

Jensen, Redwine, McCoy

Succeeded By
HF 2251

SSB 3119
Commerce

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
COMMERCE/INSURANCE DIVISION
BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to credit insurance, including a prohibition on
2 the offering or sale of single premium credit insurance in
3 mortgage transactions, and regarding guidelines for
4 establishment of rates for credit life or credit accident and
5 health insurance.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 507B.5A SINGLE PREMIUM CREDIT
2 INSURANCE.

3 1. An insurer offering or providing credit insurance in
4 this state shall not offer, deliver, issue for delivery, cause
5 to be delivered, or sell any form of single premium credit
6 insurance in connection with a mortgage transaction in this
7 state.

8 2. For purposes of this section, "single premium credit
9 insurance" means any credit insurance where the full premium
10 is charged to the consumer as a whole sum at or near the
11 inception of coverage whether that charge is made by the
12 creditor or by the insurer.

13 3. This section does not preclude an insurer from offering
14 alternatives to single premium credit insurance when credit
15 insurance is required in connection with any mortgage
16 transaction in this state. However, those alternatives must
17 allow for payment of premium on a monthly basis.

18 Sec. 2. Section 509.17, subsection 3, Code 2001, is
19 amended to read as follows:

20 3. The commissioner shall, after a public hearing, approve
21 a reasonable charge or premium for credit accident and health
22 insurance and for credit life insurance as the commissioner
23 deems appropriate and necessary for the implementation of this
24 section. The commissioner shall not approve rates that are
25 expected to produce a loss ratio of less than fifty percent.

26 EXPLANATION

27 This bill deals with credit insurance issues.

28 The bill adds new Code section 507B.5A, which prohibits the
29 offering or sale of single premium credit insurance in
30 connection with a mortgage transaction. An insurer may offer
31 alternatives that provide for payment of a monthly premium, if
32 credit insurance is required.

33 The bill amends Code section 509.17 regarding the
34 guidelines for rates for credit life insurance and credit
35 accident and health insurance. The bill provides that the

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1 rates approved by the commissioner of insurance following a
2 public hearing shall not be at a level expected to produce a
3 loss ratio of less than 50 percent.

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BACKGROUND STATEMENT
Credit Insurance Bill
Insurance Division

Section 1 provides an unfair trade practice to sell single premium credit insurance in the state of Iowa.

Section 2 provides for minimum loss ratios in the area of credit life insurance and credit accident and health insurance. Last year, a similar provision was passed for credit personal property insurance. Rates will be approved by the commissioner that expect to produce a loss ratio of not less than 50%.

3/11/02 Taken from Calendar +
Sent to Commerce Comm

FILED FEB 20 2002

SENATE FILE 2251
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3119)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the establishment of rates for credit life or
2 credit accident and health insurance.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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6 deems appropriate and necessary for the implementation of this
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8 expected to produce a loss ratio of less than fifty percent.

9 EXPLANATION

10 This bill amends Code section 509.17 regarding the
11 guidelines for rates for credit life insurance and credit
12 accident and health insurance. The bill provides that the
13 rates approved by the commissioner of insurance following a
14 public hearing shall not be at a level expected to produce a
15 loss ratio of less than 50 percent.

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