

By the Committee on Banking and Insurance; and Senator Posey

597-2363-06

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A bill to be entitled
An act relating to insurance; amending s.
624.605, F.S.; defining insurance for debt
cancellation products for purposes of the
Florida Insurance Code; providing that debt
cancellation products offered by financial
institutions do not constitute insurance for
purposes of the insurance code; amending ss.
627.553 and 627.679, F.S.; revising limitations
on certain amounts of life insurance on a
debtor; amending s. 627.681, F.S.; revising a
limitation on the term of credit disability
insurance; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (r) is added to subsection (1) of
section 624.605, Florida Statutes, to read:

624.605 "Casualty insurance" defined.--

(1) "Casualty insurance" includes:

(r)1. Debt collection.--Insurance that a creditor may
purchase against the risk of financial loss from the use of
debt cancellation products with consumer loans and leases.
Debt cancellation products, such as debt cancellation
contracts, debt suspension agreements, and guaranteed asset
protection contracts, are loan and lease contract terms, or
modifications to loan or lease contracts, under which a
creditor agrees to cancel or suspend all or part of a
customer's obligation to make payments upon the occurrence of
specified adverse events.

1 2. Debt cancellation products may be offered by
2 financial institutions, as defined in s. 655.005(1)(h), under
3 the same terms and conditions as depository institutions, as
4 defined in 12 U.S.C. s. 1813(c), or federal credit unions, as
5 defined in 12 U.S.C. s. 1752(1), and such agreements do not
6 constitute insurance for purposes of the Florida Insurance
7 Code.

8 Section 2. Subsection (3) of section 627.553, Florida
9 Statutes, is amended to read:

10 627.553 Debtor groups.--The lives of a group of
11 individuals may be insured under a policy issued to a creditor
12 or its parent holding company, or to a trustee or trustees or
13 agent designated by two or more creditors, which creditor,
14 holding company, affiliate, trustee or trustees, or agent
15 shall be deemed the policyholder, to insure debtors of the
16 creditor or creditors, subject to the following requirements:

17 (3) The amount of insurance on the life of any debtor
18 shall at no time exceed the amount owed by her or him which is
19 repayable in installments to the creditor ~~or \$50,000,~~
20 ~~whichever is less, except that loans not exceeding 1 year's~~
21 ~~duration shall not be subject to such limits. However, on~~
22 ~~such loans not exceeding 1 year's duration, the limit of~~
23 ~~coverage shall not exceed \$50,000 with any one insurer.~~

24 Section 3. Paragraph (b) of subsection (1) of section
25 627.679, Florida Statutes, is amended to read:

26 627.679 Amount of insurance; disclosure.--

27 (1)

28 (b) The total amount of credit life insurance on the
29 life of any debtor with respect to any loan or loans covered
30 in one or more insurance policies shall at no time exceed the
31 amount of the indebtedness~~\$50,000 with any one creditor,~~

1 ~~except that loans not exceeding 1 year's duration shall not be~~
2 ~~subject to such limits, and on such loans not exceeding 1~~
3 ~~year's duration, the limits of coverage shall not exceed~~
4 ~~\$50,000 with any one insurer.~~

5 Section 4. Subsection (2) of section 627.681, Florida
6 Statutes, is amended to read:

7 627.681 Term and evidence of insurance.--

8 (2) The term of credit disability insurance on any
9 debtor insured under this section shall not exceed the term of
10 indebtedness ~~10 years, and for credit transactions that exceed~~
11 ~~60 months, coverage shall not exceed 60 monthly indemnities.~~

12 Section 5. This act shall take effect July 1, 2006.

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14 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
15 COMMITTEE SUBSTITUTE FOR
16 Senate Bill 2522

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- 18 1. Classifies insurance that a creditor purchases from an
19 insurer to protect against losses arising from debt
20 cancellation products as casualty insurance, instead of
21 as contractual liability insurance.
- 22 2. Allows the term of credit disability insurance to last
23 for the term of the indebtedness, instead of 10 years
24 generally.

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