

Part 8

Credit Life and Accident and Health Insurance

31A-22-801 Scope of part.

- (1) Except as provided under Subsection (2), all life insurance and accident and health insurance in connection with loans or other credit transactions are subject to this part.
- (2)
 - (a) Insurance written in connection with a credit transaction is not subject to this part, but is subject to other provisions of this title, if the credit transaction is:
 - (i) secured by a first mortgage or deed of trust; and
 - (ii) made to finance the purchase of real property or the construction of a dwelling thereon, or to refinance a prior credit transaction made for such a purpose.
 - (b) Isolated transactions on the part of an insurer that are not related to an agreement or plan for insuring debtors of the creditor are not subject to this part.

Amended by Chapter 168, 2017 General Session

31A-22-802 Definitions.

As used in this part:

- (1) "Credit accident and health insurance" means insurance on a debtor to provide indemnity for payments coming due on a specific loan or other credit transaction while the debtor has a disability.
- (2) "Credit life insurance" means life insurance on the life of a debtor in connection with a specific loan or credit transaction.
- (3) "Credit transaction" means any transaction under which the payment for money loaned or for goods, services, or properties sold or leased is to be made on future dates.
- (4) "Creditor" means the lender of money or the vendor or lessor of goods, services, or property, for which payment is arranged through a credit transaction, or any successor to the right, title, or interest of any lender or vendor.
- (5) "Debtor" means a borrower of money or a purchaser, including a lessee under a lease intended as security, of goods, services, or property, for which payment is arranged through a credit transaction.
- (6) "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a credit transaction, including principal finance charges and interest.
- (7) "Net indebtedness" means the total amount required to liquidate the indebtedness, exclusive of any unearned interest, any insurance on the monthly outstanding balance coverage, or any finance charge.
- (8) "Net written premiums" means gross written premiums minus refunds on termination.

Amended by Chapter 366, 2011 General Session

31A-22-803 Forms of insurance permitted.

Credit life insurance and credit accident and health insurance may be issued only in the following forms:

- (1) individual policies of term life insurance issued to debtors;
- (2) individual policies of term accident and health insurance issued to debtors, or accident and health benefit provisions in individual policies of credit life insurance;

- (3) group policies of term life insurance issued to creditors, providing insurance upon the lives of debtors;
- (4) group policies of term accident and health insurance issued to creditors insuring debtors, or accident and health benefit provisions in group credit life insurance policies.

Amended by Chapter 116, 2001 General Session

31A-22-804 Limitations on amounts of insurance.

- (1) Except as provided under Subsection (2), the initial amount of credit life insurance on the life of any one debtor may not exceed the total amount repayable under the contract of indebtedness. Where an indebtedness is repayable in substantially equal periodic installments, the amount of insurance may not exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.
- (2) Subsection (1) does not apply to:
 - (a) insurance on agricultural credit transaction commitments not exceeding the commitment period, which may be written for the amount of the commitment on a nondecreasing or level term plan;
 - (b) insurance on educational credit transaction commitments, which may be written to include the portion of the commitment that has not been advanced by the creditor;
 - (c) insurance on preauthorized lines of credit not exceeding the commitment period which may be written for the preauthorized amount on a nondecreasing or level term plan, whether secured or unsecured; and
 - (d) insurance on any other class of lawful credit transaction or commitment, which in the commissioner's opinion does not require the application of the restrictions under Subsection (1), in which case the commissioner may authorize by rule a class exception to Subsection (1).
- (3) The total amount of indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, may not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness. The amount of each periodic indemnity payment may not exceed the total amount repayable under the contract of indebtedness divided by the number of periodic installments.

Amended by Chapter 116, 2001 General Session

31A-22-805 Beginning date of insurance.

- (1) Except as provided under Subsection (2), any credit life insurance or credit accident and health insurance, subject to acceptance by the insurer, commences on the date when the debtor becomes obligated to the creditor.
- (2)
 - (a) Where a group policy provides coverage for existing obligations, the insurance on a debtor with respect to that indebtedness commences on the effective date of the policy.
 - (b) Where evidence of insurability is required and the evidence is furnished more than 30 days after the debtor becomes obligated to the creditor, the insurance may commence when the insurance company determines the evidence of insurability to be satisfactory. In this event, the insurer shall make an appropriate refund or adjustment of any charge to the debtor for insurance.
- (3) The insurance may not extend more than 15 days beyond the scheduled maturity date of the indebtedness, unless it does so at no additional cost to the debtor.

- (4) If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall terminate before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in Section 31A-22-808.

Amended by Chapter 116, 2001 General Session

31A-22-806 Provisions of policies and certificates.

