

Public Law 87-686

AN ACT

September 25, 1962
[S. 2357]

To provide for the regulation of credit life insurance and credit accident and health insurance in the District of Columbia.

The Act for the
Regulation of
Credit Life Insur-
ance and Credit
Accident and
Health Insurance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act, regulating credit life insurance and credit accident and health insurance in the District of Columbia may be cited as "The Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance".

(b) All life insurance and all accident and health insurance in connection with loans or other credit transactions of less than five years duration in the District of Columbia shall be subject to the provisions of this Act. Such insurance written in connection with a loan or other credit transaction of five years duration or more shall not be subject to the provisions of this Act, nor shall such insurance be subject to the provisions of this Act if the issuance of the insurance is an isolated transaction on the part of the insurer not related to a plan or regular course of conduct for insuring debtors of the creditor.

DEFINITIONS

SEC. 2. For the purpose of this Act—

(a) "Commissioners" means the Commissioners of the District of Columbia;

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

(c) "Credit accident and health insurance" means insurance against the disability of a debtor which provides indemnity for payments on a specific loan or other credit transaction;

(d) "Creditor" means the lender of money or vendor of goods, services, or property, including a lessor under a lease intended as a security, for which payment is arranged through a loan or other credit transaction, and includes any successor to the right, title, or interest of any such lender, vendor, or lessor;

(e) "Debtor" means a borrower of money or purchaser of goods, services, or property, including a lessee under a lease intended as a security, for which payment is arranged through a loan or other credit transaction;

(f) "District" means the District of Columbia;

(g) "Indebtedness" means the amount payable by a debtor to a creditor in connection with a loan or other credit transaction; and

(h) "Superintendent" means the Superintendent of Insurance of the District of Columbia.

FORMS OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE

SEC. 3. Credit life insurance and credit accident and health insurance shall be issued only in the following forms:

(a) Individual policies of life insurance issued to debtors on the term plan;

(b) Individual policies of accident and health insurance issued to debtors on a term plan or disability provisions in individual life policies to provide such coverage;

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

(d) Group policies of accident and health insurance issued to creditors on a term plan insuring debtors or disability provisions in group life policies to provide such coverage.

AMOUNT OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND
HEALTH INSURANCE

SEC. 4. (a) The amount of credit life insurance shall not exceed the initial indebtedness however the indebtedness may be repayable: *Provided, however,* That nothing contained herein shall be deemed to supersede or repeal the limitation on the amount of group insurance specified in section 10(2)(d) of chapter V of the Life Insurance Act of the District of Columbia, as amended (48 Stat. 1164; sec. 35-710 (2)(d), D.C. Code, 1951 ed.). In cases where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled amount of unpaid indebtedness in the case of any individual policy or the actual amount of the unpaid indebtedness in the case of any group policy.

64 Stat. 330.

(b) The amount of indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments.

TERM OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND
HEALTH INSURANCE

SEC. 5. The term of any credit life insurance or credit accident and health insurance shall, subject to acceptance by the insurance company, 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 days from the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company 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 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 renewal or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in section 8.

PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE; DISCLOSURE TO
DEBTORS

SEC. 6. (a) All credit life insurance and credit accident and health insurance shall be evidenced by an individual policy, or in the case of group insurance by a group policy and individual certificates of insurance.

(b) Each individual policy or certificate of credit life insurance, each individual policy or certificate of credit accident and health insurance, and each individual policy or certificate of credit life insur-

ance and credit accident and health insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurance company, and the identity by name or otherwise of the person insured, the rate or amount of payment, if any, by the debtor separately in connection with credit life insurance and credit accident and health insurance, a description of the coverage, including the amount and term thereof (which in the case of group insurance may be by description rather than stated amount and term), any exceptions, limitations, or restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, whenever 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.

(c) Except as hereinafter provided, an individual policy or certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred.

