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## Compliance Newsletter

### NEW ITEMS:

#### California:

**SB 482 – Amendments to the California Financing Law.**

Would require that ancillary products, including credit insurance, only be sold in California Financing Law lending transactions after disbursement.

**Effective Date:** Proposed date not specified.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Potential impact to timing of sale of ancillary products.

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

**Rate Impact:** No changes anticipated.

#### Hawaii:

**HB 79 & SB 537 – Relating to Consumer Protection.**

Would impact installment loans up to \$1,000. Credit insurance premiums would not be allowed to be collected by the lender/licensee.

**Effective Date:** Proposed – January 1, 2020.

**Licensing Impact:** Credit insurance products would not be permitted to be sold.

**Product/Program Impact:** Credit insurance products would not be permitted to be sold.

**Consumer Contract Impact:** Credit insurance products would not be permitted to be sold.

**Rate Impact:** Credit insurance products would not be permitted to be sold.

#### Missouri:

**HB 815 & SB 246 – Increases the maximum duration of credit transaction that is subject to regulation under the statutes governing credit insurance.**

Currently, insurance written in connection with a loan or other credit transaction with a duration of more than 10 years is not subject to regulation. This bill increases the time period from 10 years to 15 years.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Would permit credit insurance to be written for a longer term.

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

**Rate Impact:** No changes anticipated.

#### New Mexico:

**HB 22 – Lower Small & Installment Loan APR.**

Would lower the APR, under the New Mexico Small Loan Act of 1955, from 175 percent to 36 percent. These provisions would also apply to loans extended under the New Mexico Bank Installment Loan Act of 1959.

**Effective Date:** Proposed – July 1, 2019.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

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

**Rate Impact:** No changes anticipated.

**Rhode Island:**

**SB 195 – Relating to Interest and Usury.**

Would reduce the usury rate from 21% to 12%. Premiums for credit insurance are not included in interest.

**Effective Date:** Effective upon passage.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

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

**Rate Impact:** No changes anticipated.

**PREVIOUSLY REPORTED:**

**Florida:**

**HB 469 & SB 874 – Responsible Credit Pilot Program.**

Would create a pilot program for consumer loan amounts up to \$10,000. The pilot program is intended to assist consumers in building their credit and to provide additional consumer protections for these loans that exceed current protections under general law. The program contains an APR cap of 36% but allows for the sale of credit insurance and other ancillary products.

**Effective Date:** Proposed – January 1, 2020.

**Licensing Impact:** Pilot program contains its own licensing requirements.

**Product/Program Impact:** No anticipated impact to credit insurance products.

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

**Rate Impact:** No changes anticipated.

**Missouri:**

**Amendments/Rescissions to Credit Insurance Regulations**

Would amend and rescind numerous provisions of the credit insurance regulations to more appropriately align the regulations with the current credit insurance statutes. Comments to proposed changes due February 14, 2019.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Potential impact to credit insurance program.

**Consumer Contract Impact:** Potential impact to credit insurance forms.

**Rate Impact:** Potential impact to credit insurance rates.

**New Hampshire:**

**HB 586 – Creditor-Placed Insurance Act.**

Would establish a creditor-placed insurance act, setting forth new requirements to creditor-placed programs being offered in New Hampshire.

**Effective Date:** Proposed – January 1, 2020.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Potential impact to current forms, coverages, and rates.

**Consumer Contract Impact:** Potential impact to current forms.

**Rate Impact:** Potential impact to current rates.

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## **New Jersey:**

### **SB 2998 – Act concerning lender-placed motor vehicle insurance. Passed by the Senate.**

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 Mexico:**

### **HB 150 – Installment and Small Loan Changes. Passed in the House and the Senate.**

Would require on small loans and installment loans new reporting on number of and amounts of loans and finance charges for all licensee loans.

**Effective Date:** Proposed – July 1, 2019.

**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 Mexico:**

### **HB 375 & 386 – Decrease Maximum APR for Small Loans.**

Would lower the maximum APR for loans pursuant to the New Mexico Bank Installment Loan Act of 1959 and the New Mexico Small Loan Act of 1955 to 36%. Credit insurance would still be permitted to be sold.

**Effective Date:** Proposed – July 1, 2019.

**Licensing Impact:** No changes anticipated.

**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.

## **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.

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**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.

## **NO LONGER MONITORING:**

### **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 Data 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.

### **Federal:**

#### **S. 1659 – Protecting Consumers from Unreasonable Credit Rates Act of 2017. Died due to end of legislative session.**

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.

**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.

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**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](mailto:licensing@fortegra.com) or contact Lynnette Rackley at 800-888-2738 then 8 x7267. The upcoming termination cut-off dates are as follows: NC – 1/26/2019; NM – 2/23/2019; ND – 2/23/2019; DC – 2/27/2019; LA – 3/7/2019; MS – 3/15/2019; NJ – 3/23/2019; SD – 3/31/2019; NE – 4/14/2019; CT – 4/17/2019; MD – 5/1/2019 (Motor club appointments only); AR – 5/25/2019; VT – 5/26/2019; WV – 5/31/2019.

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