

**CREDIT LIFE AND CREDIT ACCIDENT AND
SICKNESS INSURANCE**

**REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL
To
THE GOVERNOR
And
THE GENERAL ASSEMBLY OF VIRGINIA**



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VIRGINIA ADVISORY LEGISLATIVE COUNCIL

RICHMOND, VIRGINIA,
November 5, 1959

To:

HONORABLE J. LINDSAY ALMOND, JR., *Governor of Virginia*
and

THE GENERAL ASSEMBLY OF VIRGINIA

Although credit life insurance—that is, insurance upon the life of a debtor which is designed to pay off the debt in the event of his death—has been written in Virginia for more than thirty-five years, it has been only within comparatively recent times that the vast increase in “consumer credit”, accompanied by a similar increase in the volume of insurance to protect such credit, has brought the question of the desirability of regulation of such insurance to the forefront. At the present time, Virginia law does not deal with this insurance as such and the policies which are issued are issued under statutes which were written with other types of insurance coverage primarily in mind.

Knowing of the great increase in the number and amount of such insurance policies, and feeling that the subject should be carefully examined before any legislation is adopted, the General Assembly at its 1958 regular session adopted House Joint Resolution No. 38, which is as follows:

HOUSE JOINT RESOLUTION NO. 38

Directing the Virginia Advisory Legislative Council to study the credit life and credit accident and health insurance business and the need for legislation to better control these classes of insurance.

Whereas, it has come to the attention of the insurance regulatory authorities of the State of Virginia that there may exist many abuses, contrary to the best interest of the public, in the sale and effecting the credit life and credit accident and health insurance which cannot be corrected by the regulatory authorities under the present State laws; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, that the Virginia Advisory Legislative Council is directed to make a study of the credit life and credit accident and health insurance business and all matters related thereto with a view toward recommending legislation that may properly regulate these classes of insurance business.

The Council shall submit to the Governor and the General Assembly on or before October one, nineteen hundred fifty-nine a report of its study along with its recommendations, together with any suggestions for legislation that it might find to be necessary to carry out its recommendations.

The Council selected W. Tayloe Murphy, member of the House of Delegates and member of the Council, Warsaw, to serve as Chairman of a committee to make the initial study and report to it. Chosen to serve with Mr. Murphy on this committee were the following: Norman C. Bailey, former member of the House of Delegates, Orange; Thomas C. Boushall, Chairman of the Board, Bank of Virginia, Richmond; Curry Carter, attorney and member of the Senate, Staunton; Edmund T. DeJarnette, former member of the House of Delegates and insurance agent, Richmond; Virgil R. Goode, attorney at law and President of General Fidelity Life Insurance Company, Richmond; Alfred Hiss, attorney at law, Arlington; T. Nelson Parker, Commissioner of Insurance, Richmond; and Webster S. Rhoads, Jr., Chairman of the Board, Miller & Rhoads, Incorporated, Richmond. John B. Boatwright, Jr. and Wildman S. Kincheloe, Jr., served as Secretary and Recording Secretary, respectively, to the Committee.

The Committee reviewed legislation which has been adopted and proposed for adoption in the field. It held a public hearing at which the advice of those especially conversant with the subject was sought and obtained. After mature consideration, the Committee submitted its report to the Council. The Council has carefully considered the report of the Committee and now submits its findings and recommendations.

THE NATURE AND IMPORTANCE OF CREDIT LIFE AND CREDIT ACCIDENT AND SICKNESS INSURANCE

Credit life insurance is, as indicated above, insurance on the life of a debtor so that if he dies during the period in which the debt is contracted to be paid by him, the insurance company pays to the creditor the unpaid balance of the debt. Credit accident and sickness insurance is insurance whereby a debtor is indemnified against disability which would prevent him from working and which provides that after the debtor has been disabled continuously for a specified number of days, the insurance company will pick up and pay the debtor's instalment payments during the period of such continuous disability. The credit which is so insured arises as the result of loans made by banks and other lending institutions to borrowers or as a result of the unpaid balance of the purchase price which the debtor has contracted to pay for articles or services.

Today the economy of the United States is geared to consumer credit. Consumer loans constitute a large part of the business of banks and other lending institutions; producers of durable goods depend upon consumer credit in selling these goods; and many working men would be unemployed were it not for this type of credit in our economy. A vast majority of these borrowers and these purchasers of goods and services on credit, while honest and industrious, are individuals with no collateral and nothing on which credit can be based other than a good reputation and a potential of future earnings. When death or disability occurs, these earnings cease. But for the protection afforded by this type of insurance, the creditor would either lose his money or be forced to proceed against the family of the deceased debtor, or in the case of credit accident and sickness insurance, against a debtor who in all likelihood is already in straitened circumstances.

