

---

 CHAPTER 382—H.F.No.530

[Coded in Part]

*An act relating to commerce; regulating the use of credit life and credit health and accident insurance; eliminating level term credit life insurance; eliminating "pyramiding" of credit life insurance; permitting joint life credit insurance policies; permitting certain classes of credit accident and health insurance; amending Minnesota Statutes 1976, Sections 53.051; 56.15, Subdivision 2; 61A.12, by adding a subdivision; 62B.04, Subdivision 1; and 62B.05.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1976, Section 53.051, is amended to read:

**53.051 CREDIT LIFE AND CREDIT HEALTH AND ACCIDENT INSURANCE; INSURANCE IN CONNECTION WITH LOANS.** Any policy or certificate of insurance procured by a licensee in connection with any loan or transaction subject to this chapter, for which the premium has been paid by the obligor or obligors out of the proceeds of the loan or transaction, shall contain the amount and description of the coverage, all of the terms and conditions, the period of time for which it is written, the premium therefor, and shall be delivered to the obligor or obligors within a reasonable time. ~~No~~ Any policy or certificate providing credit life insurance or credit accident and health benefits shall be written for a term extending more than 15 days beyond the maturity of the related obligation and shall not provide benefits greater than the initial amount of such obligation.

If the coverage provides credit accident and health insurance, the policy or certificate shall contain a provision that if the insured obligor is disabled, as defined in the policy, for a period of more than 14 days, benefits shall commence as of the first day of disability in a manner consistent with chapter 62B and rules promulgated thereunder.

A policy or certificate for credit accident and health insurance shall disclose whether or not the benefits shall commence as of the first day of disability and shall further disclose the number of days that an insured obligor must be disabled, as defined in the policy, before benefits, whether retroactive or nonretroactive, shall commence.

In case there are multiple obligors under a transaction subject to ~~such~~ this chapter, no policy or certificate of insurance providing life insurance or credit accident and health benefits shall be procured by or through a licensee upon more than one of such obligors. In case there are multiple obligors under a transaction subject to this chapter no policy or certificate of insurance providing credit life insurance shall be procured by or through a licensee upon more than two of the obligors in which case they shall be insured jointly.

If an obligation is prepaid in full by cash, a new loan, refinancing, or otherwise, any policy or certificate of insurance providing life insurance or accident and health benefits procured by or through a licensee and for which the premium has been paid by the obligor out of the proceeds of the obligation shall be cancelled upon surrender of the

Changes or additions indicated by underline deletions by strikeout

policy, certificate or other evidence and the unearned premium refunded unless the obligor shall request in writing that such insurance be continued in force, and a copy of such written request shall be delivered to the insured at time of signature.

No licensee shall decline to accept a policy of insurance furnished by the borrower from another source.

Sec. 2. Minnesota Statutes 1976, Section 56.15, Subdivision 2, is amended to read:

Subd. 2. No licensee shall, directly or indirectly, sell or offer for sale any insurance in connection with any loan made under this chapter except as and to the extent authorized by this section. Life, accident and health insurance, or any of them, may be written upon or in connection with any loan for a term not extending beyond the final maturity date of the loan contract but only upon one obligor on any one loan contract. The amount of life insurance shall at no time exceed the unpaid balance of principal and charges combined which are scheduled to be outstanding under the terms of the loan contract or the actual amount unpaid on the loan contract, whichever is greater. Accident and health insurance shall provide benefits not in excess of the unpaid balance scheduled to be outstanding under the terms of the loan contract and the amount of each periodic benefit payment shall not exceed the total amount payable divided by the number of installments and shall provide that if the insured obligor is disabled, as defined in the policy, for a period of more than 14 days, benefits shall commence as of the first day of disability in a manner consistent with chapter 62B and rules promulgated thereunder. The licensee shall disclose whether or not the benefits shall commence as of the first day of disability and shall further disclose the number of days that an insured obligor must be disabled, as defined in the policy, before benefits, whether retroactive or nonretroactive, shall commence. In case there are multiple obligors under a transaction subject to this chapter no policy or certificate of insurance providing credit accident and health benefits shall be procured by or through a licensee upon more than one of the obligors. In case there are multiple obligors under a transaction subject to this chapter no policy or certificate of insurance providing credit life insurance shall be procured by or through a licensee upon more than two of the obligors in which case they shall be insured jointly. The premium or identifiable charge for such insurance shall not exceed that filed by the insurer with the insurance division of the department of commerce. Such charge, computed at the time the loan is made for the full term of the loan contract on the total amount required to pay principal and charges, may be deducted from the proceeds or may be included as part of the principal of any loan. If a borrower procures insurance by or through a licensee, the statement required by section 56.14 of this chapter shall disclose the cost to the borrower and the type of insurance, and the licensee shall cause to be delivered to the borrower a copy of the policy, certificate, or other evidence thereof, within a reasonable time. No licensee shall decline new or existing insurance which meets the standards set out herein nor prevent any obligor from obtaining such insurance coverage from other sources. If the loan contract is prepaid in full by cash, a new loan, renewal, refinancing, or otherwise (except by the insurance) any life, accident and health insurance procured by or through a licensee shall be canceled and a refund of the unearned premium or identifiable charge shall be rebated. Notwithstanding any other provision of this chapter, any gain or advantage to the licensee or to any employee, affiliate, or associate of the licensee from such insurance or the sale or provision thereof

