

SENATE BILL NO. 2143

Introduced by

Industry, Business and Labor Committee

(At the request of the Insurance Commissioner)

1 A BILL for an Act to create and enact sections 26.1-37-04.1 and 26.1-37-05.1 of the North
2 Dakota Century Code, relating to credit insurance; to amend and reenact sections 26.1-37-01,
3 26.1-37-02, 26.1-37-03, 26.1-37-06, 26.1-37-07, 26.1-37-08, 26.1-37-09, 26.1-37-13, and
4 26.1-37-14 of the North Dakota Century Code, relating to credit insurance; and to repeal
5 sections 26.1-37-04, 26.1-37-05, 26.1-37-10, 26.1-37-11, and 26.1-37-12 of the North Dakota
6 Century Code, relating to credit insurance.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. AMENDMENT.** Section 26.1-37-01 of the North Dakota Century Code is
9 amended and reenacted as follows:

10 **26.1-37-01. Scope and construction.**

11 1. This chapter may be cited as the "Consumer Credit Insurance Model Act".

12 2. All ~~life insurance and all accident and health~~ consumer credit insurance issued or
13 sold in connection with loans or other credit transactions ~~are for personal, family,~~
14 or household purposes is subject to the provisions of this chapter, except ~~such~~
15 insurance:

16 a. Insurance written in connection with a ~~loan or other~~ credit transaction of more
17 than twenty years' duration, and except where the issuance of such insurance
18 is an isolated transaction on the part of the insurer not related to an
19 agreement or a plan for insuring debtors of the creditor. This chapter must be
20 liberally construed that is:

21 (1) Secured by a first mortgage or deed of trust;

22 (2) Made to finance the purchase of real property or the construction of a
23 dwelling thereon, or to refinance a prior credit transaction made for
24 such a purpose;

- 1 **b.** Transactions involving extensions of credit primarily for business or
- 2 commercial purposes;
- 3 **c.** Insurance on motor vehicles designed for highway use;
- 4 **d.** Creditor-placed insurance;
- 5 **e.** Insurance sold as an isolated transaction on the part of the insurer and not
- 6 related to an agreement or a plan for insuring debtors of the creditor;
- 7 **f.** Insurance for which no identifiable charge is made to the debtor; and
- 8 **g.** Insurance on accounts receivable.

9 **SECTION 2. AMENDMENT.** Section 26.1-37-02 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **26.1-37-02. Definitions.** For the purpose of this chapter:

- 12 1. "Closed-end credit" means a credit transaction that does not meet the definition of
- 13 open-end credit.
- 14 2. "Collateral" means personal property that is pledged as security for the satisfaction
- 15 of a debt.
- 16 3. "Consumer credit insurance" is a general term used in this chapter to refer to any
- 17 or all of credit life insurance, credit accident and health insurance, credit
- 18 unemployment insurance, credit property, or any other credit insurance.
- 19 4. "Credit accident and health insurance" means insurance on a debtor to provide
- 20 indemnity for payments becoming due on a specific loan or other credit transaction
- 21 while the debtor is disabled as defined in the policy.
- 22 5. "Credit agreement" means the written document that sets forth the terms of the
- 23 credit transaction and includes the security agreement.
- 24 ~~2-~~ 6. "Credit life insurance" means insurance on ~~the life of~~ a debtor or debtors, pursuant
- 25 to or in connection with a specific loan or other credit transaction, to provide for
- 26 satisfaction of a debt, in whole or in part, upon the death of an insured debtor.
- 27 ~~3-~~ 7. "Creditor" means the lender of money or vendor or lessor of goods, services, or
- 28 property, rights, or privileges, for which payment is arranged through a credit
- 29 transaction, or any successor to the right, title, or interest of the lender, vendor, or
- 30 lessor, and an affiliate, associate, or subsidiary of any of them or any director,

1 officer, or employee of any of them, or any other person in any way associated with
2 any of them.

3 8. "Creditor-placed insurance" means insurance that is purchased unilaterally by the
4 creditor, who is the named insured, subsequent to the date of the credit
5 transaction, providing coverage against loss, expense, or damage to the
6 collateralized personal property as a result of fire, theft, collision, or other risks of
7 loss that would either impair a creditor's interest or adversely affect the value of
8 collateral covered by dual interest insurance. It is purchased according to the
9 terms of the credit agreement as a result of the debtor's failure to provide required
10 physical damage insurance, with the cost of the coverage being charged to the
11 debtor. It is either single interest insurance or limited dual interest insurance.