Consumer credit has grown so rapidly in our economy since the end of World War II that it is almost unbelievable. According to figures which have been presented to us, credit life insurance increased from \$365,000,000 in force in 1945 to over \$17,000,000,000 in force in January 1957. This is an increase of more than 4000% for this twelve-year period. The following figures will point up how rapidly credit life insurance is becoming a part and parcel of the consumer credit economy of our country.

*Credit Life Insurance as Per Cent
of Consumer Credit Outstanding*

	Credit Life Insurance(*) (in millions)	Consumer Credit(†) (in millions)	% Covered by Credit Life
1945	365	4,074	9.0%
1950	3,889	17,994	21.6%
1956	17,098	36,254	47.2%

(*) Source — Institute of Life Insurance

(†) Source — Federal Reserve Bulletin 1957

The fundamental principle of insurance, that is, spreading the loss of a few among many, is now a practical and necessary part of the consumer credit business of our country and is therefore indispensable to the economy of the country. It is important that it should be preserved on a practical and business-like basis.

THE DESIRABILITY OF REGULATION

All insurance which is written in Virginia is subject to regulation. In the case of practically every class of insurance the regulatory statutes were designed specifically to cover the practices concerned with the particular type of insurance being written. While it is true that credit life insurance and credit accident and sickness insurance have many factors in common with the general types of insurance on life and against accidents and sickness, the purposes for which the coverage is written and the manner in which policies are issued and delivered vary sharply from general life and accident and sickness insurance. In addition, practices have grown up and been legalized in some other jurisdictions which would greatly facilitate the supplying of these coverages in many cases.

Approximately five years ago the National Association of Insurance Commissioners began a study of the regulation of credit life and credit accident and sickness insurance. In the course of this study it was found that some abuses have developed in some places with reference to such insurance. Most of the complaints originating from such transactions were caused by one or more of the following acts:

- (i) Charging the debtor an insurance premium based on an amount of insurance in excess of the amount of indebtedness.
- (ii) Charging the debtor an insurance premium based on insurance in force for a longer period than the final maturity of the indebtedness.
- (iii) Failing to inform the debtor that insurance has been effected in connection with the indebtedness and failing to inform him as to the amount, length of term of the insurance and the premiums which he, the debtor, has contributed.
- (iv) Failing to refund to the debtor the unearned portion of the premium when the indebtedness is prematurely paid or renewed.

To remedy such abuses and to facilitate the writing of credit life and credit accident and sickness insurance, the NAIC prepared a model bill for the regulation of this type of insurance. This bill has been considered by and adopted with modifications in the legislatures of at least twelve states. Additional jurisdictions have also had its adoption under consideration.

We do not feel that the model bill in its entirety is suitable for adoption in Virginia but we do feel that both for the protection of the public and to facilitate the business of writing this type of insurance coverage, legislation along the general lines of this suggested bill is desirable.

THE RECOMMENDED BILL

A detailed analysis of the provisions of the bill is not possible within the compass of this brief report but we feel that it will be helpful to set forth and discuss some of its salient features. In so doing we will comment upon some principal variations between the legislation which we propose and the model bill mentioned above which has been proposed for adoption by the National Association of Insurance Commissioners.

The general scheme of the bill is to set forth credit life insurance and credit accident and sickness insurance as distinct types of insurance coverage and to provide, applicable to such insurance and to those who write, sell and service it, only those provisions of the laws applicable to general life insurance and accident and sickness insurance as are necessary; also to set forth the special provisions which we feel should be in effect to facilitate and yet to control the writing of these types of insurance.

Credit life insurance and credit accident and sickness insurance are provided for in three forms. These are individual policies, group policies, and "franchise master policies". As to the group coverage, the bill sets forth in considerable detail the requirements for such policies. This is a departure from the NAIC bill but is deemed necessary in order to revise and modernize the present law relating to group policies providing these types of coverage.

The proposed franchise master policy also is a departure from the model bill. Under it, the policy would be issued to the creditor and at his option his debtors could be insured without the requirement applicable to a group policy that a given percentage of the eligible debtors be covered, and without the necessity of issuance of an individual policy in each case; however, in any case where the debtor pays any part of the insurance premium, he must receive a copy of the policy, or a certificate or a statement disclosing to him all material details of his insurance.

