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Insurance; credit insurance

NEV. REV. STAT. § 690A.020 (repealed); § 690A.____ (new); §§ 675.300, 683A.110, 683A.260, 687B.122, 690A.010, 690A.030, 690A.040, 690A.050, 690A.060, 690A.070, 690A.080, 690A.090, 690A.100, 690A.110, 690A.120, 690A.130, 690A.140 (amended). SB 371 (Committee on Commerce and Labor); 1987 STAT. Ch 818

Chapter 818 regulates credit insurance¹ by providing a more comprehensive and standardized framework for the credit insurance industry.² Chapter 818 sets limits on the maximum rates³ for credit life,⁴ credit disability⁵ and involuntary unemployment insurance premiums.⁶ Additionally, Chapter 818 prohibits insurers from paying producers⁷ compensation⁸ in excess of forty percent of the established maximum premium.⁹ Under Chapter 818 the commissioner¹⁰ has authority to approve a higher premium and a higher rate of compensation.¹¹

Chapter 818 also requires insurers to file formulas for refunds¹² with the commissioner for approval.¹³ Moreover, Chapter 818 pro-

1. Compare 1987 Nev. Stat. ch. 818, sec. 9, at ____ (enacting NEV. REV. STAT. § 690A.____) (defines credit insurance as credit life, credit disability, involuntary unemployment and any other similar form of insurance) with 1971 Nev. Stat. ch. 21, sec. 523, at 1771 (enacting NEV. REV. STAT. § 690A.020) (prior law did not have a separate definition for credit insurance). Chapter 818 also expands the definitions of credit health and credit life insurance. 1987 Nev. Stat. ch. 818, secs. 8, 10, at ____ (enacting NEV. REV. STAT. § 690A.____). See also *id.* sec. 50, at ____ (repealing NEV. REV. STAT. § 690A.020).

2. 1987 Nev. Stat. ch. 818, secs. 1-50, at ____ (enacting NEV. REV. STAT. § 690A.____).

3. *Id.* sec. 26, at ____ (enacting NEV. REV. STAT. § 690A.____) (the commissioner may approve a higher rate for a nonstandard class of risk).

4. *Id.* sec. 27, at ____ (tables to determine maximum credit life rates).

5. *Id.* sec. 28, at ____ (tables to determine credit disability rates). See also *id.* sec. 8, at ____ (definition of credit disability insurance).

6. *Id.* sec. 29, at ____ (single premium maximum rate is \$2 for \$100 of insurance; group rate may be graduated). See also *id.* sec. 15, at ____ (definition of involuntary unemployment insurance).

7. *Id.* sec. 20, at ____ (definition of producer).

8. *Id.* sec. 6, at ____ (definition of compensation).

9. *Id.* sec. 31, at ____ (net charge for premiums).

10. NEV. REV. STAT. § 679A.060 (definition of commissioner).

11. *Id.* secs. 26, 31, at ____ (insurers must file statistical information justifying the higher rate).

12. A refund is required when insurance is terminated before the scheduled maturity date of the indebtedness. NEV. REV. STAT. § 690A.090 (amended by 1987 Nev. Stat. ch. 818, sec. 43, at ____).

13. *Id.* sec. 32, at ____ A formula for a refund specified in a policy is acceptable if it has been filed, acknowledged and not disapproved by the commissioner. *Id.*

vides two acceptable formulas for refunds¹⁴ and gives insurers the option to calculate refunds on a daily basis or a monthly basis.¹⁵ Under Chapter 818 credit insurance generally may not contain restrictions based upon the debtor's age.¹⁶ Additionally, Chapter 818 establishes procedures for insurers to void the policy based upon a fraudulent misstatement of age¹⁷ or upon insurer error.¹⁸

Under existing law, the amount of credit life insurance sold to a debtor could not exceed the scheduled indebtedness¹⁹ or the amount of the unpaid indebtedness.²⁰ Chapter 818 allows an additional reasonable amount of insurance for delinquencies.²¹ Further, if the indebtedness is repayable in equal installments, Chapter 818 provides that the amount of insurance follow a schedule of insurance.²² Under existing law periodic indemnity payments of credit health insurance cannot exceed the aggregate of the unpaid installments of the indebtedness.²³ Chapter 818 extends this requirement to include payments of involuntary unemployment insurance.²⁴

Existing law prohibits certain types of rebates²⁵ and other induce-

14. *Id.* sec. 32, at _____. A single premium policy must use the "sum-of-the-digits" formula. *Id.* For other than single premium policies the refund must equal the prorated unearned gross premium. *Id.*