Changes or additions indicated by underline deletions by strikethrough

shall not be deemed to be additional or further charges in connection with such loan; nor shall any of the provisions pertaining to insurance contained in this section be deemed prohibited by any other provision of this chapter.

Sec. 3. Minnesota Statutes 1976, Section 62B.04, Subdivision 1, is amended to read:

**62B.04 AMOUNT OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE.** Subdivision 1. **CREDIT LIFE INSURANCE.** (1) The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness. Thereafter, if the indebtedness is repayable in substantially equal installments, the amount of insurance shall not exceed the scheduled or actual amount of indebtedness, whichever is greater; ~~unless the debtor is apprised of his right to have insurance covering only the scheduled or actual amount of indebtedness; at a lesser cost than level term insurance, and the debtor nonetheless elects in writing to carry level term insurance. A transaction under section 53.04 wherein the certificate of indebtedness provides for payment in substantially equal installments shall constitute an indebtedness repayable in substantially equal installments under this subdivision.~~

(2) ~~Notwithstanding the provisions of subdivision 1, paragraph clause (1) of this or any other section,~~ insurance on educational, agricultural and horticultural credit transaction commitments may be written on a nondecreasing or level term plan for the amount of the portion of such loan commitment that has not been advanced by the creditor.

Sec. 4. Minnesota Statutes 1976, Section 62B.05, is amended to read:

**62B.05 TERM OF CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND HEALTH INSURANCE.** *The term of any credit life insurance or credit accident and health insurance shall, subject to acceptance by the insurer, 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 the indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and the evidence is furnished more than 30 days after 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 that event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of the insurance shall not extend more than 15 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 renewed or refinanced indebtedness; unless the debtor requests in writing that it be continued. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in section 62B.08.~~*

If an indebtedness is prepaid in full before its scheduled maturity, except by a new loan from or by refinancing by the same creditor and except by performance of the insurer's obligation under the policy, any policy or certificate of insurance providing

Changes or additions indicated by underline deletions by strikeout

credit life or credit accident and health benefits procured by or through a creditor and for which the premium has been paid by the debtor or debtors out of the proceeds of the indebtedness shall be cancelled upon surrender of the policy, certificate or other evidence, and a refund shall be paid or credited as provided in section 62B.08. If the policy or certificate by its own terms terminates upon prepayment in full before its scheduled maturity date, it need not be surrendered but a refund shall be paid or credited as provided in section 62B.08.

If an indebtedness is prepaid in full before its scheduled maturity date by a new loan from or by refinancing by the same creditor through which the debtor or debtors procured a policy or certificate of credit life or credit accident and health insurance issued after the effective date of this act, the insurance shall be deemed cancelled if any new policy or certificate for the same type of insurance is issued in connection with the new loan or refinancing, and a refund shall be paid or credited as provided in section 62B.08. For the purposes of this subdivision, an assignee creditor and an assignor creditor shall not be construed to be the same creditor.

Sec. 5. Minnesota Statutes 1976, Section 61A.12, is amended by adding a subdivision to read:

Subd. 5. SUBSTITUTION. When a creditor requires credit life insurance, credit accident and health insurance, or both, as additional security for an indebtedness, the debtor shall be given the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or procuring and furnishing the required coverage through any insurer authorized to transact insurance business in this state. If this subsection is applicable, the debtor shall be informed by the creditor of his right to provide alternative coverage before the transaction is completed.

Approved June 2, 1977.

---

CHAPTER 383—H.F.No.536

[Coded]

*An act relating to civil service; providing that promotion and place of service are separate considerations; amending Minnesota Statutes 1976, Section 43.19, by adding a subdivision.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1976, Section 43.19, is amended by adding a subdivision to read:

Subd. 5. STATE CIVIL SERVICE; PROMOTIONS; WORK STATION LOCATION. No employee of any agency in the executive branch shall be deemed ineligible for promotion to a position solely because of the location of the employee's current work station or the location of the work station to which the employee would be

Changes or additions indicated by underline deletions by strikethrough