The bill sets forth in detail what provisions must be contained in individual, group and franchise master policies. These are less extensive than the provisions required generally in life and accident and sickness policies. Similarly the bill sets forth prohibitions against certain provisions being inserted in such policies. These variations from the general law are desirable in view of the manner in which credit life and credit accident and sickness insurance are generally provided. In the case of these coverages the insured may never see the policy under which he is insured as in the case of a group or a franchise master policy, or, in the case of an individual policy he may not see it until after the coverage has been effected. The policies are of short duration and in most cases limited in amount. We feel that the provisions for inclusions and exclusions are sufficient to protect the rights of the insureds and at the same time are not so detailed as to complicate the issuance of policies or certificates or statements of insurance.

The recommended bill eliminates one inconsistency contained in the NAIC bill. That bill contains general provisions that the amount of insurance shall not exceed the indebtedness, but contains a further provision that "wherever the amount of insurance may exceed the unpaid indebtedness, that any excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate." The theory of credit life in-

surance is that it is required to extinguish a debt, thus giving protection both to the creditor and to the debtor's surviving family or his estate. Under these circumstances we feel that this coverage should be limited in amount, in all cases, to the remaining unpaid balance of the obligation which it was designed to extinguish.

The recommended legislation contains two other provisions which should be noted. It provides for the licensing of a special type of agent. The bill requires that policies of credit life and credit accident and sickness insurance shall be delivered or issued for delivery only by authorized insurers. It provides for their issuance through presently licensed agents but it further creates the classification of "credit life insurance agent" and provides for licensing of these agents upon a basis which will make it more feasible for lending institutions and creditors generally to qualify their personnel to issue such policies. The bill also contains a provision for the allowance by the insurer of a portion of the premium on such insurance as compensation for providing and servicing the coverage.

CONCLUSION

In summary, we reiterate that we believe that the regulation of credit life and credit accident and sickness insurance, apart from other types of insurance coverage, is desirable both for the purpose of eliminating possible abuses which have arisen in some instances and for the stimulation both of the business of providing such insurance and of the transactions involving consumer credit with which such coverage is associated. We believe that the attached bill accomplishes both of these ends and again recommend its adoption.

ACKNOWLEDGMENT

We acknowledge our indebtedness to the members of the Committee for their painstaking work in this highly technical field. We also express our appreciation to the many individuals and organizations, especially the staff of the Bureau of Insurance, who have made contributions toward the completion of this study.

Respectfully submitted,

JOHN H. DANIEL, Chairman
ROBERT Y. BUTTON, Vice-Chairman
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A BILL to amend the Code of Virginia by adding in Chapter 9 of Title 38.1 thereof a new article numbered 5.1 containing sections numbered 38.1-482.1 through 38.1-482.16, to prescribe the form and content of policies, certificates and statements of credit life and credit accident and sickness insurance, to prescribe the amount and terms of such insurance, to require filing of forms and premium schedules, to require certain refunds, to provide for compensation for providing and servicing such insurance, to provide for licensing of agents, to regulate the payment of claims, to provide for enforcement and the powers of the State Corporation Commission with respect thereto; and to provide penalties.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia be amended by adding in Chapter 9 of Title 38.1 thereof a new article numbered 5.1 containing sections numbered 38.1-482.1 through 38.1-482.16, as follows:

Article 5.1

CREDIT LIFE INSURANCE AND CREDIT ACCIDENT AND SICKNESS INSURANCE

§ 38.1-482.1. All life insurance and all accident and sickness insurance sold in connection with loans or other credit transactions shall except as provided in § 38.1-482.12 be subject to the provisions of this article except such insurance sold in connection with a loan or other credit transaction of more than ten years duration. The provisions of this article shall be controlling as to such insurance and no other provisions of this title shall be applicable unless otherwise specifically provided.

§ 38.1-482.2. As used in this article, unless the context requires otherwise, the following words or terms shall have the meanings herein ascribed to them, respectively:

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

(b) "Credit accident and sickness insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy;

(c) "Creditor" means the lender of money or vendor or lessor of goods, services, property, rights or privileges, for which payment is arranged through a credit transaction or any successor to the right, title or interest of any such lender, vendor or lessor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them;

(d) "Debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction;

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

(f) "Franchise credit life insurance" and "franchise credit accident and sickness insurance" mean that form of insurance by which a master policy is issued to and in favor of a creditor, under which policy debtors are insured at the option of the creditor, in a manner similar to, but without the necessity of issuance of, individual policies;

(g) "Credit life insurance agent" means an agent of an insurance company licensed in this State, who is authorized to solicit, negotiate or effect credit life insurance or credit accident and sickness insurance, or both, but only to the extent as is authorized and limited in this article;

(h) "Commission" means the State Corporation Commission;

(i) "Commissioner" means the Commissioner of Insurance.