15. *Id.* When calculating on an approximate daily basis all months will have 30 days. *Id.* No charge may be made for periods of less than 16 days, but for periods over 16 days a full month's charge may be assessed. *Id.*

16. 1987 Nev. Stat. ch. 818, sec. 30, at ____ (enacting NEV. REV. STAT. § 690A.____) (age may not be used to terminate existing coverage, but may be used to deny initial coverage, if the debtor is over 66 years or will attain the age of 70 prior to the maturity of the indebtedness). Compare *id.* sec. 12, at ____ (enacting NEV. REV. STAT. § 690A.____) (definition of debtor) with 1971 Nev. Stat. ch. 21, sec. 523, at 1771. See also 1987 Nev. Stat. ch. 818, sec. 50, at (repealing NEV. REV. STAT. § 690A.020).

17. *Id.* sec. 30, at ____ (enacting NEV. REV. STAT. § 690A.____) (may be challenged within 60 days if the statement is in a written instrument signed by debtor and a copy of the statement has been given to the debtor).

18. *Id.* (if the insurer takes action within 60 days it may terminate coverage unless debtor has been disabled, involuntarily unemployed or has died).

19. *Id.* sec. 14, at ____ (definition of indebtedness).

20. NEV. REV. STAT. § 690A.040 (amended by 1987 Nev. Stat. ch. 818, sec. 38, at ____). If the indebtedness is repayable in equal installments the amount of insurance can not exceed either the scheduled or unpaid amount of indebtedness. *Id.*

21. 1987 Nev. Stat. ch. 818, sec. 38, at ____ (amending NEV. REV. STAT. § 690A.040).

22. *Id.* The amount of insurance is limited to the amount required to liquidate the indebtedness less any unearned interest or finance charge and an amount to cover delinquencies. In the alternative, insurance may be written which will decrease with the indebtedness and never exceed the indebtedness or a level term plan of insurance may be issued not to exceed the actual term of indebtedness. *Id.*

23. NEV. REV. STAT. § 690A.050 (amended by 1987 Nev. Stat. ch. 818, sec. 39, at ____) (and the payments cannot exceed the original indebtedness divided by the number of periodic installments).

24. 1987 Nev. Stat. ch. 818, sec. 39, at ____ (enacting NEV. REV. STAT. § 690A.____).

25. NEV. REV. STAT. § 686A.110 (rebates of any premium payable on the contract or advantages on the dividend).

ments.²⁶ Chapter 818 adds to the list of prohibited inducements the use of compensating balances or accounts of special deposits²⁷ in connection with a program of health insurance.²⁸ Furthermore, Chapter 818 prohibits an authorized insurer from transferring by reinsurance or other means, credit insurance²⁹ to an unauthorized insurer in the absence of enumerated conditions.³⁰ Existing law restricts the purview of credit insurance law to loans or credit transactions with a maximum duration of ten years.³¹ Chapter 818 expands the restriction to include loans or credit transactions with a maximum duration of fifteen years.³² Existing law also regulates the forms in which individual and group credit life and credit health insurance can be issued.³³ Chapter 818 redefines the forms in which credit insurance may be issued.³⁴

Chapter 818 requires insurers to compile yearly statistics³⁵ for each type of credit insurance issued, direct insurance and reinsurance assumed.³⁶ In addition, Chapter 818 also requires insurers to conduct

26. *Id.* (return of profits, stocks, bonds).

27. 1987 Nev. Stat. ch. 818, sec. 23, at ____ (enacting NEV. REV. STAT. 690A.____) (definition of compensating balances or accounts for special deposits).

28. *Id.*

29. *Id.* sec. 33, at ____ (defined for purposes of this section as a substantial portion of the risk, all of one or more kinds of credit insurance produced by one or more agents, agencies or creditors, or all the credit insurance written in one geographical area).

30. *Id.* sec. 33, at ____ . The transfer may be made if the unauthorized insurer maintains a sufficient amount of security on deposit with the commissioner, files an annual statement with the commissioner, maintains reserves on its credit insurance business, agrees to examinations conducted by the commissioner, complies with the commissioner's standards, does not hold or issue types of stock which pays dividends based upon four enumerated classes of businesses, and values its assets in accordance with Nevada Revised Statutes section 681B.050 which requires insurers to maintain reserves equal to all losses and claims incurred computed by requirements prescribed by the commissioner. *Id.* Foreign insurers who do not meet these conditions may continue in business until 3 months after a 10% change in the ownership of its stock or until January 1, 1994. *Id.* sec. 34, at ____ .

