

State of Arizona
Senate
Forty-second Legislature
Second Regular Session
1996

FILED

Jane Dee Hull
Secretary of State

CHAPTER 181

SENATE BILL 1287

AN ACT

AMENDING SECTION 6-626, ARIZONA REVISED STATUTES; RELATING TO INSURANCE ON CONSUMER LOANS.

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 6-626, Arizona Revised Statutes, is amended to
3 read:

4 6-626. Insurance securing loan; cancellation; notice;
5 definition

6 A. Subject to the conditions provided in this section and
7 notwithstanding any other provisions of this chapter, reasonable insurance
8 may be sold to the borrower insuring any property securing a consumer loan,
9 consumer revolving loan account or home equity revolving loan account and
10 insuring the life of one party OR MORE PARTIES obligated on a consumer loan,
11 consumer revolving loan account or home equity revolving loan account ~~or, if~~
12 ~~the borrowers are spouses, insuring the lives of both borrowers.~~ If an
13 insured spouse BORROWER dies the insured balance due on an insured loan shall
14 be paid off by the insurer. Credit disability insurance as defined in title
15 20 AND CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE may also be sold to ONE OR
16 MORE BORROWERS.

17 B. ANY INSURANCE PURCHASED BY A BORROWER PURSUANT TO SUBSECTION A OF
18 THIS SECTION, EXCEPT INSURANCE ON PROPERTY SECURING A LOAN, IS OPTIONAL, AND
19 A LICENSEE SHALL NOT REFUSE TO MAKE A LOAN BASED ON THE BORROWER'S REFUSAL
20 TO PURCHASE THE INSURANCE. THE BORROWER MAY CANCEL THIS INSURANCE FOR ANY
21 REASON AT ANY TIME WITHIN THIRTY DAYS AFTER THE LOAN IS MADE AND SHALL MAIL
22 OR DELIVER A WRITTEN NOTICE OF CANCELLATION TO THE LICENSEE'S PLACE OF
23 BUSINESS. IF THE BORROWER CANCELS THE INSURANCE PURSUANT TO THIS SUBSECTION,

1 THE BORROWER IS ENTITLED TO A FULL REFUND OF ANY PREMIUMS PAID FOR THE
2 INSURANCE. BEFORE EXECUTING ANY LOAN DOCUMENT IN CONNECTION WITH THIS
3 SUBSECTION, THE LICENSEE SHALL GIVE THE BORROWER A WRITTEN COPY OF THE
4 PROVISIONS OF THIS SUBSECTION AND SUBSECTION A OF THIS SECTION.

5 ~~B-~~ C. All insurance sold pursuant to this section shall bear a
6 reasonable bona fide relation to the existing hazard or risk of loss and
7 shall be written by an agent licensed in this state and by an insurance
8 company authorized to conduct such business in this state. A licensee may
9 not require the purchase of such insurance from the licensee or any employee,
10 affiliate or associate of the licensee as a condition precedent to the making
11 of a consumer loan or establishing a consumer revolving loan account or home
12 equity revolving loan account, but the licensee may otherwise designate the
13 company in which the insurance shall be placed as long as the insurance
14 company is authorized to conduct business in this state.

15 ~~C-~~ D. At the time the insurance is sold the licensee shall mail or
16 deliver a written receipt or binder to the borrower and within thirty days
17 thereafter shall deliver to the borrower, or if more than one, to one of
18 them, a policy or certificate of insurance covering any insurance procured
19 by or through the licensee or any employee, affiliate or associate of the
20 licensee in connection with the consumer loan, consumer revolving loan
21 account or home equity revolving loan account which sets forth the amount of
22 any premium which the borrower has paid or is obligated to pay, the amount
23 of insurance, the term of insurance and a description of the coverage. The
24 policy or certificate may contain a mortgage clause or other appropriate
25 provisions to protect the insurable interest of the licensee.

26 ~~D-~~ E. Property insurance, if sold by a licensee in connection with
27 a consumer loan, shall be at the option of the borrower in an amount of not
28 to exceed the greater of the reasonable value of the property insured or the
29 approximate amount of the consumer loan and shall be for a term of not to
30 exceed the approximate term of the consumer loan. However, the amount of
31 such property insurance may not exceed the reasonable value of the property
32 insured.

33 ~~E-~~ F. Property insurance, if sold by a licensee in connection with
34 a consumer revolving loan account or a home equity revolving loan account,
35 shall be in an amount of not to exceed the greater of the reasonable value
36 of the property insured or the agreed on credit limit. However, the amount
37 of property insurance may not exceed the reasonable value of the property
38 insured. Property insurance may be sold by the licensee for renewable terms
39 not exceeding two years. Alternatively, the amount of property insurance may
40 be equal to the balance outstanding on a consumer revolving loan account or
41 a home equity revolving loan account from time to time with the premiums
42 calculated on the basis of the actual daily unpaid balance or the average
43 daily balance of the account during each monthly billing cycle. Premiums for

1 property insurance may be charged as an advance on a consumer revolving loan
2 account or a home equity revolving loan account.

3 ~~F~~ G. Whenever property insurance is sold for a renewable term, a
4 notice shall be mailed to the borrower at least thirty days before the
5 renewal date which states all of the following:

6 1. That the borrower's property insurance is about to expire.

7 2. That the borrower may obtain property insurance from any source
8 chosen by the borrower subject to the licensee's right to reasonably reject
9 the insurance provider chosen by the borrower by providing written notice to
10 the borrower of those reasons for rejection.

11 3. The term, coverage and premium for the renewal of property
12 insurance.

13 4. That the property insurance will be renewed on expiration unless
14 the borrower provides the licensee before the expiration date with evidence
15 that the borrower has obtained other property insurance.

16 ~~G~~ H. Notwithstanding any other provision of this chapter, any
17 advantage, commission, dividend, gain or identifiable charge for insurance
18 authorized by this section, or otherwise, to the licensee or any employee,
19 affiliate or associate of the licensee from such insurance or its sale shall
20 not be deemed an additional or further interest or charge in connection with
21 the consumer loan, consumer revolving loan account or home equity revolving
22 loan account, but if a new consumer loan, consumer revolving loan account or
23 home equity revolving loan account is made or a contract of a consumer loan,
24 consumer revolving loan account or home equity revolving loan account is
25 renewed and new insurance is to be sold, the insurance provided for in this
26 section shall be applied thereto or cancelled and a refund of the unearned
27 premium or identifiable charge shall be credited or made before new insurance
28 is sold.

29 ~~H~~ I. Except as otherwise specifically provided in this chapter,
30 insurance transactions under this chapter are subject in all respects to
31 applicable laws pertaining to such insurance under title 20 and to applicable
32 rules adopted under title 20.

33 J. FOR THE PURPOSES OF THIS SECTION, "CREDIT INVOLUNTARY UNEMPLOYMENT
34 INSURANCE" MEANS INSURANCE TO PROVIDE INDEMNITY FOR PAYMENTS DUE ON A
35 CONSUMER LOAN WHILE THE BORROWER IS INVOLUNTARILY UNEMPLOYED.

APPROVED BY THE GOVERNOR APRIL 15, 1996

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 15, 1996