

By Mr. Finneran of Boston, petition of Thomas M. Finneran that provision be made for the regulation of credit life insurance and credit accident and health insurance. Insurance.

**The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Eighty-Two.

**AN ACT FOR THE REGULATION OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE.**

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Chapter 255 of the General Laws is hereby  
2 amended by striking out Section 12G, as inserted by Section 1 of  
3 Chapter 401 of the Acts of 1975, and inserting in place thereof the  
4 following section: —

5 *Section 12G.* Except as otherwise provided in Section 10 of  
6 Chapter 255B, Section 14A of Chapter 255C and subsection C of  
7 Section 26 of Chapter 255D, in the event the charge or any portion  
8 thereof for insurance on the life of the borrower, issued under  
9 clause (c) of the first paragraph of Section 133 or accident and  
10 health insurance issued under clause (j) of subdivision (A) of  
11 Section 110, both of Chapter 175, which shall be the only credit life  
12 insurance or credit accident and health insurance authorized in  
13 connection with a loan for personal, family or household purposes,  
14 except in the case of a loan secured by a first lien on real property, is  
15 paid by such borrower to the creditor, such payment may be made  
16 from the proceeds of the loan, or otherwise, and shall not be  
17 deemed to constitute a charge upon a loan, unless required by the  
18 creditor. The creditor may make a charge for insurance based upon  
19 a rate which shall not exceed fifty cents for a single decreasing life  
20 or eighty-three cents for joint decreasing life per one hundred  
21 dollars per year of the total of payments contracted to be paid and  
22 proportionately at such rates for greater or lesser periods and for  
23 greater or lesser amounts of such life insurance coverage. If the  
24 creditor makes a charge for accident and health insurance which

25 shall pay retroactive benefits after continuous covered disability of  
26 fourteen days, such charge shall be based upon the following rate  
27 per one hundred dollars of the total of payments contracted to be  
28 paid:

29	\$2.20 for 12 months
30	2.80 for 24 months
31	3.35 for 36 months
32	3.90 for 48 months
33	4.70 for 60 months
34	5.10 for 72 months
35	5.50 for 84 months
36	5.90 for 96 months
37	6.30 for 108 months
38	6.70 for 120 months

39 Such rate shall be applied proportionately for greater or lesser  
40 amounts shall be actuarially applied to terms up to 120 months that  
41 are not shown.

42 In the event of prepayment of the note there shall be a refund of  
43 the charge for such insurance made under the so-called sum of the  
44 digits method. If the prepayment is made other than on an install-  
45 ment due date it shall be deemed to have been made on the first  
46 installment due date if the prepayment is before that date, and in  
47 any other case it shall be deemed to have been made on the next  
48 preceding or next succeeding installment due date, whichever is  
49 nearer to the date of prepayment. The amount of death benefit  
50 payable shall be computed as of the date of death as follows: In the  
51 case of precomputation, the amount of death benefit payable shall  
52 at no time be less than the unextinguished debt including charges  
53 unearned at the date of death. The full amount of any death benefit  
54 in excess of the amount necessary to extinguish the debt as of the  
55 date of death shall be claimed by the creditor from the insurer and  
56 shall be paid over by the creditor to the second beneficiary if one is  
57 named, otherwise to the surviving spouse or the estate of the  
58 borrower.

1 SECTION 2. Chapter 255B of the General Laws is hereby  
2 amended by striking out Section 10, as most recently amended by  
3 Chapter 216 of the Acts of 1968, and inserting in place thereof the  
4 following section: —

5     *Section 10.* The amount, if any, included for insurance on the  
6 motor vehicle purchased by the holder of the retail installment  
7 contract, shall not exceed the applicable premiums chargeable in  
8 accordance with the rates filed with the commissioner of insurance.  
9 If dual interest insurance on the motor vehicle is purchased by the  
10 holder, it shall, within thirty days after execution of the retail  
11 installment contract, send or cause to be sent to the buyer a copy of  
12 the policy or policies of insurance, written by an insurance com-  
13 pany authorized to do business in the Commonwealth. The buyer  
14 shall have the privilege of purchasing such insurance from an agent  
15 or broker of his own selection, but in such case the inclusion of the  
16 insurance premium in the retail installment contract shall be op-  
17 tional with the seller. If the buyer selects his own licensed agent or  
18 broker, there shall be no obligation on the seller or sales finance  
19 company to forward a copy of the policy or policies to the buyer.