31. NEV. REV. STAT. § 690A.010 (amended by 1987 Nev. Stat. ch. 818, sec. 36, at ____).

32. 1987 Nev. Stat. ch. 818, sec. 36, at ____ (amending NEV. REV. STAT. § 690A.010).

33. 1971 Nev. Stat. ch. 21, sec. 524, at 1772 (amended by 1987 Nev. Stat. ch. 818, sec. 37, at ____) (individual health insurance on a term plan or disability provisions in individual policies of credit life insurance, group policies of life insurance on a term plan or disability benefit provisions in group credit life insurance policies).

34. 1987 Nev. Stat. ch. 818, sec. 37, at ____ (amending NEV. REV. STAT. § 690A.030). Credit insurance may only be issued as individual policies insured to debtors, or group policies of insurance issued to creditors who provide certificates of insurance to individual debtors. These may also include credit life insurance, including accidental dismemberment, credit disability insurance and involuntary unemployment insurance. *Id.*

35. *Id.* sec. 22, at ____ (policy year for group policies and calendar year for individual policy).

36. *Id.* Statistics must be compiled on the following twelve topics: (1) Gross premiums earned; (2) refunds on terminated insurance; (3) increases in reserves for unearned premiums; (4) earned premiums; (5) claims paid; (6) claim reserve increases; (7) claims incurred; (8) reserve increases (except for unearned premiums and claims); (9) commissions allowed; (10) fees and

annual audits of all payments made on their behalf³⁷ and a review of each of their accounts for creditors.³⁸ Chapter 818 also authorizes the Commissioner to direct audits³⁹ and the costs of all audits will be paid by the insurer.⁴⁰

Existing law prohibited banks⁴¹ and bank holding companies⁴² from selling⁴³ any type of insurance except credit life and health insurance.⁴⁴ Chapter 818 provides that banks and bank holding companies may also sell involuntary unemployment insurance.⁴⁵

Finally, Chapter 818 requires the Commissioner, when issuing an order for noncompliance with the provisions of Chapter 818, to specify the deadline for compliance with the order.⁴⁶ Furthermore, Chapter 818 established the maximum penalties the Commissioner may levy upon violators of the chapter.⁴⁷

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other allowances; (11) dividend and refunds paid; and (12) number of policies during the year. *Id.*

37. *Id.* sec. 24, at _____. The audits must include charges for premiums, refunds, handling of claims, amounts paid out on death and complaint resolution. *Id.* Furthermore, results must be maintained for seven years. *Id.*

38. *Id.* (initial review within 18 months of July 1, 1987 or the date of the initial credit transaction; subsequent reviews are required biannually).

39. *Id.* (if the commissioner believes the required audit has not been properly conducted).

40. *Id.* (and not chargeable to anyone).

41. NEV. REV. STAT. § 683A.110 1(a) (definition of bank).

42. *Id.* § 683A.110 1(b) (amended by 1987 Nev. Stat. ch. 818, sec. 1, at _____) (definition of bank holding company).

43. *Id.* § 683.110 1(c) (amended by 1987 Nev. Stat. ch. 818, sec. 1, at _____) (or from being licensed or admitted as an insurer).

44. NEV. REV. STAT. § 683.110 (amended by 1987 Nev. Stat. ch. 818, sec. 1, at _____).

45. 1987 Nev. Stat. ch. 818, sec. 1, at _____ (enacting NEV. REV. STAT. § 690A._____) (includes all forms of credit insurance created by Chapter 818). By expanding the definition of credit insurance, Chapter 818 affects the provisions of the Nevada Revised Statutes on licensing limited agents. 1987 Nev. Stat. ch. 818, sec. 2, at _____ (amending NEV. REV. STAT. § 683A.260). The types of insurance subject to readability requirements are also affected. 1987 Nev. Stat. ch. 818, sec. 3, at _____ (amending NEV. REV. STAT. § 687B.122). *See* NEV. REV. STAT. §§ 687B.122 - 687B.128 (provides insurance policy readability requirements).

46. 1987 Nev. Stat. ch. 818, sec. 25, at _____ (enacting NEV. REV. STAT. § 690A._____).

47. *Id.* sec. 35, at _____ (either \$2500 or, if willful, \$10,000 and after a hearing possible revocation or suspension of the person's license).