(d) If a debtor makes a separate payment for credit life or credit accident and health insurance and an individual policy or 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 by the creditor. 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 insured; the rate or amount of payment by the debtor separately for credit life insurance and credit accident and health insurance; and a statement that within thirty days, if the insurance is accepted by the insurance company, there will be delivered to the debtor an individual policy or certificate of insurance containing the name and home office address of the insurance company, and 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 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 in such statement of account, instrument, or agreement. If a debtor does not make a separate payment for credit life or credit accident and health insurance, an application need not be taken or a notice of proposed insurance given. In any case, upon acceptance of the insurance by the insurance company, and within thirty days of the date upon which the term of the insurance commences, the insurance company shall cause the individual policy or certificate of insurance to be delivered to the debtor. Said application or notice of proposed insurance shall state that, upon acceptance by the insurance company, the insurance shall become effective as provided in section 5.

FILING, APPROVAL, AND WITHDRAWAL OF FORMS

SEC. 7. (a) All forms of policies, certificates of insurance, notices of proposed insurance, applications for insurance, binders, endorsements and riders delivered or issued for delivery in the District and the premium rates pertaining thereto shall be filed with the Superintendent by the insurance company, in such manner and together with such supporting information as the Superintendent may reasonably require. In any case where a group policy is made for a group in the District and the policy is neither delivered nor issued for delivery in the District, the form of policy and all other forms and premium rates referred to in the preceding sentence shall be filed with the Superintendent by the insurance company.

(b) The Superintendent may, within thirty days after the filing of any form of policy, certificate of insurance, notice of proposed insurance, application for insurance, binder, endorsement or rider, disapprove any such form if the premium rates charged or to be charged appear by reasonable assumptions to be excessive in relation to benefits paid or to be paid, or if the form contains provisions which are unjust, unfair, inequitable, misleading, or deceptive. In determining whether to disapprove any such form the Superintendent may give due consideration to past and prospective loss experience within and outside the District, to underwriting practice and judgment to the extent appropriate, and to all other relevant factors within and outside the District, and he may take into account the experience of the individual company.

(c) If the Superintendent notifies the insurance company that the form does not comply with the requirements of this Act, it shall be unlawful thereafter for such insurance company to issue or use such form. In such notice, the Superintendent shall specify the reason for his disapproval and state that a hearing will be granted promptly upon request in writing by the insurance company. No such policy, certificate of insurance, notice of proposed insurance, application for insurance, binder, endorsement, or rider shall be issued or used until the expiration of thirty days after it has been so filed, unless the Superintendent shall give his prior written approval thereto.

(d) The Superintendent may, at any time after a hearing, held after not less than twenty days' written notice to the insurance company, withdraw his approval of any such form if it does not meet the requirements of this Act.

(e) The insurance company shall not issue such forms or use them after the effective date of such withdrawal of approval.

(f) The insurance company may revise such forms and the premium rates pertaining thereto from time to time, and such revised forms and premium rates shall be filed with the Superintendent and shall be subject to all the preceding requirements of this section, in like manner as though they were original filings with the Superintendent.

REFUNDS

SEC. 8. (a) Each individual policy or certificate of credit life insurance or credit accident and health insurance 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*, That the Superintendent 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 refunds shall be filed with the Superintendent who may disapprove such formula if he finds that it is unjust or unreasonable.

(b) If a creditor requires a debtor to make a payment in connection with credit life insurance or credit accident and health insurance and an individual policy or certificate of insurance is not issued, the creditor shall promptly give written notice to such debtor and shall promptly make an appropriate credit to the account.

(c) The amount charged to a debtor for credit life or credit accident and health insurance shall not exceed the premium rate charged by the insurance company at the time the charge to the debtor is determined.

CLAIMS

SEC. 9. (a) All claims shall be paid either by draft drawn upon the insurance company or by check of the insurance company 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, and every insurance company shall be held to strict settlement of all such claims.

(b) It shall be unlawful for any creditor, having received any such check or draft from such insurance company, to fail to correctly credit the account, pay to or upon the direction of, or otherwise correctly account to the claimant to whom payment is due for the full amount of such check or draft, less any lawful deductions therefrom.

(c) No plan or arrangement shall be used whereby any person, firm, or corporation other than the insurance company or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurance company in adjusting claims, nor, in the case of an individual creditor, shall the spouse of such creditor or any relative of the creditor or spouse within the third degree of consanguinity be so designated, nor shall any officer or employee of a corporate creditor or any spouse or relative of such officer, employee, or spouse within the third degree of consanguinity be so designated: *Provided*, That a group policyholder may, by arrangement with the group insurance company, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurance company.