12 9. "Credit property insurance" means any policy, endorsement, rider, cover note,
13 memorandum, certificate, or other instrument or evidence of insurance covering
14 perils to goods purchased through a credit transaction or pledged as collateral for a
15 credit transaction and which concerns a creditor's interest in the purchased goods
16 or pledged collateral either in whole or in part.

17 10. "Credit transaction" means any transaction by the terms of which the repayment of
18 money loaned or loan commitment made, or payment for goods, services, or
19 properties sold or leased, is to be made at a future date or dates.

20 11. "Credit unemployment insurance" means insurance on a debtor to provide
21 indemnity for payments or debt becoming due on a specific loan or other credit
22 transaction while the debtor is involuntarily unemployed as defined in the policy.

23 4- 12. "Debtor" means a borrower of money or a purchaser or lessee of goods, services,
24 property, rights, or privileges for which payment is arranged through a credit
25 transaction.

26 5- ~~"Indebtedness" means the total amount payable by a debtor to a creditor in~~
27 ~~connection with a loan or other credit transaction.~~

28 13. "Dual interest insurance" means credit property insurance covering the seller's or
29 creditor's interest and at least partially the borrower's interest in the goods
30 purchased through the credit transaction or pledged as collateral for the credit
31 transaction.

- 1 14. "Finance charge" means any charge payable directly or indirectly as an incident to
2 or as a condition of the extension of credit, including interest; time price
3 differentials; amount payable under a discount system of additional charges;
4 service, transaction, or carrying charges; loan fees; points or similar charges;
5 appraisal fees; or charges incurred for investigating the credit worthiness of the
6 consumer. The terms do not include charges as a result of default, taxes, license
7 fees, delinquency charges, or filing fees.
- 8 15. "Gross debt" means the sum of the remaining payments owed to the creditor by
9 the debtor.
- 10 16. "Identifiable charge" means a charge for a type of consumer credit insurance that
11 is made to debtors having such insurance and not made to debtors not having
12 such insurance, and includes a charge for insurance that is disclosed in the credit
13 or other instrument furnished to the debtor which sets out the financial elements of
14 the credit transaction and any difference in the finance, interest, service, or other
15 similar charge made to debtors who are in like circumstances except for the
16 insured or noninsured status of the debtor or of the property used as security for
17 the credit transaction.
- 18 17. "Net debt" means the amount necessary to liquidate the remaining debt in a single
19 lump sum payment, excluding all unearned interest and other unearned finance
20 charges.
- 21 18. "Open-end credit" means credit extended by a creditor under an agreement in
22 which:
- 23 a. The creditor reasonably contemplates repeated transactions;
24 b. The creditor imposes a finance charge from time to time on an outstanding
25 unpaid balance; and
26 c. The amount of credit that may be extended to the debtor during the term of
27 the agreement, up to any limit set by the creditor, is generally made available
28 to the extent that any outstanding balance is repaid.

29 **SECTION 3. AMENDMENT.** Section 26.1-37-03 of the North Dakota Century Code is
30 amended and reenacted as follows:

1 **26.1-37-03. Issuance of policies and certificates.** All credit life insurance ~~and credit~~
2 ~~accident and health insurance policies~~ subject to this chapter may be delivered or issued for
3 delivery in this state only by an insurer authorized to do an insurance business therein, and may
4 be issued only through holders of licenses or authorizations issued by the commissioner.

5 **SECTION 4.** Section 26.1-37-04.1 of the North Dakota Century Code is created and
6 enacted as follows:

7 **26.1-37-04.1. Types of consumer credit insurance.** The types of consumer credit
8 insurance defined in section 26.1-37-02 may each be written separately or in combination with
9 other types of consumer credit insurance on an individual policy or group policy basis. The
10 commissioner may by rule prohibit or limit any combination.

11 **SECTION 5.** Section 26.1-37-05.1 of the North Dakota Century Code is created and
12 enacted as follows:

13 **26.1-37-05.1. Amount of consumer credit insurance.**

14 1. Credit life insurance:

15 a. The amount of credit life insurance may at no time exceed the greater of the
16 actual net debt or the scheduled net debt.

