

TITLE 41
INSURANCE

CHAPTER 23
CREDIT LIFE AND CREDIT DISABILITY INSURANCE

41-2301. DECLARATION OF PURPOSE. The purpose of this chapter is to promote the public welfare by regulating credit life insurance and credit disability insurance. Nothing in this chapter is intended to prohibit or discharge or discourage reasonable competition. The provisions of this chapter shall be liberally construed.

[41-2301, added 1961, ch. 330, sec. 536, p. 645.]

41-2302. SHORT TITLE. This chapter may be cited as "the model law for the regulation of credit life insurance and credit disability insurance".

[41-2302, added 1961, ch. 330, sec. 537, p. 645.]

41-2303. SCOPE OF CHAPTER. All life insurance and all disability insurance in connection with loans or other credit transactions shall be subject to the provisions of this chapter; except, that insurance in connection with a loan or other credit transaction of more than fifteen (15) years duration shall not be subject to this chapter, nor shall insurance be subject to this chapter where the issuance of such insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

[41-2303, added 1961, ch. 330, sec. 538, p. 645; am. 1972, ch. 369, sec. 11, p. 1072; am. 1974, ch. 152, sec. 3, p. 1375; am. 1993, ch. 48, sec. 1, p. 125.]

41-2304. DEFINITIONS. For the purposes of this chapter:

(1) "Credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction.

(2) "Credit disability insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.

(3) "Creditor" means the lender of money or vendor of goods, services or property, including a lessor under a lease intended as a security, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender or vendor, 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.

(4) "Debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

(5) "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

[41-2304, added 1961, ch. 330, sec. 539, p. 645.]

41-2305. FORMS OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE. Credit life insurance and credit disability insurance shall be issued only in the following forms:

(1) Individual policies of life insurance issued to debtors on the term plan.

(2) Individual policies of disability insurance issued to debtors on a term plan, or disability benefit provisions in individual policies of credit life insurance.

(3) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan.

(4) Group policies of disability insurance issued to creditors on a term plan insuring debtors, or disability benefit provisions in group credit life insurance policies to provide such coverage.

[41-2305, added 1961, ch. 330, sec. 540, p. 645.]

41-2306. AMOUNT OF INSURANCE. (1) Credit life insurance:

(a) The amount of credit life insurance shall not exceed the initial indebtedness, however the indebtedness may be repayable.

(b) In cases where an indebtedness is repayable in substantially equal instalments, the amount of insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater.

(c) Notwithstanding the provisions of (a) or (b) above, insurance on agricultural credit transactions not exceeding one year in duration may be written up to the amount of the loan commitment on a nondecreasing or level term plan.

(d) Except, that the amount of insurance provided under a group insurance contract shall be subject to section [41-2005](#)(4) (debtor groups).

(2) Credit disability insurance: The total amount of indemnity payable by credit disability insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid instalments of the indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic instalments.

[41-2306, added 1961, ch. 330, sec. 541, p. 645.]

41-2307. TERM OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE. The term of any credit life insurance or credit disability insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor, except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurer determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than fifteen (15) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced

indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in section [41-2310](#).

[41-2307, added 1961, ch. 330, sec. 542, p. 645.]

41-2308. PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE -- DISCLOSURE TO DEBTORS. (1) All credit life insurance and credit disability insurance shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate shall be delivered to the debtor.

(2) Each individual policy or group certificate of credit life insurance, and/or credit disability insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, and the identity by name or otherwise of the person or persons insured, the rate or amount of payment, if any, by the debtor separately for credit life insurance and credit disability insurance, a description of the amount, term and coverage including any exceptions, limitations and restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate. Contracts of credit group life insurance issued under this chapter shall comply with section [41-2005](#) (debtor groups), Idaho Code, except as permitted under rules and regulations of the director which gave due consideration to the reasonable requirements of credit life insurance issued on the group basis.

(3) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

(4) If a debtor makes a separate payment for credit life or credit disability insurance and an individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance shall be delivered at such time to the debtor. The copy of the application for, or notice of proposed insurance, shall be signed by the debtor and shall set forth the identity by name or otherwise of the person or persons insured, the rate or amount of payment by the debtor, if any, separately for credit life insurance and credit disability insurance, and a statement that within thirty (30) days, if the insurance is accepted by the insurer, there will be delivered to the debtor an individual policy or group certificate of insurance containing the name and home office address of the insurer, a description of the amount, term and coverage including any exceptions, limitations and restrictions. The copy of the application for, or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty (30) days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. Such application or notice of proposed insurance shall state that upon acceptance by the insurer, the insurance shall become effective as provided in section [41-2307](#), Idaho Code.

[41-2308, added 1961, ch. 330, sec. 543, p. 645; am. 1972, ch. 369, sec. 12, p. 1072.]

41-2309. FILING, APPROVAL AND WITHDRAWAL OF FORMS. (1) All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this state and the schedule of premium rates pertaining thereto shall be filed with the director.

