

**ALABAMA DEPARTMENT OF INSURANCE  
INSURANCE REGULATION**

**CHAPTER 482-1-093**

**CREDIT PROPERTY AND INVOLUNTARY UNEMPLOYMENT INSURANCE**

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**482-1-093-.01 Purpose and Authority.** This chapter is designed to stimulate open competition among insurers to provide property and involuntary unemployment insurance coverage in the credit context at rates which are not unfairly discriminatory or excessive. Where such insurance is sold by a creditor in connection with the extension of credit, the regulating forces of open competition may not operate to control rates and extend benefits. The purpose of this chapter is to designate rate levels for certain coverages above which rates for such insurance sold in the credit context will be presumed excessive and unfairly discriminatory under statutory standards. This chapter is adopted pursuant to the provisions of Section 27-2-17, Code of Alabama 1975.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.02 Scope.** This chapter shall apply to the sale of the designated types of insurance by a creditor to a debtor with a direct charge to the debtor.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.03 Definitions.** As used in this chapter, the following terms shall have the following meanings, respectively, unless the context clearly indicates otherwise:

(a) LOAN. The extension of credit for household, personal or family use.

(b) DEALER. Any person who makes loans for household, personal or family use or any successor to a creditor's rights.

(c) LENDER. Any person engaged in the business of making consumer credit loans under the provisions of the Alabama Consumer Credit Act (Mini Code), Code of Alabama 1975, and any assignee of a consumer credit loan agreement, state banking associations, savings and loan associations, national banking associations to the extent that federal laws do not preempt this chapter, credit unions and any director, officer, employee or agent of such a person.

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(d) **CREDIT PROPERTY INSURANCE.** Coverage upon personal property, other than an automobile, pledged as collateral or security upon a loan as defined and shall include the standard fire policy with coverage attachment, extended coverage endorsement, and burglary coverage, and may include theft coverage provided on either a single or dual interest basis with rates set forth in Rule 482-1-093-.10. Additional coverages other than those described above may be included but no additional premium may be charged.

(e) **INVOLUNTARY UNEMPLOYMENT INSURANCE.** Insurance on a debtor to provide indemnity for payments of debt becoming due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined in the policy.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.04 Sales only through Licensed Producers.** All sales of insurance within the scope of this chapter must be made through producers licensed in accordance with Chapter 482-1-111.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.05 Written Evidence of Insurance Required.** The insurer must deliver to the insured within seventy-five (75) days of the extension of credit, a copy of the policy or the certificate of insurance. This may be done directly or through the insurer's producer in the credit institution.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.06 Consumer Rights.** Each insurer shall grant, and no insurer or affiliated producer shall deny, any insured the full and free exercise of the following rights:

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(a) The consumer shall not be required or coerced to obtain insurance from any particular insurer nor through any particular producer or representative of a company as a condition to obtaining a loan. No insurer shall participate or knowingly allow its producers to participate in such a scheme of requirements or coercion.

(b) If the debtor has or obtains additional personal property coverage, the debtor may retain additional coverage or may substitute coverage at any time, and upon such substitution, shall be entitled to a refund of the unearned premium on the policy. Where such insurance was not initially required by the creditor, the debtor may cancel, at any time, without substituting and shall be entitled to a refund of any premium paid. If such substitution or cancellation occurs within thirty (30) days of the extension of credit, the entire premium shall be refunded.

(c) Any insurance written to secure an underlying loan must be canceled upon the satisfaction or termination of that underlying loan and a pro-rata refund of unearned premium made to the insured. Debtor requested cancellation more than thirty (30) days after extension of credit will result in return premium of 90% of pro-rata return premium. No refunds of less than \$1.00 are required.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.07 Insurance not to Exceed Amount or Terms of Loan.** No insurance sold within the scope of this chapter may exceed in amount of coverage the amount of indebtedness on the underlying loan nor exceed in duration the scheduled term of the underlying loan. Household contents may be insured at their replacement cost up to the original amount of indebtedness.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.08 Insurance Sold by a Lender.** No insurer may issue a policy covering security for a loan made under the regulatory authority of the Mini Code which exceeds the replacement values of the property given as security for the loan or covering security for such a loan. If the insured elects to cancel a policy sold in connection with such transaction, the insurer shall remit any premium refund due. No

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insurer may issue a policy covering security for a loan made under the regulatory authority of the Mini Code which exceeds the replacement values of the property given as security for the loan or covering security for such a loan. If the insured elects to cancel a policy sold in connection with such transaction, the insurer shall remit any premium refund due.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.09 Insurance Sold by a Dealer.**

A. No insurer may write coverage in which the amount of coverage exceeds the replacement cost of the goods insured.

B. No insurer may pay a dealer or by contract grant a dealer's interest in the affiliated property insurance which exceeds the original indebtedness under the contract.

C. No insurer may issue a contract of insurance through a dealer which covers any goods other than those sold by that dealer under the terms of the contract secured by those goods.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-.10 Rates.**

(a) Credit Property Insurance, other than Involuntary Unemployment Insurance. It shall be presumed in any review of rates filed with the commissioner that the benefits are reasonable in relation to the premium charged if the premium rates do not exceed those contained in Exhibit A of this chapter. Any insurer filing rates in excess of those contained in Exhibit A must demonstrate that its rates produce or may reasonably be expected to produce a loss ratio of at least fifty percent (50%).