17 b. If the coverage is written on the actual net debt, then the amount payable at
18 the time of loss may not be less than the actual net debt less any payments
19 more than two months overdue.

20 c. If the coverage is written on the scheduled net debt, then the amount payable
21 at the time of loss is:

22 (1) If the actual net debt is less than or equal to the scheduled net debt,
23 then the scheduled net debt;

24 (2) If the actual net debt is greater than the scheduled net debt but less
25 than or equal to the scheduled net debt plus two months of payments,
26 then the actual net debt; or

27 (3) If the actual net debt is greater than the scheduled net debt plus two
28 months of payments, then the scheduled net debt plus two months of
29 payments.

30 d. If a premium is assessed to the debtor on a monthly basis and is based on the
31 actual net debt, then the amount payable at the time of loss is the actual net

- 1 debt on the date of death. When such premium is computed on the basis of a
2 balance which does not include accrued past due interest, then the amount
3 payable at the time of loss may not be less than the actual net debt less any
4 accrued interest more than two months past due.
- 5 e. Notwithstanding the provisions of subdivision a, insurance on agricultural loan
6 commitments, not exceeding one year in duration, may be written up to the
7 amount of the loan commitment, on a nondecreasing or level term plan.
- 8 f. Notwithstanding the provisions of subdivision a, insurance on educational loan
9 commitments may be written for net unpaid indebtedness plus any unused
10 commitment.
- 11 g. Coverage may be written for less than the net debt by the following methods:
- 12 (1) The amount of insurance may be the lesser of a stated level amount
13 and the amount determined by subdivision b;
- 14 (2) The amount of insurance may be the lesser of a stated level amount
15 and the amount determined by subdivision c;
- 16 (3) The amount of insurance may be a constant percentage of the amount
17 determined by subdivision b;
- 18 (4) The amount of insurance may be a constant percentage of the amount
19 determined by subdivision c; or
- 20 (5) In the absence of any preexisting condition exclusions, the amount of
21 insurance payable in the event of death due to natural causes may be
22 limited to the balance as it existed six months prior to the date of death
23 if:
- 24 (a) There has been one increase or more in the outstanding balance
25 during the six-month period, other than those due to the accrual
26 of interest or late charges; and
- 27 (b) Evidence of individual insurability has not been required during
28 the six-month period.
- 29 h. Other patterns of insurance may be used which are not inconsistent with the
30 rest of this subsection including those providing coverage for lease payments
31 or lump sum purchase at the end of the lease.

- 1 2. Credit accident and health insurance and consumer credit unemployment
2 insurance:
- 3 a. The total amount of periodic indemnity payable by credit accident and health
4 insurance or credit unemployment insurance in the event of disability or
5 unemployment, as defined in the policy, may not exceed the aggregate of the
6 periodic scheduled unpaid installments of the gross debt; and the amount of
7 each periodic indemnity payment may not exceed the original gross debt
8 divided by the number of periodic installments.
- 9 b. Notwithstanding the provisions of subdivision a, for credit accident and health
10 insurance or credit unemployment insurance written in connection with an
11 open-end credit agreement, the amount of insurance may not exceed the
12 gross debt which would accrue on that amount using the periodic indemnity.
13 Subject to any policy maximums, the periodic indemnity may not be less than
14 the creditor's minimum repayment schedule.
- 15 3. Credit property:
- 16 a. An insurer may not issue credit property insurance coverage unless the
17 amount financed exceeds three hundred dollars and the replacement value of
18 the property exceeds three hundred dollars.
- 19 b. An insurer may not issue credit property insurance which exceeds the
20 replacement value of the insured property.
- 21 c. Credit property insurance may not be sold with an amount in coverage that
22 exceeds the amount of indebtedness of the underlying credit transaction.
- 23 d. Credit property insurance may not be sold with a term that exceeds in
24 duration the scheduled term of the underlying credit transaction.
- 25 e. Credit property insurance coverage, at a minimum, must include the
26 coverages in the standard fire policy with coverage attachment, extended
27 coverage endorsement, and replacement cost provision endorsement.
- 28 f. Credit property insurance must cover a substantial risk of loss of or damage to
29 the property related to the credit transaction.

