Compliance Newsletter

NEW ITEMS:

Indiana:

Department of Insurance Bulletin – 2019 Credit Life and Accident and Health Rates

The Department recently promulgated new credit life and accident and health insurance rates. The Department has ordered an increase in single premium and monthly outstanding balance life rates, and it has ordered a decrease in accident and health rates.

Effective Date: January 1, 2019 (Because the Department was late in publishing its bulletin, the Department is allowing extra time to implement these rates.)
Licensing Impact: No changes necessary.
Product/Program Impact: Credit Life and Accident and Health.
Consumer Contract Impact: No changes necessary.
Rate Impact: Rate impact to credit life and accident and health rates. A Bulletin with revised rate pages will be provided to affected accounts and programming will be required.

Michigan:

Michigan Data Security Act

On December 28, 2018, the Michigan Data Security Act was enacted. The Act is nearly identical to the South Carolina Insurance Date Security Act that was passed earlier this year. The Act was passed to ensure that licensees of the Michigan Department of Insurance and Financial Services have a strong and aggressive cybersecurity program to protect the personal data of consumers in Michigan and to establish standards for the investigation and notification to the Director of Insurance of cybersecurity events applicable to licensees.

Effective Date: January 20, 2021
Licensing Impact: No changes necessary.
Product/Program Impact: All insurance licensees, including credit limited lines license holders. A Bulletin with more details will be provided to affected accounts in advance of Act's effective date.
Consumer Contract Impact: No changes necessary.
Rate Impact: No rate impact.

PREVIOUSLY REPORTED:

District of Columbia:

B22-0432 – Financial Services Consumer Protection Act of 2017.

Would require a seller of a retail installment sales contract also offering open-end credit to disclose whether the seller was benefiting financial from the buyer purchasing credit life, credit accident and health, credit property, or other credit insurance protecting the seller from the buyer's default of other loss.

Effective Date: Proposed legislation.
Licensing Impact: No changes anticipated.
Product/Program Impact: No anticipated impact to credit insurance products.

Consumer Contract Impact: No changes anticipated.
Rate Impact: No changes anticipated.

New Jersey:

SB 2998 – Act concerning lender-placed motor vehicle insurance.

Would include, under the lending section of the statutes, requirements and penalties for creditor placed insurance, which language would be redundant to or in conflict with the "Collateral Protection Insurance Act" under the state insurance code.

Effective Date: Proposed legislation.
Licensing Impact: No changes anticipated.
Product/Program Impact: Potential impact to the sale of lender-placed products.
Consumer Contract Impact: No changes anticipated.
Rate Impact: No changes anticipated.

New York:

AB 6511 – Credit Creation Pilot Program Act of New York.

Would create a five-year pilot program called the "Credit Creation Pilot Program Act of New York." The pilot program is for loans in the amount of $300-$5,000 and contains strong consumer protections, which in many cases exceed those under existing law. The pilot program sets limits on fees and interest rates for small loans, and credit insurance and other ancillary products are not permitted to be sold in conjunction with such loans.

Licensing Impact: Pilot program contains own licensing structure.
Product/Program Impact: Credit insurance not permitted to be sold.
Consumer Contract Impact: No changes anticipated.
Rate Impact: No changes anticipated.

SB 8340 – New York limited state charter for internet lending service law.

Provides for the chartering and regulation of internet lending services providers. Allows for the sale of credit insurance.

Effective Date: Proposed legislation.
Licensing Impact: No changes anticipated.
Product/Program Impact: Credit insurance not permitted to be sold.
Consumer Contract Impact: No changes anticipated.
Rate Impact: No changes anticipated.

North Carolina:

North Carolina's adjustment of prima facie rates for Credit Involuntary Unemployment Insurance.

On September 1, 2018, the North Carolina Department of Insurance promulgated new prima facie rates applicable to all credit involuntary unemployment insurance premiums collected beginning January 1, 2019. This action will cause a decrease in both single premium and monthly outstanding balance rates.

Effective Date: January 1, 2019
Licensing Impact: No changes necessary.
Product/Program Impact: Credit Involuntary Unemployment Insurance.
Consumer Contract Impact: No changes necessary.
Rate Impact: Rate impact to single premium and monthly outstanding balance programs. A Bulletin with revised rate pages has been provided to affected accounts and programming will be required.

