

GENERAL ASSEMBLY OF NORTH CAROLINA
1987 SESSION

CHAPTER 826
HOUSE BILL 1022

AN ACT TO AMEND CHAPTER 58 RELATING TO CREDIT INSURANCE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-341 is amended:

(a) in the first sentence of the first paragraph by inserting immediately after "G.S. 25A-33" the following: ", leases,"; and

(b) by rewriting the second paragraph to read:

"This Article may be cited as "The North Carolina Act for the Regulation of Credit Life, Credit Accident and Health, and Credit Property Insurance."

Sec. 2. G.S. 58-342 is amended by rewriting subsection (5) to read:

"(5) 'Creditor' means any lender of money or vendor or lessor of goods, services, property, rights or privileges, including any person that directly or indirectly provides credit in connection with any such sale or lease, for which payment is arranged through a credit-related transaction; or any successor to the right, title or interest of any such lender, vendor, lessor, or person extending credit, and an affiliate, associate, or subsidiary of any of them, or any director, officer, or employee of any of them or any other person in any way associated with any of them;"

Sec. 3. G.S. 58-342 is amended by changing the period at the end of subsection (8) to a semicolon and by adding a new subsection (9) to read:

"(9) 'Lease' means a contract whereby the lessee of a 'motor vehicle,' as defined in G.S. 20-4.01(23), contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property, but not exceeding the term of years in G.S. 58-341."

Sec. 4. G.S. 58-349(c) is amended by substituting "seventy cents (70¢)" for "eighty cents (80¢)"; and G.S. 58-349(e) is amended by substituting "one dollar and thirty cents (\$1.30)" for "one dollar and fifty cents (\$1.50)".

Sec. 5. G.S. 58-349 is amended by adding a new subsection to read:

"(h) In addition to the premium rate authorized, a charge may also be made for a nonrefundable origination fee per credit life insurance transaction as set forth below:

Insured Indebtedness	Fee Permitted
less than \$250.00	none
\$250.00 or more but less than \$500.00	\$1.00
more than \$500.00	\$2.00

No third or subsequent origination fee may be charged in connection with a third or subsequent refinancing within any twelve-month period."

Sec. 6. G.S. 58-350(d) is rewritten to read:

"(d) If premiums are payable in one sum in advance for the entire duration of the indebtedness, for insurance with a preexisting exclusion as defined above, the following premiums are authorized:

No. of Months in which Indebtedness is Repayable	Single Premium Rates per \$100.00 of Initial Insured Indebtedness				
	Nonretroactive Benefits		Retroactive Benefits		
	14-Day	30-Day	7-Day	14-Day	30-Day
12	1.40	.95	2.60	2.10	1.40
24	1.90	1.40	3.50	2.85	1.90
36	2.40	1.90	4.35	3.65	2.40
48	2.85	2.40	5.25	4.40	2.85
60	3.35	2.85	6.10	5.20	3.35
72	3.85	3.35		5.95	3.85
84	4.30	3.85		6.70	4.30
96	4.80	4.30		7.50	4.80
108	5.25	4.80		8.25	5.25
120	5.75	5.25		9.00	5.75

For terms other than the above, premiums shall be prorated."

Sec. 7. G.S. 58-350 is amended by adding a new subsection to read:

"(g) In addition to the premium rate authorized, a charge may also be made for a nonrefundable origination fee per credit accident and health insurance transaction as set forth below:

Insured Indebtedness	Fee Permitted
less than \$250.00	none
\$250.00 or more but less than \$500.00	\$1.00
\$500.00 or more	\$2.00

No third or subsequent origination fee may be charged in connection with a third or subsequent refinancing within any twelve-month period."

Sec. 8. G.S. 58-354 is rewritten as follows:

"Credit life insurance and credit accident and health insurance may not be required of any borrower by any creditor. When credit property insurance is required for any indebtedness, the debtor shall be notified in writing of the option of furnishing the required amount of insurance through existing policies owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this State."

Sec. 9. G.S. 58-359(b), is amended by deleting the first paragraph and inserting the following:

"Premium rates charged shall not exceed eighty-seven cents (87¢) per year per one hundred dollars (\$100.00) of insured value for single interest credit property insurance and shall not exceed one dollar and thirty-one cents (\$1.31) per year per one hundred dollars (\$100.00) of insured value for dual interest credit property insurance. The insured value shall not exceed the lesser of the value of the property or the amount of the initial indebtedness.

In addition to the premium rate authorized, a charge may also be made for a nonrefundable origination fee per credit property insurance transaction as set forth below:

Insured Value	Fee Permitted
less than \$250.00	none
\$250.00 or more but less than \$500.00	\$1.00
\$500.00 or more	\$2.00

No third or subsequent origination fee may be charged in connection with the third or subsequent refinancing within any twelve-month period."

Sec. 10. The first sentence of G.S. 53-189 (a) is rewritten to read:

"Credit life, credit accident and health, and credit property insurance may be written in accordance with the provisions of the North Carolina Act for the Regulation of Credit Life, Credit Accident and Health and Credit Property Insurance, G.S. 58-341 et seq."

Sec. 11. The Title of Subchapter VIII of Chapter 58 of the General Statutes is rewritten to read:

"Subchapter VIII.

"Credit Life, Credit Accident and Health, and Credit Property Insurance."

Sec. 12. G.S. 58-341 is amended in the first sentence by deleting the number "10" and substituting the number "15".

Sec. 13. G.S. 58-349 is amended by adding a new subsection "(f1)" between existing subsections "(f)" and "(g)" to read:

"(f1) Notwithstanding the premium rates otherwise set forth in this section for credit life insurance, the premium rates for such insurance written in connection with direct loans with contractual commitments of more than 10 years' duration shall be filed with and approved by the Commissioner. Such premium rates shall exhibit a reasonable relationship to the benefits provided."

Sec. 14. G.S. 58-350 is amended by adding a new subsection "(e1)" between existing subsections "(e)" and "(f)" to read:

"(e1) Notwithstanding the premium rates otherwise set forth in this section for credit accident and health insurance, the premium rates for such insurance written in connection with direct loans with contractual commitments of more than 10 years' duration shall be filed with and approved by the Commissioner. Such premium rates shall exhibit a reasonable relationship to the benefits provided."

Sec. 15. This act shall become effective January 1, 1988.

In the General Assembly read three times and ratified this the 13th day of August, 1987.