30 **SECTION 6. AMENDMENT.** Section 26.1-37-06 of the North Dakota Century Code is
31 amended and reenacted as follows:

1 **26.1-37-06. Term of consumer credit life insurance and credit accident and health**
2 **insurance.** The

3 1. Effective date of coverage:

- 4 a. For consumer credit insurance made available to and elected by the debtor
5 before or contemporaneous with a credit transaction to which the insurance
6 relates, the term of any credit life the insurance or credit accident and health
7 insurance, subject to acceptance by the insurer, commences on the date
8 when the debtor becomes obligated to the creditor, except that where a group
9 policy provides coverage with respect to existing obligations, the insurance on
10 a debtor with respect to the indebtedness commences on the effective date of
11 the policy. Where when evidence of individual insurability is required and the
12 evidence is furnished more than thirty days after the date when the debtor
13 becomes obligated to the creditor, the term of the credit insurance may
14 commence on the date on which the insurer determines the evidence to be
15 satisfactory, and in that event there must be an appropriate refund or
16 adjustment of any charge to the debtor for insurance. If the indebtedness is
17 discharged due to renewal or refinancing prior to the scheduled maturity date,
18 the insurance in force must be terminated before any new insurance may be
19 issued in connection with the renewed or refinanced indebtedness. In all
20 eases of termination prior to scheduled maturity, a refund must be paid or
21 credited as provided in section 26.1-37-08.
- 22 b. For insurance coverage made available to and elected by the debtor on a
23 date subsequent to the date of the consumer credit transaction to which the
24 insurance relates, the insurance, subject to acceptance by the insurer,
25 commences on a date not earlier than the date the election is made by the
26 debtor nor later than thirty days following the date on which the insurance
27 company accepts the risk for coverage, according to an objective method
28 such as one related to a particular date within a billing or repayment cycle or a
29 calendar month.
- 30 c. Notwithstanding the provisions of subdivisions a and b, when a group policy
31 provides coverage with respect to debts existing on the policy effective date,

- 1 the insurance relating to the debt shall not commence before the effective
2 date of the group policy.
- 3 d. A charge for insurance may not be made to the debtor and retained by the
4 creditor or insurer for any time prior to commencement of the consumer credit
5 insurance to which the charge is related.
- 6 2. Termination date of coverage:
- 7 a. The term of any consumer credit insurance may not extend beyond the
8 termination date specified in the policy. The termination date of insurance
9 may precede, coincide with, or follow the scheduled maturity date of the debt
10 to which it relates, subject to any other requirements and restrictions of this
11 chapter.
- 12 b. The term of any consumer credit insurance may not extend more than fifteen
13 days beyond the scheduled maturity date of the debt except when extended
14 without additional cost to the debtor or except when extended pursuant to a
15 written agreement, signed by the debtor, in connection with a variable interest
16 rate credit transaction or a deferral, renewal, refinancing, or consolidation of
17 debt.
- 18 c. If the debt is discharged due to renewal, refinancing, or consolidation prior to
19 the scheduled termination date of the insurance, any insurance in force must
20 be terminated before any new insurance may be written in connection with the
21 renewed, refinanced, or consolidated debt.
- 22 d. In all cases of termination of insurance prior to the scheduled termination of
23 the insurance, an appropriate refund or credit to the debtor must be made of
24 any unearned insurance charge paid by the debtor for a term of insurance
25 after the date of the termination, except that a refund is not required of a
26 charge made for insurance if the insurance is terminated by performance of
27 the insurer's obligation with respect to the insurance.
- 28 e. An insured debtor may terminate consumer credit insurance at any time by
29 providing advance request to the insurer. The individual policy or group
30 certificate may require that the request be in writing or that the debtor
31 surrender the individual policy or group certificate or both. The debtor's right

1 to terminate coverage may also be subject to the terms of the credit
2 transaction contract.

3 **SECTION 7. AMENDMENT.** Section 26.1-37-07 of the North Dakota Century Code is
4 amended and reenacted as follows:

5 **26.1-37-07. Provisions of policies and certificates of insurance - Disclosure to**
6 **debtors.**

7 1. Prepurchase disclosure. Before the debtor elects to purchase consumer credit
8 insurance in connection with a credit transaction, the following must be disclosed to
9 the debtor in writing:

10 a. That the purchase of consumer credit insurance is optional and not a
11 condition of obtaining credit approval.