§ 38.1-482.3. Credit life insurance and credit accident and sickness 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 sickness insurance issued to debtors on a term plan or disability benefit provisions in individual policies of credit life insurance;

(c) Group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan subject to the following requirements:

(1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor whose indebtedness is repayable either (i) in instalments over a period not to exceed ten years or (ii) in one sum at the end of a period not in excess of eighteen months from the initial date of debt or all of any class or classes thereof determined by conditions pertaining to the indebtedness or to the purchase giving rise to the indebtedness. The policy may provide that the term "debtors" shall include the debtors of one or more subsidiary corporations and the debtors of one or more affiliated corporations, proprietors or partnerships if the business of the policyholder and of such affiliated corporations, proprietors or partnerships is under common control through stock ownership, contract, or otherwise. No debtor shall be eligible unless the indebtedness constitutes an irrevocable obligation to repay which is binding upon him during his lifetime at the time the insurance becomes effective upon his life.

(2) The premium for the policy shall be paid by the policyholder, either from the creditor's funds, or from charges collected from the insured debtors, or from both. No policy covering debtors under obligations outstanding at the date of its issuance shall, when a part or all of the premium is to be derived from the collection from the insured debtors of identifiable charges for insurance, include in the class or classes eligible for insurance without evidence of insurability, any such debtors unless at least seventy-five per centum of the then eligible debtors elect to pay the required charges; and no such policy on which no part of the premium is to be derived from collection of such identifiable charges shall be issued unless it insures all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.

(3) The policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least one hundred persons yearly, or may reasonably be expected to receive at least one hundred new entrants during the first policy year, and only if the policy reserves to the insurer the right to require evidence of individual insurability if less than seventy-five per centum of the new entrants become insured. The policy may exclude from the classes eligible for insurance classes of debtors determined by age.

(4) The amount of insurance on the life of any debtor shall at no time exceed the amount owed by him which is repayable in instalments to the creditor, or ten thousand dollars, whichever is less. Where the indebted-

ness is repayable in one sum to the creditor, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of eighteen months except that such insurance may be continued for an additional period not exceeding six months in the case of default, extension or recasting of the loan. The amount of the insurance on the life of any debtor shall at no time exceed the amount of the unpaid indebtedness, or ten thousand dollars, whichever is less.

(5) The insurance shall be payable to the policyholder. Such payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment.

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

(e) Franchise master policies issued to creditors to provide life insurance coverage for debtors on the term plan; and

(f) Franchise master policies issued to creditors to provide accident and sickness insurance coverage for debtors on the term plan.

§ 38.1-482.4. (a) The amount of credit life insurance shall not exceed the initial indebtedness. Whether an indebtedness is repayable in substantially equal instalments or in a single sum, the amount of insurance shall at no time exceed the amount of the unpaid indebtedness.

(b) The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the total amount of the initial indebtedness, nor shall any one payment of periodic indemnity exceed the initial indebtedness divided by the number of such periodic payments.

§ 38.1-482.5. The term of any credit life insurance or credit accident and sickness 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 or a franchise master 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. The term of such insurance shall not extend more than fifteen days beyond the scheduled maturity date of the indebtedness or final instalment thereof except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to such maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in § 38.1-482.8.

§ 38.1-482.6. (a) All credit life insurance and credit accident and sickness insurance sold shall be evidenced by an individual policy, or in the case of group insurance or insurance under a franchise master policy where any part of the premium is paid by the debtors or by the creditors from identifiable charges collected from the insured debtors not required of an uninsured debtor, by a certificate or statement of insurance.

(b) Each individual policy or certificate or statement of credit life insurance, and/or credit accident and sickness insurance shall set forth the name and home office address of the insurer, the name or names of the debtor, the premium or amount of payment, if any, by the debtor separately for credit life insurance and credit accident and sickness insurance, a description of the coverage including the amount and term thereof, and any exceptions, limitations or restrictions, and shall state that the

benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness.