(2) The director shall within thirty (30) days after the filing of any such policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders, disapprove any such form if the premium rates charged or to be charged are excessive in relation to benefits, or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of the coverage, or are contrary to any provision of this code or of any rule promulgated thereunder. In determining whether to disapprove any such forms the director shall give due consideration to past and prospective loss experience within and outside this state, to underwriting practice and judgment to the extent appropriate, and to all other relevant factors within and outside this state.

(3) If the director notifies the insurer that the form is disapproved, it is unlawful thereafter for such insurer to issue or use such form. In such notice, the director shall specify the reason for his disapproval and state that a hearing will be granted within twenty (20) days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, nor any application, endorsement or rider, shall be issued or used until the expiration of thirty (30) days after it has been so filed, unless the director shall give his prior written approval thereto.

(4) The director may, at any time after a hearing held after notice to the insurer in accordance with [chapter 2, title 41](#), Idaho Code, withdraw his approval of any such form on any ground set forth in subsection (2) of this section. The written notice of such hearing shall state the reason for the proposed withdrawal.

(5) The insurer shall not issue such forms or use them after the effective date of such withdrawal.

(6) If a group policy of credit life insurance or credit disability insurance: (a) has been delivered in this state before the effective date of this code, or (b) has been or is delivered in another state before or after the effective date of this code, the insurer shall be required to file only the group certificate and notice of proposed insurance as specified in subsections (2) and (4) of section [41-2308](#), Idaho Code, and such forms shall be approved by the director if they conform with the requirements specified in such subsections and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the insurer's schedules of premium rates on file with the director; provided, however, the premium rate in effect on existing group policies may be continued until the first policy anniversary date following the date this code becomes effective.

(7) Any order or final determination of the director under the provisions of this section shall be subject to judicial review as provided in [chapter 2, title 41](#), Idaho Code.

[41-2309, added 1961, ch. 330, sec. 544, p. 645; am. 2005, ch. 77, sec. 24, p. 269.]

41-2310. PREMIUMS AND REFUNDS. (1) Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the director. No insurer shall issue any credit life insurance or credit disability insurance policy for which the premium rate exceeds that determined by the schedules of such insurer as then on file with the director.

(2) Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that the director shall prescribe a minimum refund and no refund which would be less than such minimum need be made. The formula to be used in computing such refund shall be filed with and approved by the director.

(3) If a creditor requires a debtor to make any payment for credit life insurance or credit disability insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

(4) The amount charged to a debtor for any credit life or credit disability insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(5) Nothing in this chapter shall be construed to authorize any payments for insurance now prohibited under any statute, or rule thereunder, governing credit transactions.

[41-2310, added 1961, ch. 330, sec. 545, p. 645.]

41-2311. ISSUANCE OF POLICIES. All policies of credit life insurance and credit disability insurance shall be delivered or issued for delivery in this state only by an insurer authorized to do an insurance business therein, and shall be issued only through holders of licenses or authorizations issued by the director.

[41-2311, added 1961, ch. 330, sec. 546, p. 645.]

41-2312. CLAIMS. (1) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(2) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

(3) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurer.

[41-2312, added 1961, ch. 330, sec. 547, p. 645.]

41-2313. EXISTING INSURANCE -- CHOICE OF INSURER. When credit life insurance or credit disability insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance 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.

[41-2313, added 1961, ch. 330, sec. 548, p. 645.]

41-2314. ENFORCEMENT. The director may, after notice and hearing, issue such rules and regulations as he deems appropriate for the supervision of this chapter. Whenever the director finds that there has been a violation of this chapter or any rules or regulations issued pursuant thereto, and after written notice thereof and hearing given to the insurer or other person authorized or licensed by the director, he shall set forth the details of his findings together with an order for compliance by a specified date. Such order shall be binding on the insurer and other person authorized or licensed by the director on the date specified unless sooner withdrawn by the director or a stay thereof has been ordered by a court of competent jurisdiction.

[41-2314, added 1961, ch. 330, sec. 549, p. 645.]

41-2316. PENALTIES. In addition to any other penalty provided by law, any person who violates an order of the director after it has become final, and while such order is in effect, shall, upon proof thereof to the satisfaction of the court, forfeit and pay to the state of Idaho a sum not to exceed two hundred fifty dollars (\$250) which may be recovered in a civil action, except that if such violation is found to be willful, the amount of such penalty shall be a sum not to exceed one thousand dollars (\$1,000). The director, in his discretion, may revoke or suspend the license or certificate of authority of the person guilty of such violation. Such order for suspension or revocation shall be upon notice and hearing, and shall be subject to judicial review as provided in [chapter 52, title 67](#), Idaho Code.

[41-2316, added 1961, ch. 330, sec. 551, p. 645; am. 1977, ch. 142, sec. 8, p. 310; am. 2005, ch. 77, sec. 26, p. 271.]