12 b. If more than one kind of consumer credit insurance is being made available to
13 the debtor, whether the debtor can purchase each kind separately or the
14 multiple coverages only as a package.

15 c. The conditions of eligibility.

16 d. That if the consumer has other insurance that covers the risk, the consumer
17 may not want or need credit insurance.

18 e. That within the first thirty days after receiving the individual policy or group
19 certificate, the debtor may cancel the coverage and have all premiums paid by
20 the debtor refunded or credited. Thereafter, the debtor may cancel the policy
21 at any time during the term of the loan and receive a refund of any of the
22 unearned premium. However, only in those instances where insurance is a
23 requirement for the extension of credit, the debtor may be required to offer
24 evidence of alternative insurance acceptable to the creditor at the time of
25 cancellation.

26 f. A brief description of the coverage, including a description of the amount, the
27 term, any exceptions, limitations, and exclusions, the insured event, any
28 waiting or elimination period, any deductible, any applicable waiver of
29 premium provision, to whom the benefits would be paid, and the premium rate
30 for each coverage or for all coverages in a package.

- 1 g. That if the premium or insurance charge is financed, it will be subject to
2 finance charges at the rate applicable to the credit transaction.
- 3 2. The disclosures in subsection 1 must be provided in the following manner:
- 4 a. In connection with consumer credit insurance offered contemporaneously with
5 the extension of credit or offered through direct mail advertisements,
6 disclosure must be made in writing and presented to the consumer in a clear
7 and conspicuous manner.
- 8 b. In conjunction with the offer of credit insurance subsequent to the extension of
9 credit by other than direct mail advertisements, disclosure may be provided
10 orally so long as written disclosures are provided to the debtor no later than
11 the earlier of:
- 12 (1) Ten days after the offer; or
- 13 (2) The date any other written material is provided to the debtor.
- 14 3. ~~All consumer credit life insurance and credit accident and health insurance~~ must
15 be evidenced by an individual policy; ~~or in the case of a group insurance by a~~
16 certificate of insurance which must be delivered to the debtor.
- 17 2- 4. ~~Each~~ The individual policy or group certificate of credit life insurance or credit
18 ~~accident and health insurance~~ must, in addition to other requirements of law, set
19 forth the following:
- 20 a. The name and home-office address of the insurer, the;
- 21 b. The name or names of the debtor or debtors or in the case of a group
22 ~~certificate under a group policy,~~ the identity by name or otherwise of the
23 debtor or debtors ; the;
- 24 c. The premium or amount of payment, if any, by the debtor separately for credit
25 ~~life insurance and credit accident and health insurance, a~~ each kind of
26 coverage or for all coverages in a package, except that for open-end loans,
27 the premium rate and the basis of premium calculation e.g., average daily
28 balance, prior monthly balance must be specified;
- 29 d. A full description of the coverage or coverages including the amount and term
30 thereof, and any exceptions, limitations, and restrictions, and must state
31 exclusions;

- 1 e. A statement that the benefits will be paid to the creditor to reduce or
2 extinguish the unpaid ~~indebtedness~~ debt and, wherever the amount of
3 insurance benefit exceeds the unpaid ~~indebtedness~~, debt that any excess is
4 payable to a beneficiary, other than the creditor, named by the debtor or to the
5 debtor's estate; and
- 6 f. If the scheduled term of insurance is less than the scheduled term of the
7 credit transaction, a statement to that effect on the face of the individual policy
8 or group certificate in not less than ten-point bold face type.
- 9 ~~3.~~ ~~The individual policy or group certificate of insurance must be delivered to the~~
10 ~~insured at the time the indebtedness is incurred except as provided in~~
11 ~~subsection 4.~~
- 12 4. 5. ~~If~~ Unless the individual policy or group certificate of insurance is ~~not~~ delivered to
13 the debtor at the time the ~~indebtedness~~ debt is incurred, or at such other time that
14 the debtor elects to purchase coverage, a copy of the application for the policy or a
15 notice of proposed insurance, signed by the debtor and setting forth the name and
16 home-office address of the insurer, the name or names of the debtor, the premium
17 or amount of payment by the debtor, ~~if any, separately for credit life~~ the insurance
18 and ~~credit accident and health insurance~~, the amount, term, and a brief description
19 of the coverage provided, must be delivered to the debtor at the time the
20 ~~indebtedness~~ debt is incurred or the election to purchase coverage is made. The
21 copy of the application or notice of proposed insurance must also refer exclusively
22 to insurance coverage, and must be separate and apart from the loan, sale, or
23 other credit statement of account, instrument, or agreement, unless the information
24 required by this subsection is prominently set forth in that material. Upon
25 acceptance of the insurance by the insurer and within thirty days of the date upon
26 which the ~~indebtedness~~ debt is incurred or the election to purchase coverage is
27 made, the insurer shall cause the individual policy or group certificate of insurance
28 to be delivered to the debtor. The application or notice of proposed insurance must
29 state that upon acceptance by the insurer, the insurance becomes effective as
30 provided in section 26.1-37-06.