South Carolina:

Insurance Department Order 2018-07 – 2019 Credit Property Insurance Rates

On October 31, 2018, the Department promulgated new credit property rates for consumer credit transactions subject to 1966 S.C. Act No. 988, Consumer Finance Law. The Department has ordered an increase in the Household Goods – Single Interest Rate.

Effective Date: January 1, 2019
Licensing Impact: No changes necessary.
Product/Program Impact: Credit Property.
Consumer Contract Impact: No changes necessary.
Rate Impact: Rate impact to Household Goods – Single Interest programs. A Bulletin with revised rate pages has been provided to affected accounts and programming will be required.

Virginia:

Order Adopting Adjusted Prima Facie Rates for the Triennium.

On August 22, 2018, the State Corporation Commission of the Commonwealth of Virginia promulgated new prima facie rates applicable to credit life and accident and sickness insurance premiums collected beginning January 1, 2019. This order will cause a decrease in credit life and accident and sickness single premium and monthly outstanding balance rates.

Effective Date: January 1, 2019
Licensing Impact: No changes necessary.
Product/Program Impact: Credit Life and Accident and Sickness Insurance.
Consumer Contract Impact: No changes necessary.
Rate Impact: Rate impact to single premium and monthly outstanding balance programs. A Bulletin with revised rate pages will be provided to affected accounts and programming will be required.

Federal:

Consumer Financial Protection Bureau (CFPB) – Small Dollar Rule

On October 5, 2017, the CFPB published its final rule that will set new rules and restrictions on payday loans, auto title loans, deposit advance products, and certain installment and open-end loans. The rule will cover any short-term loans with a term of 45 days or less and certain long-term loans with terms of more than 45 days. The proposed rule will only cover long-term loans that (1) have a greater than 36% "all-in APR" (2) where the lender either (a) secures the loan by holding a vehicle as collateral or (b) collects payment using a form of "leveraged payment mechanism" that gives lenders the right to initiate transfers from a consumer's account or to obtain payment through payroll deduction or other direct access to the consumer's paycheck. The rule excludes from coverage purchase-money credit secured solely by the vehicle or other consumer goods purchased, real property or dwelling-secured credit if the lien is recorded or perfected, credit cards, student loans, non-recourse pawn loans, overdraft services and overdraft lines of credit and credit sales contracts. The rule requires that lenders perform a "full payments test", which requires a lender to determine affordability and requirements for justifying additional loans. Among other things, lenders dealing in covered loans will also be required to use credit reporting systems to report and obtain information about covered loans and consumers.

Effective Date: The CFPB released its final small-dollar loan rule on October 5, 2017. The rule takes effect 21 months after it is published in the Federal Register, although the provisions that allow for registration of information systems take effect earlier.
Licensing Impact: No changes anticipated.
Product/Program Impact: No substantive impact anticipated to credit insurance products themselves.
Consumer Contract Impact: No impact to insurance contracts anticipated.

S. 1659 – Protecting Consumers from Unreasonable Credit Rates Act of 2017.

This bill amends the Truth in Lending Act to prohibit a creditor from extending credit to a consumer under an open end consumer credit plan (credit card) for which the fee and interest rate exceeds 36%. The bill also sets forth criminal penalties for violations and empowers state Attorneys General to enforce the bill.

Effective Date: Proposed legislation.
Licensing Impact: No changes anticipated.

Disclaimer: Does not contain information for all legislation that may affect a provider of Credit Protection products. You should review each bill in its entirety to determine the impact and what actions are needed, if any, to comply with state requirements.

Product/Program Impact: No anticipated impact to credit insurance products. However, may impact accounts' decisions to offer credit insurance.
Consumer Contract Impact: No changes anticipated.
Rate Impact: No changes anticipated.

Reminder: License appointment renewals for agents are automatically processed each year unless we hear otherwise from you. To avoid paying for terminated or inactive employees, please send your changes to licensing@fortegra.com or contact Lynnette Rackley at 800-888-2738 then 8 x7267. The upcoming termination cut-off dates are as follows: WA – 10/01/2018; IL – 10/21/2018; OK – 10/28/2018; AL – 12/15/2018; GA – 12/15/2018; KS – 12/15/2018; MI – 12/20/2018; IA – 12/28/2018; KY – 12/31/2018; PA – 12/31/2018; and WI – 12/31/2018.