20     In the event the charge or any portion thereof for insurance on  
21 the life of the buyer issued under clause (c) of the first paragraph of  
22 Section 133 or accident and health insurance issued under clause (j)  
23 of subdivision (a) of Section 110, both of Chapter 175, which shall  
24 be the only credit life insurance or credit accident and health  
25 insurance authorized herein, is paid by such buyer to the creditor,  
26 such payment shall not be deemed to constitute a charge in viola-  
27 tion of Section 14, unless required by the creditor. The creditor  
28 may make a charge for insurance based upon a rate which shall not  
29 exceed fifty cents for a single decreasing life or eighty-three cents  
30 for joint decreasing life per one hundred dollars per year of the  
31 total of payments contracted to be paid and proportionately at  
32 such rates for greater or lesser periods and for greater or lesser  
33 amounts of such life insurance coverage. If the creditor makes a  
34 charge for accident and health insurance which shall pay retroac-  
35 tive benefits after continuous covered disability of fourteen days,  
36 such charge shall be based upon the following rate per one hundred  
37 dollars of the total of payments contracted to be paid:

38	\$2.20 for 12 months
39	2.80 for 24 months
40	3.35 for 36 months
41	3.90 for 48 months
42	4.70 for 60 months
43	5.10 for 72 months
44	5.50 for 84 months

45 5.90 for 96 months

46 6.30 for 108 months

47 6.70 for 120 months

48 Such rates shall be applied proportionately for greater or lesser  
49 amounts and shall be actuarially applied to terms up to 120 months  
50 that are not shown.

51 Group credit accident and health insurance may be offered  
52 hereunder only in those cases where the original amount financed  
53 exceeds five hundred dollars.

54 In the event of prepayment of the contract there shall be a refund  
55 of the charge for such insurance computed on the same basis as is  
56 used for a refund under the provisions of Section 16 without  
57 deduction for an acquisition charge, if any. The amount of death  
58 benefit payable shall at no time be less than the unextinguished  
59 debt excluding charges unearned at the date of death. The full  
60 amount of any death benefit in excess of the amount necessary to  
61 extinguish the debt as of the date of the amount necessary to  
62 extinguish the debt as of the date of death shall be claimed by the  
63 creditor from the insurer and shall be paid over by the creditor to  
64 the second beneficiary if one is named, otherwise to the surviving  
65 spouse or the estate of the borrower.

66 The holder of the retail installment contract shall be responsible  
67 for a refund of the unearned charge for such credit life and accident  
68 and health insurance in the event of prepayment and shall, in  
69 addition, be responsible for the processing of all death benefit and  
70 accident and health insurance claims.

1 SECTION 3. Section 26 of Chapter 255D of the General Laws  
2 is hereby amended by striking out subsection C, as most recently  
3 amended by Section 48 of Chapter 517 of the Acts of 1969, and  
4 inserting in place thereof the following subsection: —

5 C. In the event the charge or any portion thereof for insurance on  
6 the life of the buyer, issued under clause (c) of the first paragraph of  
7 section 133 or accident and health insurance under clause (j) of  
8 subdivision (A) of Section 110, both of Chapter 175 which shall be  
9 the only credit life insurance or credit accident and health insur-  
10 ance authorized herein is paid by such buyer to the creditor, such  
11 payment shall not be deemed to constitute a charge in violation of  
12 Section 11 or Section 27, unless required by the creditor. The  
13 creditor may make a charge for insurance based upon a rate which

14 shall not exceed fifty cents for single decreasing life or eighty-three  
15 cents for joint decreasing life per one hundred dollars per year of  
16 the total of payments contracted to be paid and proportionately at  
17 such rates for greater or lesser periods and for greater or lesser  
18 amounts of such life insurance coverage. If the creditor makes a  
19 charge for accident and health insurance which shall pay retroac-  
20 tive benefits after continuous covered disability of fourteen days,  
21 such charge shall be based upon the following rate per one hundred  
22 dollars of the total of payments contracted to be paid:

23	\$2.20 for 12 months
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28	5.10 for 72 months
29	5.50 for 84 months
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33 Such rates shall be applied proportionately for greater or lesser  
34 amounts and shall be actuarially applied to terms up to 120 months  
35 that are not shown.

36 Group accident and health insurance may be offered hereunder  
37 only in those cases where the original amount financed exceeds five  
38 hundred dollars. In the event of prepayment of the contract there  
39 shall be a refund of the charge for such insurance computed on the  
40 same basis as is used for a refund under the provisions of Section  
41 13. The amount of death benefit payable shall at not time be less  
42 than the unextinguished debt excluding charges unearned at the  
43 date of death. The full amount of any death benefit in excess of the  
44 amount necessary to extinguish the debt as of the date of death  
45 shall be claimed by the creditor from the insurer and shall be paid  
46 over by the creditor to the second beneficiary if one is named,  
47 otherwise to the surviving spouse or the estate of the borrower.