(c) No individual policy of credit life insurance or credit accident and sickness insurance, no group policy of credit life insurance or credit accident and sickness insurance, and no franchise master policy of credit life insurance or credit accident and sickness insurance shall be delivered or issued for delivery in this State, unless each contains in substance all of the following provisions:

(1) In each policy there shall be a provision that the policy, or the policy and application therefore, if any and if a copy of the application is endorsed upon or attached to the policy when issued, shall constitute the entire contract between the parties, and that all statements made by the creditor or by the individual debtors shall, in the absence of fraud, be deemed representations and not warranties.

(2) In each such policy there shall be a provision that the validity of the policy shall not be contested, except for nonpayment of premiums, after it has been in force for two years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force for a period of two years during such person's lifetime, and prior to the date on which the claim thereunder arose.

(3) In each such policy there shall be a provision that when a claim for the death or disability of the insured arises thereunder, settlement shall be made upon receipt of due proof of such death or such disability.

(4) On the face of each such policy there shall be placed a title which shall briefly and accurately describe the nature and form of the policy.

(5) Each such policy, including rider and endorsement, shall be identified by a form number in the lower left-hand corner of the first page thereof, and no restriction, condition or provision in or endorsed on such policy shall be valid unless such provision or condition is printed in type as large as brevier or eight point type, or is written in pen and ink or typewritten in or on such policy.

(d) No individual policy of credit life insurance or credit accident and sickness insurance, no group policy of credit life insurance or credit accident and sickness insurance, and no franchise master policy of credit life insurance or credit accident and sickness insurance shall be delivered or issued for delivery in this State if it contains any provision:

(1) Limiting the time within which any action at law or in equity may be commenced to less than one year after the cause of action accrues; or

(2) To the effect that the agent soliciting the insurance is the agent of the person insured under the policy, or making the acts or representations of such agent binding upon the person so insured under the policy.

(e) Where any part of the premium is paid by the debtors, or by the creditor from identifiable charges collected from the insured debtors not required of uninsured debtors, then a copy of the individual policy or certificate or statement of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred or within five days thereafter.

§ 38.1-482.7. (a) All forms of policies, certificates of insurance, statements of insurance, endorsements and riders intended for use in this State shall be filed with the Commission.

(b) The Commission shall within thirty days after the filing of any such policies, certificates of insurance, statements of insurance, endorsements and riders, disapprove any such form if it contains provisions which are contrary to, or not in accordance with, any provision of this article or of any rule or regulation promulgated thereunder.

(c) If the Commission notifies the insurer that the form is disapproved, it is unlawful thereafter for such insurer to issue or use such form. In such notice, the Commission shall specify the reason for its disapproval and state that a hearing will be granted within twenty days after request in writing by the insurer. No such policy, certificate of insurance, statement of insurance, endorsement or rider, shall be issued or used until the expiration of thirty days after it has been so filed, unless the Commission shall give its prior written approval thereto.

(d) The Commission may, at any time after a hearing held not less than twenty days after written notice to the insurer, withdraw its approval of any such form on any ground set forth in subsection (b) above. The written notice of such hearing shall state the reason for the proposed withdrawal.

(e) No insurer shall issue such forms or use them after the effective date of such withdrawal.

§ 38.1-482.8. (a) Each insurer issuing credit life insurance or credit accident and sickness insurance shall file with the Commission its schedules of premium rates for use in connection with such insurance. Any insurer may revise such schedules from time to time, and shall file such revised schedules with the Commission. No insurer shall issue any credit life insurance policy or credit accident and sickness insurance policy for which the premium rate exceeds that shown by the schedules of such in-

(b) Each individual policy, certificate or statement of insurance shall provide that in the event of termination of the insurance prior to the schedule 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, however, that the Commission 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 such refund shall be filed with and approved by the Commission.

(c) If a creditor requires a debtor to make any payment for credit life insurance or credit accident and sickness insurance and an individual policy or certificate or statement of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

(d) The amount charged by the creditor to the debtor for any credit life or credit accident and sickness insurance shall not exceed the premium rate filed with the Commission for the coverage provided.

§ 38.1-482.9. Credit life insurance and credit accident and sickness insurance is usually effected when the creditor deems it is essential to the making of the loan or other extension of credit giving rise to such insurance, and such insurance is necessarily arranged for simultaneously with the entering into such credit transaction. In recognition of the foregoing conditions, and notwithstanding the provisions of any other statutes of this State which expressly or by construction may provide otherwise:

(a) A portion of the premium of credit life insurance or credit

accident and sickness insurance may be allowed by the insurer to a creditor, its affiliate or associate or subsidiary or a director, officer or employee of any of them for providing and servicing such insurance, and such portion of the premium so allowed shall not be deemed as a rebate of premium or as interest or charges or consideration or an amount in excess of permitted charges in connection with the loan or other credit transaction; and

(b) All of the acts necessary to provide and service credit life insurance and credit accident and sickness insurance may be performed within the same place of business in which is transacted the business giving rise to the loan or other credit transaction.