- 1 6. The application, notice of proposed insurance, or certificate may be used to fulfill
2 all of the requirements of subsections 1 and 4 if it contains all of the information
3 required by those subsections.
- 4 7. The debtor has thirty days from the date the debtor receives either the individual
5 policy or the group certificate to review the coverage purchased. At any time within
6 the thirty-day period, the debtor may contact the creditor or insurer issuing the
7 policy or certificate and request that the coverage be canceled. The individual
8 policy or group certificate may require the request to be in writing or that the policy
9 or certificate be returned to the insurer, or both. The debtor must, within thirty days
10 of the request, receive a full refund or credit of all premiums or insurance charges
11 paid by the debtor.
- 12 8. If the named insurer does not accept the risk, the debtor must receive a policy or
13 certificate of insurance setting forth the name and home-office address of the
14 substituted insurer and the amount of the premium to be charged, and if the
15 amount of premium is less than that set forth in the notice of proposed insurance
16 an appropriate refund must be made within thirty days. If no insurer accepts the
17 risk, then all premiums paid must be refunded or credited within thirty days of
18 application to the person entitled thereto.
- 19 9. For the purpose of subsection 5, an individual policy or group certificate delivered
20 in conjunction with an open-end consumer credit agreement or any consumer
21 credit insurance requested by the debtor after the date of the debt must be deemed
22 to be delivered at the time the debt is incurred or election to purchase coverage is
23 made if the delivery occurs within thirty days of the date the insurance is effective.
- 24 10. An individual policy or group certificate delivered in conjunction with an open-end
25 credit agreement continues from its effective date through the term of the
26 agreement unless the individual policy or group certificate is terminated in
27 accordance with its terms at an earlier date.

28 **SECTION 8. AMENDMENT.** Section 26.1-37-08 of the North Dakota Century Code is
29 amended and reenacted as follows:

30 **26.1-37-08. Premiums and refunds.**

- 1 1. An insurer may revise its schedules of premium rates from time to time and shall
2 file the revised schedules with the commissioner. No insurer may issue any
3 consumer credit life insurance policy or credit accident and health insurance policy
4 or group certificate for which the premium rate exceeds that determined by the
5 schedules of the insurer as on file with the commissioner. The commissioner may
6 adopt rules to assure that the premium rates are reasonable in relation to the
7 benefits provided.
- 8 2. Each individual policy or group certificate must provide ~~that~~ for a refund in the
9 event of termination of the insurance prior to the scheduled maturity date of the
10 ~~indebtedness, any~~ insurance and upon notice to the insurer. The refund of an
11 amount paid by the debtor for insurance must be paid or credited promptly to the
12 person entitled thereto; provided, however, that the commissioner shall prescribe a
13 minimum refund and no refund which would be less than the minimum need be
14 made. Refund formulas which an insurer desires to use must develop refunds that
15 are at least as favorable to the debtor as refunds equal to the premium cost of
16 scheduled benefits subsequent to the date of cancellation or termination, computed
17 at the schedule of premium rates in effect on the date of issue. The formula to be
18 used in computing the refund must be filed with and approved by the
19 commissioner.
- 20 3. If a creditor requires a debtor to make any payment for consumer credit life
21 ~~insurance or credit accident and health~~ insurance and an individual policy or group
22 certificate of insurance is not issued, the creditor shall immediately give written
23 notice to the debtor and shall promptly make an appropriate credit to the account.
- 24 4. The amount charged to a debtor for any consumer credit life or credit health and
25 ~~accident~~ insurance may not exceed the premiums charged by the insurer, as
26 computed at the time the charge to the debtor is determined.
- 27 5. This chapter does not authorize any payments for insurance prohibited under any
28 law or rule governing credit transactions.

