

Article - Insurance

[Previous][Next]

§17–206.

(a) Subject to the requirements of this section, a policy may be issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by two or more creditors, which creditor, holding company, affiliate, trustee, trustees, or agent shall be deemed the policyholder, to insure debtors of the creditor, or creditors.

(b) (1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes of debtors.

(2) The policy may provide that the term “debtors” shall include:

(i) borrowers of money or purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction;

(ii) the debtors of one or more subsidiary corporations; and

(iii) the debtors of one or more affiliated corporations, proprietorships, or partnerships if the business of the policyholder and of the affiliated corporations, proprietorships, or partnerships is under common control.

(c) (1) The premium for the policy shall be paid either from the creditor’s funds, or from charges collected from the insured debtors, or from both.

(2) Except as provided in paragraph (3) of this subsection, a policy on which no part of the premium is to be derived from the funds contributed by insured debtors specifically for their insurance must insure all eligible debtors.

(3) An insurer may exclude any debtors as to whom evidence of individual insurability is not satisfactory to the insurer.

(d) (1) The amount of insurance on the life of any debtor shall at no time exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor.

(2) (i) The insurance may be payable to the creditor or any successor to the right, title, and interest of the creditor.

(ii) The payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of the payment and any excess of the insurance shall be payable to the beneficiary named by the insured other than the creditor or to the estate of the insured.

(3) Notwithstanding the provisions of paragraphs (1) and (2) of this subsection:

(i) insurance on agricultural credit transaction commitments not exceeding a term of 1 year may be written up to the amount of the loan commitment on a nondecreasing or level term plan; and

(ii) insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

[Previous][Next]