§ 38.1-482.10. (a) All policies of credit life insurance and credit accident and sickness insurance shall be delivered or issued for delivery in this State only by an insurer authorized under § 38.1-85 to § 38.1-98 inclusive to do an insurance business therein, and shall be issued only through holders of licenses or authorizations issued by the Commission under § 38.1-301.1 to § 38.1-301.9 inclusive or under subsection (b) of this section.

(b) Every individual who desires to obtain a license as a credit life insurance agent shall make written application to the Commission in such form and containing such information as the Commission shall prescribe. Each such applicant shall, at the time of filing his application, pay a fee of two dollars, which shall be collected by the Commission and paid directly into the State treasury and placed to the credit of the fund for the maintenance of the division or bureau of the Commission established for the administration of the insurance laws of the State. The fee shall not be refundable. Upon the Commission being satisfied that an applicant is of good character, that he bears a good reputation, is honest and his application shows he has sufficient knowledge of the requirements of this article to intelligently conduct the insurance business as authorized thereunder, then such applicant shall be entitled to and shall receive from the Commission a license as a credit life insurance agent. The contents and duration of such license, the annual fee therefor and the grounds and procedure for refusing, suspending or revoking such license shall be subject to the applicable provisions of § 38.1-302 to § 38.1-314 inclusive.

38.1-482.11. (a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon demand of such claimant to one specified.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; provided, that a group or franchise policyholder may, by arrangement with the insurer, draw drafts or checks in payment of claims due to the group or franchise policyholder subject to audit and review by the insurer.

38.1-482.12. When credit life insurance or credit accident and sickness insurance is required as additional security for any indebtedness, 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 insurer authorized to transact an insurance business within this State.

§ 38.1-482.13. (a) The Commission may, after notice and hearing, issue such rules and regulations consistent with the provisions of this article as it deems appropriate for the supervision of the regulatory provisions of this article. Every such regulation, every administrative ruling, and every requirement of general application shall be in writing and maintained as a public record in an indexed permanent book with date of each suitably indicated. A copy of each regulation and order promulgating it shall be mailed by the Commission to all insurers licensed to write insurance under this Article.

(b) Whenever the Commission finds that there has been a violation of this article or any rules or regulations issued pursuant thereto, and after written notice thereof and hearing given to the insurer or other person authorized or licensed by the Commission, it shall set forth the details of its findings together with an order for compliance by a specified date. Such order shall be binding on the insurer and other person authorized or licensed by the Commission on the date specified unless sooner withdrawn by the Commission or a stay thereof has been ordered by the Supreme Court of Appeals.

§ 38.1-482.14. In addition to any other remedy, an insurer or any other person in interest considering himself aggrieved by an action of the Commissioner hereunder pursuant to authority conferred upon him or delegated to him by the Commission, may within thirty days of the action complained of, file a petition as a matter of right with the Commission to review the action. The proceedings on review shall be de novo and the record and summary of the evidence before, and findings of, the Commissioner shall be admissible as evidence before the Commission.

§ 38.1-482.15. From any action taken by the Commission hereunder, whether upon petition from action taken by the Commissioner, or otherwise, any insurer, or any other person in interest considering himself aggrieved, may, as a matter of right, appeal to the Supreme Court of Appeals in the manner provided by law.

§ 38.1-482.16. In addition to any other penalty provided by law, any person who violates an order of the Commission after it has become final, and while such order is in effect, upon proof thereof to the satisfaction of the Commission, shall be subject to a fine to be imposed by the Commission, of not less than ten dollars nor more than two hundred and fifty dollars, except that if such violation is found by the Commission to be willful, the amount of such fine may be in a sum not to exceed one thousand dollars. The Commission, in its discretion, may revoke or suspend the license or certificate of authority of the person guilty of such violation. All action under this section including any such order for suspension or revocation shall be upon notice and hearing.

2. If any provision of this article, or the application of such provision to any person or circumstances, shall be held invalid, the remainder of the article, and the application of such provision to any person or circumstances other than those as to which it is held invalid, shall not be affected thereby.