29 **SECTION 9. AMENDMENT.** Section 26.1-37-09 of the North Dakota Century Code is
30 amended and reenacted as follows:

31 **26.1-37-09. Applicability of credit life and health policy simplification standards.**

- 1 4. ~~Except as provided in subsection 3, sections 26.1-37-09 through 26.1-37-12 apply~~
2 ~~to all~~ All individual and group credit life insurance and credit accident and health
3 insurance policies and insurance certificates ~~under group credit life and accident~~
4 ~~and health insurance policies filed after June 30, 1982. No policy may be delivered~~
5 ~~or issued for delivery in this state after June 30, 1986, unless the policy form has~~
6 ~~been approved by the commissioner or is permitted to be issued under sections~~
7 ~~26.1-37-09 through 26.1-37-12. Any policy form that has been approved or~~
8 ~~permitted to be issued prior to July 1, 1986, and that meets the standards set by~~
9 ~~sections 26.1-37-09 through 26.1-37-12 need not be refiled for approval, but may~~
10 ~~continue to be delivered or issued for delivery in this state upon the filing with the~~
11 ~~commissioner of a list of the forms identified by form number and accompanied by~~
12 ~~a certificate as to each such form in the manner provided in subsection 6 of section~~
13 ~~26.1-37-10 must comply with sections 26.1-33-29 through 26.1-33-32 and~~
14 ~~26.1-36-13 through 26.1-36-16, respectively.~~
15 2. ~~The commissioner may extend the dates in subsection 1.~~
16 3. ~~Sections 26.1-37-09 through 26.1-37-12 do not apply to:~~
17 a. ~~Any policy that is a security subject to federal jurisdiction.~~
18 b. ~~Any form used in connection with, as a conversion from, as an addition to, or~~
19 ~~in exchange pursuant to a contractual provision for, a policy delivered or~~
20 ~~issued for delivery on a form approved or permitted to be issued prior to the~~
21 ~~dates the form must be approved under sections 26.1-37-09 through~~
22 ~~26.1-37-12.~~
23 e. ~~The renewal of a policy delivered or issued for delivery prior to the dates such~~
24 ~~forms must be approved under sections 26.1-37-09 through 26.1-37-12.~~
25 4. ~~No other state law setting language simplification standards applies to policy form.~~

26 **SECTION 10. AMENDMENT.** Section 26.1-37-13 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **26.1-37-13. Claims.**

- 29 1. All claims must be promptly reported to the insurer or its designated claim
30 representative, and the insurer shall maintain adequate claim files. All claims must

- 1 be settled as soon as possible and in accordance with the terms of the insurance
2 contract.
- 3 2. All claims must be paid either by draft drawn upon the insurer or by check of the
4 insurer to the order of the claimant to whom payment of the claim is due pursuant
5 to the policy provisions, or upon direction of the claimant to one specified.
- 6 3. No plan or arrangement may be used whereby any person, firm, or corporation
7 other than the insurer or its designated claim representative is authorized to settle
8 or adjust claims. The creditor may not be designated as claim representative for
9 the insurer in adjusting claims; provided, that a group policyholder may, by
10 arrangement with the group insurer, draw drafts ~~or~~, checks, or electronic transfers
11 in payment of claims due to the group policyholder subject to audit and review by
12 the insurer.

13 **SECTION 11. AMENDMENT.** Section 26.1-37-14 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **26.1-37-14. Existing insurance - Choice of insurer.** When consumer credit ~~life~~
16 ~~insurance or credit accident and health~~ insurance is required as additional security for any
17 ~~indebtedness~~ debt, the debtor shall, upon request to the creditor, ~~has~~ have the option of
18 furnishing the required amount of insurance through existing insurance policies owned or
19 controlled by the debtor or of procuring and furnishing the required coverage through any
20 insurer authorized to transact insurance business in this state.

21 **SECTION 12. REPEAL.** Sections 26.1-37-04, 26.1-37-05, 26.1-37-10, 26.1-37-11, and
22 26.1-37-12 of the North Dakota Century Code are repealed.