

## No. 1994-41

## AN ACT

## SB 1014

Amending the act of May 17, 1921 (P.L.789, No.285), entitled, as amended, "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties, and repealing existing laws," authorizing the licensing of lending institutions and bank holding companies to sell credit unemployment insurance.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 641 of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of 1921, added December 30, 1974 (P.L.1148, No.365), is amended to read:

Section 641. Lending Institutions, Public Utilities and Holding Companies Not to be Licensed.—(a) As used in this section:

(1) "Lending institution" means any institution that accepts deposits and lends money in the Commonwealth of Pennsylvania, including banks and savings and loan associations, but excluding insurance companies.

(2) "Public utility" means a private employer subject to the jurisdiction of the Pennsylvania Public Utility Commission and engaged in the business of rendering electric, gas, water and steam heat services to the public in this Commonwealth: Provided, however, That the term "public utility" shall not include rural electrification cooperatives.

(3) The terms "subsidiary" and "affiliate" shall be defined in the regulations promulgated by the Insurance Commissioner, except that "affiliate" shall not apply to an entity which owns an interest in another company or corporation where the ownership interest is not sufficient to permit exercise of effective control, and does not involve direct or indirect ownership or control of five per centum or more of the voting stock of such company or corporation. Nor shall it apply to an entity whose stock is owned by another, provided that the amount of stock owned by any one company or corporation does not permit effective control and does not exceed five per centum of the voting stock of the entity. The term "affiliate" shall, subject to the provisions to invest in stock contained in this subsection, include bank holding company, savings and loan holding company, and public utility holding company as hereinafter defined.

(4) "Bank holding company" shall mean and include the definition of such term in section two of an act of Congress entitled the "Bank Holding

Company Act of 1956," as amended: Provided, however, That if on or before the effective date of this act, a bank holding company has been granted an exemption by the Board of Governors of the Federal Reserve System pursuant to section 4(d) of the Bank Holding Company Act of 1956, as amended, such bank holding company shall not be held to be a bank holding company within the meaning of section 2 of the Bank Holding Company Act of 1956, as amended.

(5) "Credit life, health, and accident insurance" means insurance on the life and health of a borrower from a lending institution to secure the repayment of the amount borrowed, in accordance with regulations promulgated by the Insurance Commissioner.

***(5.1) "Credit unemployment 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 unemployed as defined in the policy.***

(6) "Title insurance" shall mean and include the definition of such term in section seven hundred and one of the act of May 17, 1921 (P.L.682, No.284), known as "The Insurance Company Law of 1921."

(7) A "savings and loan holding company" shall mean and include the definition of such term as defined in Title 12, United States Code, sections 1730a (a) (1) (D) (E) (F).

(8) "Public utility holding company" shall mean and include the definition of such term as defined in Title 15, United States Code, sections 79b (a) (7), including electric, gas, water and steam heat services.

(9) "Deposits" shall mean and include the definition of such term as set forth in Title 12, United States Code, section 1813 (1), (1), (2), (3), (4), (5).

(b) No lending institution, public utility, bank holding company, savings and loan holding company or any subsidiary or affiliate of the foregoing, or officer or employe thereof, may, directly or indirectly, be licensed or admitted as an insurer or be licensed to sell insurance in this State either as a broker or as an agent except that a lending institution or bank holding company, subsidiary or affiliate of a lending institution may be licensed to sell credit life, health and accident insurance, *as regulated under the act of September 2, 1961 (P.L.1232, No.540), known as the "Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance," to sell credit unemployment insurance, subject to subsection (b.1) and as regulated under the "Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance,"* and to sell and underwrite title insurance in accordance with regulations promulgated by the Insurance Commissioner.

***(b.1) (1) All credit unemployment insurance in connection with loans or other credit transactions shall be subject to the same provisions of the "Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance" as apply to credit life insurance and credit accident and health insurance.***

(2) *The total amount of benefits payable by credit unemployment insurance in the event of unemployment as defined in the policy shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness. The amount of each monthly payment shall not exceed the original indebtedness divided by the number of installments.*

(3) *The Insurance Commissioner shall set a loss ratio for credit unemployment insurance. The loss ratio shall be set and regulated in the same manner as the loss ratio is set and regulated for credit life and credit accident and health insurance.*

(4) *Credit unemployment insurance sold in connection with open-end credit must provide, in the event of the debtor's involuntary unemployment, monthly benefits at least equal to the debtor's minimum monthly payment calculated at the time of such unemployment, subject to a maximum monthly indemnity as contained in the certificate of insurance.*

(5) *At the minimum, credit unemployment insurance benefits are payable upon the debtor meeting the eligibility requirements for unemployment compensation.*

(6) *The period during which credit unemployment insurance benefits are payable in the event of the debtor's involuntary unemployment shall continue at least until the earliest of the following:*

(i) *Return of the debtor to full-time work.*

(ii) *Satisfaction of the loan or other credit transaction.*

(iii) *In the case of open-end credit, payment of twelve consecutive monthly installments.*

(7) *Credit unemployment insurance shall not be required as a condition of the extension of credit.*

(8) *If a creditor offers credit unemployment insurance to any of its debtors, it must offer it under the same terms and conditions to all of its like debtors and under the same terms and conditions at all of its offices or locations in this Commonwealth.*

(c) The Insurance Commissioner is authorized to promulgate regulations in order to effectuate the purposes of this section, which are to help maintain the separation between lending institutions and public utilities and the insurance business and to minimize the possibilities of unfair competitive practices by lending institutions and public utilities against insurance companies, agents and brokers.

Section 2. This act shall take effect in 60 days.

APPROVED—The 27th day of May, A.D. 1994.

ROBERT P. CASEY