EXISTING INSURANCE—CHOICE OF INSURER

SEC. 10. When credit life insurance or credit accident and health insurance is required as additional security for any indebtedness, the creditor may not require that the insurance be written through any particular insurance company or any particular agent, and 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 insurance company authorized to transact an insurance business within the District.

ENFORCEMENT

SEC. 11. (a) In the case of any violation of this Act by an insurance company, agent, solicitor, or broker, the Superintendent shall have authority to proceed in accordance with the provisions of sections 6 and 27 of the Act approved June 19, 1934, as amended (48 Stat. 1131 and 1140; secs. 35-405 and 35-426, D.C. Code, 1951 ed.), and sections 3 and 36 of the Act approved October 9, 1940, as amended (54 Stat. 1066 and 1079; secs. 35-1306 and 35-1340, D.C. Code, 1951 ed.).

(b) In the case of any violation of this Act by a creditor or by any other person not licensed in the District as an insurance agent, solicitor, or broker, regardless of the fact that such creditor or other person is not required by law to be so licensed, the penalties and the procedure for their imposition shall be as set forth in section 43 of the Act approved October 9, 1940, as amended (54 Stat. 1082; sec. 35-1347, D.C. Code, 1951 ed.).

72 Stat. 20, 21.

72 Stat. 21, 25.

JUDICIAL REVIEW

SEC. 12. Any insurance company, agent, solicitor, or broker aggrieved by any order or action of the Superintendent under this Act may contest the validity of such order or action by appeal or through any other appropriate proceeding, in accordance with the procedures prescribed by sections 44 and 45 of the Act approved October 9, 1940, as amended (54 Stat. 1082; secs. 35-1348 and 35-1349, D.C. Code, 1951 ed.): *Provided*, That any such insurance company, agent, solicitor, or broker which is licensed in the District under the Life Insurance Act approved June 19, 1934, as amended (48 Stat. 1127, et seq.; sec. 35-301, et seq., D.C. Code, 1951 ed.), may contest the validity of such order or action by appeal or through any other appropriate proceeding in accordance with the procedures prescribed by such Act approved June 19, 1934.

EFFECT OF REORGANIZATION PLAN NUMBERED 5 OF 1952

SEC. 13. Nothing in this Act shall be construed so as to affect the authority vested in the Commissioners by Reorganization Plan Numbered 5 of 1952 (66 Stat. 824). The performance of any function vested by this Act in the Commissioners or in any office or agency under the jurisdiction and control of said Commissioners may be delegated by said Commissioners in accordance with section 3 of such plan.

D. C. Code title
1 app.

EFFECTIVE DATE

SEC. 14. This Act shall take effect ninety days after its approval.
Approved September 25, 1962.

Public Law 87-687

AN ACT

September 25, 1962
[S. 2696]

To correct certain land descriptions in the Act entitled "An Act to declare that the United States holds in trust for the pueblos of Santa Ana, Zia, Jemez, San Felipe, Santo Domingo, Cochiti, Isleta, and San Ildefonso certain public domain lands".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 7 of the Act entitled "An Act to declare that the United States holds in trust for the pueblos of Santa Ana, Zia, Jemez, San Felipe, Santo Domingo, Cochiti, Isleta, and San Ildefonso certain public domain lands", approved September 14, 1961 (75 Stat. 500), is amended by striking out—

Indian pueblos,
N. Mex.
Land descrip-
tions, correction.

75 Stat. 504.

"Township 8 north, range 2 east:

"Section 4, lots 1, 2, 3, 4, 13, 14, 15, and 16, south half north half;

"Section 6, lots 1, 2, 12, 13, 14, and 15, northeast quarter east half northwest quarter."

and inserting in lieu thereof

"Township 8 north, range 1 east:

"Section 4, lots 1, 2, 3, 4, 13, 14, 15, and 16, south half north half;

"Section 6, lots 1, 2, 12, 13, 14, and 15, northeast quarter, east half northwest quarter."

Approved September 25, 1962.