer with the Alabama Department of Insurance for the
23 insurance, as applicable. If the insurance insures only the
24 creditor's interest in the property, the term of the insurance
25 provided pursuant to this subsection shall not exceed the
26 approximate remaining term of the credit, and the amount of
27 insurance shall not exceed the approximate amount of the

1 unpaid balance of the debt excluding unearned finance charges,
2 if any. The administrator may promulgate regulations pursuant
3 to Section 5-19-21 to provide further for the term and maximum
4 permissible amount of insurance which covers the creditor's
5 interest in the property.

6 "(d) The premium for nonfiling insurance, insuring
7 the lien of the creditor on any property which is collateral
8 for the consumer credit transaction, may not exceed the cost
9 of filing of a lien on the property and any document necessary
10 to continue the lien and is nonrefundable. The insurance may
11 be required in both purchase money and nonpurchase money
12 secured transactions. A creditor may not charge a debtor the
13 cost of filing the lien and a premium for nonfiling insurance
14 in a consumer credit transaction.

15 "(e) If a creditor requires any insurance against
16 loss of or damage to any property in which the creditor is
17 given a security interest, the debtor shall have and be given
18 written notice of the option of obtaining the insurance
19 through a person of the debtor's choice. If the debtor does
20 not exercise the option of providing the insurance through an
21 existing policy or a policy independently obtained and paid
22 for by the debtor, the creditor may purchase the insurance on
23 the property and charge the premium for the insurance to the
24 debtor. The premium or premiums charged for such required
25 insurance shall not exceed the premium approved by the
26 administrator or the rates filed by the insurer with the
27 Alabama Department of Insurance, as applicable. The creditor

1 may, for reasonable cause, decline the insurance provided by
2 the debtor.

3 "(f) When property insurance, as permitted herein,
4 is required by the creditor, is not furnished by the debtor,
5 and is purchased by the creditor, then upon renewal,
6 refinancing, or payment of the debt before the final maturity
7 date, the creditor shall refund or credit the debtor with that
8 portion of the premium refunded by the insurance carrier upon
9 the termination of the insurance.

10 "(g) A creditor may not contract for or receive a
11 separate charge for insurance against loss of or damage to
12 property or against liability for property damage or personal
13 injuries unless the original amount financed exclusive of the
14 charges for insurance is three hundred dollars (\$300) or more
15 and the value of the property is three hundred dollars (\$300)
16 or more.

17 "(h) In no event shall the creditor have any
18 responsibility or liability for the failure to purchase any
19 insurance permitted by this section unless the creditor has
20 affirmatively undertaken in writing to purchase the insurance.

21 "(i) A creditor may offer and finance any other
22 insurance in connection with any consumer credit transaction
23 upon such terms as are authorized by regulation of the
24 administrator."

25 Section 2. This act shall become effective on the
26 first day of the third month following its passage and
27 approval by the Governor, or its otherwise becoming law.