(b) Involuntary Unemployment Insurance. It shall be presumed in any review of rates filed with the commissioner that the benefits are reasonable in relation to the premium charged if the premium rates do not exceed those contained in Exhibit B of this chapter.

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Any insurer filing rates in excess of those contained in Exhibit B must demonstrate that its rates produce or may reasonably be expected to produce a loss ratio of at least fifty percent (50%).

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-11 Insurer's reports required.** Each insurance company writing credit property insurance and/or involuntary unemployment insurance, as defined in this chapter, shall report all such insurance premium, expense, and loss information separately in the Credit Insurance Experience Exhibit of the annual statement or on forms prescribed by the Insurance Department.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-12 Periodic Filing Requirement.** Each insurance company writing credit property insurance and/or involuntary unemployment insurance shall submit a filing demonstrating that its rates comply with the rating standard in Rule 482-1-093-.10 no less than every three years. If the last approved rate filing of the insurance company was approved three years prior to the effective date of this chapter, the insurance company must file within six months from the effective date.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-13 Separability.** If any provision of any rule of this chapter or application to any person or circumstance is held invalid, such invalidity shall not affect other provisions of that rule or application of the chapter which can be given effect without the invalid provisions or application and to this end the provisions of this chapter are declared to be severable.

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**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

**482-1-093-14 Effective Date.** The provisions of this chapter, as revised, shall become effective upon its approval by the Commissioner of Insurance and upon its having been on file as a public document in the office of the Secretary of State for ten days. The revisions shall apply to policies sold after December 31, 2002.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

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**EXHIBIT A**

**CREDIT PROPERTY INSURANCE**

The dual interest rates applicable to credit property insurance when calculated on a net monthly outstanding balance basis shall be \$2.35 per \$1,000 of outstanding indebtedness per month. Inclusion of theft coverage on a dual interest basis shall allow an additional charge of \$.65 per \$1,000 of outstanding indebtedness per month. Single interest rates shall be 67% of the dual interest rates.

If premiums are payable on a single premium basis the following formula shall be used to develop single premium rates from the net monthly outstanding balance rates set forth above:

$$S_p = ((N+1)/20) \times O_p$$

where  $S_p$  is the single term premium per \$100 of initial insured indebtedness,  $N$  is the credit term in months, and  $O_p$  is the net monthly outstanding balance rate per \$1,000 of outstanding indebtedness.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002

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**EXHIBIT B**

**INVOLUNTARY UNEMPLOYMENT INSURANCE**

The rate applicable to involuntary unemployment insurance coverage shall not exceed the rates shown in Table 1 for products which use the monthly outstanding balance as the rating base. The rates in Table 1 assume a monthly indemnity equal to 3% of the monthly outstanding balance. If the monthly indemnity is different than 3% of the monthly outstanding balance, the rate shall be adjusted proportionally. The rates in Table 1 are expressed as the rate per \$100 of outstanding balance.

**TABLE 1**

Benefit Period in Months	Non-retroactive Benefits for 30 day elimination period and a 30 day waiting period	Retroactive Benefits for 30 day elimination period and a 30 day waiting period
3	\$0.06	\$0.09
6	\$0.08	\$0.12
9	\$0.09	\$0.13
12	\$0.10	\$0.14

The premium rate applicable to involuntary unemployment insurance coverage shall not exceed the rates shown in Table 2 for products that use the monthly benefit as the rating base. The rates are expressed as the rates per \$100 of monthly benefit.

**TABLE 2**

Benefit Period in Months	Non-retroactive Benefits for 30 day elimination period and a 30 day waiting period	Retroactive Benefits for 30 day elimination period and a 30 day waiting period
3	\$2.20	\$3.15
6	\$2.75	\$4.00
9	\$2.95	\$4.30
12	\$3.15	\$4.45

For involuntary unemployment coverage that is purchased using a single premium and the term of coverage is less than ten years, the rates shall not exceed the product of the number of months in the term of the loan times the monthly rates shown in Table 3. The rates are expressed per \$100 of monthly benefit.

**TABLE 3**

Benefit Period in Months	Non-retroactive Benefits for 30 day elimination period and a 30 day waiting period	Retroactive Benefits for 30 day elimination period and a 30 day waiting period
3	\$1.65	\$2.50
6	\$2.20	\$3.10
9	\$2.35	\$3.30
12	\$2.45	\$3.50

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The rates in Tables 1, 2, and 3 assume single coverage for loss of employment as a result of involuntary layoff, willful termination by employers, strikes, labor disputes, and lockouts. A downward deviation filing will be required if benefits are more restrictive than this standard.

If coverage includes benefits greater than the coverage contemplated in the rates set forth above and the insurer desires to charge a rate higher than shown above, a filing demonstrating the increase in benefits and proposed rate will be required.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Alabama 1975, § 27-2-17

**History:** New June 12, 1992, Effective June 22, 1992; Revised October 15, 1996, Effective April 1, 1997; Revised July 23, 2002, Effective August 2, 2002