- (1) All credit life insurance and credit accident and health insurance shall be evidenced by an individual policy, or, in the case of group insurance, by a certificate of insurance delivered to the debtor.
- (2) Each of these types of policies or certificates shall, in addition to satisfying the requirements of Chapter 21, Insurance Contracts in General, set forth:
 - (a) the name and home office address of the insurer;
 - (b) the identity, by name or otherwise, of the persons insured;
 - (c) the rate, premium, or amount of payment by the debtor, if any, given separately for credit life insurance and credit accident and health insurance;
 - (d) a description of the amount, term, and coverage, including any exceptions, limitations, and restrictions;
 - (e) that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness; and
 - (f) that whenever the amount of insurance exceeds the unpaid indebtedness, that excess is payable to a beneficiary, other than the creditor, named by the debtor or to the debtor's estate.
- (3) Except as provided in Subsection (4), the policy or certificate shall be delivered to the debtor within 30 days after the date when the indebtedness is incurred.
- (4)
 - (a) If the policy or certificate is not delivered to the debtor within 30 days after the date the indebtedness is incurred, a copy of the application for the policy or a notice of proposed insurance shall be delivered to the debtor.
 - (b) The application or the notice shall be signed by the debtor and shall set forth:
 - (i) the name and home office address of the insurer;
 - (ii) the name of the debtor;
 - (iii) the premium or amount of payment by the debtor, if any, separately for credit life insurance and credit accident and health insurance; and
 - (iv) the amount, term, and a brief description of the coverage provided.
 - (c) The copy of the application for or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate from the loan, sale, or other credit statement of account or instrument, unless the information required by this Subsection (4)(c) is prominently set forth therein.
 - (d) Upon acceptance of the insurance by the insurer and within 60 days after the later of the date on which the indebtedness is incurred or the date on which the credit life or credit accident and health policy was purchased, the insurer shall deliver the individual policy or group certificate of insurance to the debtor.
 - (e) The application or notice shall state that upon acceptance by the insurer, the insurance is effective as provided in Section 31A-22-805.
- (5) If the named insurer does not accept the risk, the debtor shall receive a policy or certificate of insurance setting forth the name and home office address of the substituted insurer and the

amount of the premium to be charged. If the premium is less than that set forth in the notice of proposed insurance, an appropriate refund shall be made.

- (6) If a creditor makes available to the debtors more than one plan of credit life or credit accident and health insurance, all debtors shall be informed of the plans applicable to the specific type of loan transaction for which the debtor is applying.

Amended by Chapter 297, 2011 General Session

31A-22-807 Filing and approval of forms -- Loss ratio standards.

- (1) A policy, certificate of insurance, statement of insurance, or endorsement form intended for use in Utah is subject to Section 31A-21-201.
- (2) In addition to the grounds for prohibiting use of a form under Subsection 31A-21-201(3), it is a ground to prohibit the use of a form that the benefits provided in the form are not reasonable in relation to the premium charge.
- (3)
 - (a) In ascertaining whether the benefits are reasonable in relation to the premium charged, the commissioner shall consider:
 - (i) the mortality cost of the life insurance;
 - (ii) the morbidity cost of the accident and health insurance; and
 - (iii) the reserves set up for the payment of claims unreported or in the process of settlement.
 - (b) For purposes of this section, benefits are considered reasonable in relation to the premium charged if, given the costs described in this Subsection (3), the premium rate charged develops or may reasonably be expected to develop a loss ratio of:
 - (i) not less than 50% for credit life insurance; and
 - (ii) not less than 55% for credit accident and health insurance.
- (4) Benefits are considered reasonable in relation to premium charged if the ratio of claims incurred to premium earned during the most recent four-year period at the rates in use produces a loss ratio that is equal to or exceeds the minimum loss ratio standard specified in Subsection (3).
- (5) If the minimum loss ratio test produces a loss ratio that exceeds the minimum loss ratio standard in Subsection (4) by five percentage points or more, the insurer may file for approval and use a rate that is higher than the prima facie rate, if it can be expected that the use of the higher rate will continue to produce a loss ratio for an account to which it is applied that will satisfy the minimum loss ratio test.
- (6) If the minimum loss ratio test produces a loss ratio that is lower than the minimum loss standard in Subsection (4) by five percentage points or more, the commissioner may require that the insurer:
 - (a) file an adjusted rate that can be expected to produce a loss ratio that will satisfy the minimum loss ratio test; or
 - (b) submit reasons acceptable to the commissioner why the insurer should not be required to file an adjusted rate.

Amended by Chapter 345, 2008 General Session

31A-22-808 Premiums and refunds.

- (1) Each policy, certificate, or statement of insurance shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled to it. The formula used in computing the refund shall be filed with and approved by the

commissioner under Chapter 21, Part 2, Approval of Forms. No refund is required if it would be less than \$5.

- (2) If a creditor requires a debtor to make any payment for credit life or credit accident and health insurance and an individual policy, certificate, or statement of insurance is not issued, the creditor shall immediately give written notice to the debtor and credit the account.
- (3) The amount charged the debtor for credit life or accident and health insurance may not exceed the premiums charged by the insurer as computed at the time the charge to the debtor is determined.

Amended by Chapter 90, 2004 General Session

31A-22-809 Right of debtor to choose insurer.

When credit life insurance or credit accident and health insurance is required as security for any indebtedness, the creditor shall inform the debtor of the debtor's option to furnish the required insurance through existing policies of insurance owned or controlled by the debtor or to procure and furnish the required coverage through any insurer authorized to transact life or accident and health insurance in Utah.

Amended by Chapter 116, 2001 General Session