

Chapter 6 Insurance

Part 1 Insurance in General

70C-6-101 Scope -- Relation to credit insurance -- Applicability to parties.

- (1) Except as provided in Subsection (2), this chapter applies to insurance provided or to be provided in connection with any consumer credit transaction subject to this title.
- (2) The provision on cancellation by a creditor under Section 70C-6-304 applies to extensions of credit, the primary purpose of which is the financing of insurance. No other provision of this chapter applies to insurance so financed.
- (3) Except as provided elsewhere under this title, this chapter supplements and does not supersede Title 31A, Chapter 22, Part 8, Credit Life and Accident and Health Insurance. The provisions of this title concerning administrative controls, liabilities, and penalties do not apply to persons acting as insurers, and the similar provisions of the Credit Insurance Act do not apply to creditors and debtors.

Amended by Chapter 90, 2004 General Session

70C-6-102 Definition -- Consumer credit insurance.

"Consumer credit insurance" means insurance, other than insurance on property, by which the satisfaction of debt in whole or in part is a benefit provided, but does not include:

- (1) insurance issued as an isolated transaction on the part of the insurer not related to an agreement or plan for insuring debtors of the creditor; or
- (2) insurance indemnifying the creditor against loss due to the debtor's default.

Enacted by Chapter 159, 1985 General Session

70C-6-103 Creditor's provision of and charge for insurance -- Excess amount of charge.

- (1) Except as otherwise provided in this chapter, a creditor may agree to provide insurance. If insurance is not required, a charge for such insurance shall be separate from and in addition to other charges. A creditor shall separately disclose any charge for insurance required and provided by it. This title does not authorize the issuance of any insurance prohibited under any statute, rule, or regulation.
- (2) A charge for insurance which exceeds the maximum authorized by Section 70C-6-105 is an excess charge for the purposes of Chapter 7, Remedies and Penalties, on remedies and penalties, as to effect of violations on rights of parties under Section 70C-7-201, and of Chapter 8, Administration, on administration.

Enacted by Chapter 159, 1985 General Session

70C-6-104 Conditions applying to insurance to be provided by creditor.

If a creditor agrees with a debtor to provide insurance:

- (1) the insurance shall be evidenced by an individual policy or certificate of insurance delivered to the debtor, or sent to him at his address as stated by him, within 30 days after the term of the insurance commences under the agreement between the creditor and debtor; or

(2) the creditor shall promptly notify the debtor of any failure or delay in providing the insurance.

Enacted by Chapter 159, 1985 General Session

70C-6-105 Maximum charge by creditor for insurance.

If a creditor contracts for or receives a separate charge for insurance, the amount charged the debtor for the insurance may not exceed the premium to be charged by the insurer, without deduction for commissions, as computed at the time the charge to the debtor is determined, conforming to any rate filings required by law and made by the insurer with the commissioner of insurance.

Enacted by Chapter 159, 1985 General Session

70C-6-106 Refund or credit required -- Amount.

- (1) A debtor or his estate is entitled to any rebate or refund due from an insurer and to any unearned part of a separate charge for insurance previously paid by the debtor, resulting from the prepayment of a consumer credit debt, except when all refunds and credits due to the debtor under this title amount to less than \$5.
- (2) A creditor shall promptly make or cause to be made an appropriate refund or credit to the debtor with respect to any separate charge made to him for insurance if:
 - (a) the insurance is not provided or is provided for a shorter term than that for which the charge to a debtor for insurance was computed; or
 - (b) the insurance terminates prior to the end of the term for which it was written because of prepayment in full or otherwise.
- (3) All refunds or credit required by this section shall be computed according to a method prescribed or approved by the Insurance Department or formula filed by the insurer with the Insurance Department at least 30 days before any debtor's right to a refund or credit becomes determinable, unless the method or formula is employed after the Insurance Department notifies the insurer that the method or formula has been disapproved.
- (4) Except as provided in Subsection (1), a creditor is not obligated to account to a debtor for any portion of a separate charge for insurance when:
 - (a) the insurance is terminated by performance of the insurer's obligation;
 - (b) the creditor pays or accounts for premiums to the insurer in amounts and at times determined by the agreement between them; or
 - (c) the creditor receives directly or indirectly under any policy of insurance a gain or advantage not prohibited by law.

Enacted by Chapter 159, 1985 General Session

70C-6-107 Existing insurance -- Choice of insurer.

If a creditor requires insurance, upon notice to the creditor the debtor may provide the required insurance through an existing policy of insurance owned or controlled by the debtor, or through a policy to be obtained and paid for by the debtor, but the creditor may for reasonable cause decline the insurance provided by the debtor.

Enacted by Chapter 159, 1985 General Session

70C-6-108 Charge for insurance in connection with a deferral, refinancing, or consolidation -- Duplicate charges.

A creditor may contract for and receive a separate charge for insurance in connection with a deferral, a refinancing, or a consolidation if:

- (1) the debtor agrees at or before the time of the deferral, refinancing, or consolidation that the charge may be made;
- (2) the insurance is not required by the creditor as a condition of granting the deferral, refinancing, or consolidation, unless the insurance is of a type which the creditor may lawfully require a debtor to obtain in connection with an extension of credit;
- (3) the terms and conditions of the insurance to be provided comply with all requirements of this chapter; and
- (4) the debtor receives an appropriate refund or credit on account for any unexpired term of existing insurance which is duplicated to any degree by the insurance to be provided in connection with the deferral, refinancing, or consolidation.

Enacted by Chapter 159, 1985 General Session

**Part 2
Consumer Credit Insurance**

70C-6-201 Term of insurance.

- (1) Consumer credit insurance provided by a creditor may be subject to the furnishing of evidence of insurability satisfactory to the insurer. Whether or not this evidence is required, the term of the insurance shall commence no later than when the debtor becomes obligated to the creditor or when the debtor applies for the insurance, whichever is later, except as follows:
 - (a) if any required evidence of insurability is not furnished until more than 30 days after the term would otherwise commence, the term may commence on the date when the insurer determines the evidence to be satisfactory; or
 - (b) if the creditor provides insurance not previously provided covering debts previously created, the term may commence on the effective date of the policy.
- (2) With respect to a closed-end credit agreement, the originally scheduled term of the insurance shall extend at least until the due date of the last scheduled payment of the debt, but may not extend more than 15 days after the originally scheduled due date of the last scheduled payment of the debt unless:
 - (a) it is extended without additional cost to the debtor;
 - (b) it is extended in connection with a deferral, refinancing, or consolidation; or
 - (c) if the debtor is advised in writing that the insurance will be written for a specified shorter time, the term need extend only until the end of the specified time.
- (3) With respect to an open-end credit agreement, if the creditor agrees to provide consumer credit insurance, the creditor shall provide sufficient insurance to pay the unpaid balance in the open-end account at any point in time up to the limit of the line of credit granted, unless the parties to the credit agreement specifically agree in writing the insurance provided may be for a definite or limited term, and may be for a maximum amount less than the unpaid balance in the account at any time or less than the maximum amount of credit authorized.

Enacted by Chapter 159, 1985 General Session

70C-6-202 Maximum amount of insurance.

- (1) With respect to a closed-end credit agreement:
 - (a) in the case of consumer credit insurance providing life coverage, the amount of insurance may not initially exceed the debt and, if the debt is payable in installments, may not at any time exceed the greater of the scheduled or actual amount of the debt; and
 - (b) in the case of any other consumer credit insurance, the total amount of periodic benefits payable may not exceed the total of scheduled unpaid installments of the debt, and the amount of any periodic benefit may not exceed the original amount of debt divided by the number of periodic installments in which it is payable.
- (2) With respect to an open-end credit agreement:
 - (a) in the case of consumer credit insurance providing life coverage, the amount of insurance may not exceed the unpaid balance in the account at any point in time; and
 - (b) in the case of any other consumer credit insurance, the total amount of periodic benefits payable may not exceed the total of scheduled installments to pay the unpaid balance of the debt at any point in time.

Enacted by Chapter 159, 1985 General Session

70C-6-203 Filing and approval of rates and forms.

- (1) A creditor may use a form or a schedule of premium rates or charges concerning consumer credit insurance only if the form or schedule has been on file with the Insurance Department for at least 30 days and has not been disapproved by the Insurance Department or has been specifically approved by the Insurance Department at any time after filing.
- (2) Except as provided in Subsection (3), all policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders relating to consumer credit insurance delivered or issued for delivery in this state, and the schedules of premium rates or charges pertaining to them, shall be filed by the insurer with the Insurance Department. Within 30 days after the filing of any form or schedule, the Insurance Department shall disapprove it if the premium rates or charges are unreasonable in relation to the benefits provided under the form, or if the form contains provisions which are unjust, unfair, inequitable, or deceptive, or encourages misrepresentation, or are contrary to any provisions of this title, or Title 31A, Chapter 22, Part 8, Credit Life and Accident and Health Insurance, or of any rule adopted under that act or this title.
- (3) If a group policy has been delivered in another state, the forms to be filed by the insurer with the Insurance Department are the group certificates and notices of proposed insurance. The Insurance Department shall approve those certificates and notices if:
 - (a) they provide the information that would be required if the group policy were delivered in this state; and
 - (b) the applicable premium rates or charges do not exceed those established by the Insurance Department's rules.

Amended by Chapter 90, 2004 General Session

**Part 3
Property and Liability Insurance**

70C-6-301 Property insurance.

- (1) A creditor may not contract for or receive a separate charge for insurance against loss of or damage to property related to the credit transaction unless:
 - (a) the insurance covers a significant risk of loss of or damage to the property;
 - (b) the amount, terms, and conditions of the insurance are reasonable in relation to the character and value of the property insured or to be insured; and
 - (c) the term of the insurance is reasonable in relation to the terms of credit.
- (2) The term of insurance is reasonable if it is customary and does not extend substantially beyond a scheduled maturity.

Enacted by Chapter 159, 1985 General Session

70C-6-302 Insurance on creditor's interest only.

If a creditor contracts for or receives a separate charge for insurance against loss of or damage to property, the risk of loss or damage not willfully caused by the debtor is on the debtor only to the extent of any deficiency in the effective coverage of the insurance, even though the insurance covers only the interest of the creditor.

Enacted by Chapter 159, 1985 General Session

70C-6-303 Liability insurance.

A creditor may not contract for or receive a separate charge for insurance against liability arising out of the ownership or use of property related to the credit transaction, unless the insurance covers a significant risk of liability.

Enacted by Chapter 159, 1985 General Session

70C-6-304 Cancellation by creditor.

A creditor may not request cancellation of a policy of property or liability insurance except after the debtor's default or in accordance with a written authorization by the debtor, and in either case the cancellation does not take effect until written notice is delivered to the debtor or mailed to him at his address as stated by him. The notice shall state that the policy may be cancelled on a date not less than 10 days after the notice is delivered, or, if the notice is mailed, not less than 13 days after it is mailed.

Enacted by Chapter 159, 1985 General Session