

## CHAPTER 16

## ( SB 158 )

AN ACT relating to products that offer benefits in connection with personal property.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

*The purpose of Sections 1 to 7 of this Act is to provide a framework within which vehicle financial protection products:*

- (1) *Are defined; and*
- (2) *May be offered within this state.*

➔SECTION 2. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

*As used in Sections 1 to 7 of this Act:*

- (1) *"Borrower" means a debtor, or retail purchaser or lessee, under a finance agreement;*
- (2) *"Commercial" means a transaction under which a vehicle will be used primarily for business purposes;*
- (3) *"Consumer":*
  - (a) *Means:*
    1. *An individual purchaser or lessee of a vehicle; or*
    2. *A borrower; and*
  - (b) *Includes a contract holder;*
- (4) *"Contract holder" means a person who is the purchaser or holder of a vehicle value protection agreement;*
- (5) *"Creditor" means any of the following:*
  - (a) *The lender in a loan transaction;*
  - (b) *The lessor in a lease transaction;*
  - (c) *Any retail seller of vehicles; and*
  - (d) *The assignee of any person referenced in paragraph (a), (b), or (c) of this subsection to whom a credit obligation is payable;*
- (6) *"Debt waiver" means any:*
  - (a) *Guaranteed asset protection waiver; and*
  - (b) *Excess wear and use waiver;*
- (7) *"Excess wear and use waiver" means a contractual agreement, as part of or as a separate addendum to a lease agreement, in which a creditor agrees, with or without a separate charge, to cancel or waive all or parts of amounts that may become due under a borrower's lease agreement as a result of excessive wear and use of a vehicle, including an agreement to cancel or waive amounts due for excessive mileage;*
- (8) *"Finance agreement" means any of the following:*
  - (a) *A loan, retail installment sales contract, or lease for the purchase, refinancing, or lease of a vehicle; and*
  - (b) *A loan with a term of at least twelve (12) months that is secured by a vehicle;*
- (9) *"Free look period" means a period of time from the effective date of a vehicle financial protection product until the date the vehicle financial protection product may be canceled without penalty, fees, or costs;*
- (10) *"Guaranteed asset protection waiver":*

- (a) *Means a contractual agreement wherein a creditor agrees, with or without a separate charge, to cancel or waive all or part of amounts due under a borrower's finance agreement in the event of a total physical damage loss or unrecovered theft of the vehicle; and*
- (b) *May provide, with or without a separate charge, a benefit that waives an amount, or provides a borrower with a credit, toward the purchase of a replacement vehicle;*
- (11) *"Insurer" means:*
  - (a) *An insurance company licensed, registered, or otherwise authorized under the laws of this state to transact insurance business; or*
  - (b) *A nonadmitted insurer in accordance with the requirements of Subtitle 10 of KRS Chapter 304;*
- (12) *"Person" includes an individual, company, association, organization, partnership, business trust, corporation, and every form of legal entity;*
- (13) *"Vehicle":*
  - (a) *Means a self-propelled or towed vehicle designed for personal or commercial use; and*
  - (b) *Includes automobiles, trucks, motorcycles, recreational vehicles, all-terrain vehicles, snowmobiles, campers, boats, personal watercraft, and related trailers;*
- (14) *"Vehicle financial protection product" means any:*
  - (a) *Debt waiver; and*
  - (b) *Vehicle value protection agreement; and*
- (15) *"Vehicle value protection agreement":*
  - (a) *Means a contractual agreement that, upon the occurrence of an adverse event to a contract holder's vehicle, including loss, theft, damage, obsolescence, diminished value, or depreciation, provides a benefit towards either:*
    - 1. *The reduction of some or all of the contract holder's current finance agreement deficiency balance; or*
    - 2. *The purchase or lease of a replacement vehicle or vehicle services;*
  - (b) *Includes trade-in credit agreements, diminished value agreements, depreciation benefit agreements, vehicle cash down payment agreements, and other similarly named agreements; and*
  - (c) *Does not include:*
    - 1. *A debt waiver;*
    - 2. *A service contract as defined in KRS 304.5-070; or*
    - 3. *Insurance or an insurance contract regulated under KRS Chapter 304.*

➔SECTION 3. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

- (1) (a) *Except as provided in paragraph (b) of this subsection, a vehicle financial protection product offered, sold, or given to a consumer in this state shall comply with Sections 1 to 7 of this Act.*
- (b) *Paragraph (a) of this subsection shall not apply to any debt waiver offered by a state or federal bank or credit union in compliance with applicable state and federal law.*
- (2) *Notwithstanding any other law to the contrary, vehicle financial protection products issued before, on, or after the effective date of this Act shall not be considered insurance.*
- (3) *Sections 1 to 7 of this Act shall not apply to any vehicle financial protection product offered prior to the effective date of this Act.*

➔SECTION 4. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

- (1) *Notwithstanding any other law to the contrary, any amount charged or financed for a vehicle financial protection product:*
  - (a) *Is an authorized charge that shall be separately stated; and*

- (b) *Shall not be considered a finance charge or interest.*
- (2) (a) *An extension of credit, the terms of a loan, or the terms of a related vehicle sale or lease shall not be conditioned upon a consumer's payment for, or financing of, any charge for a vehicle financial protection product.*
- (b) *A vehicle financial protection product may be discounted or given at no charge in connection with the purchase of other noncredit-related goods or services.*

➔SECTION 5. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

- (1) *As used in this section, "administrator" means a person, other than an insurer or creditor, that performs administrative or operational functions relating to debt waivers.*
- (2) (a) 1. *Except as provided in subparagraphs 2. and 3. of this paragraph, a retail seller of vehicles shall insure its debt waivers under a contractual liability policy or other insurance policy that:*
  - a. *Is issued by an insurer;*
  - b. *States an obligation by the insurer to reimburse or pay to a creditor under the debt waiver any sums the creditor is legally obligated to waive under a debt waiver;*
  - c. *Remains in effect unless canceled or terminated in compliance with applicable insurance laws of this state; and*
  - d. *Provides that the cancellation or termination of the policy shall not reduce the insurer's responsibility for any debt waivers that are:*
    - i. *Issued by a creditor prior to the date of cancellation or termination; and*
    - ii. *Insured under a policy for which a premium has been received by the insurer.*
- 2. *To the extent permitted under KRS Chapter 304, a cancellation or termination of a contractual liability policy or any other insurance policy required under subparagraph 1. of this paragraph may reduce the insurer's responsibility for any debt waiver if the policy is canceled or terminated due to fraud.*
- 3. *A retail seller of vehicles shall not be required to comply with subparagraph 1. of this paragraph for leased vehicles.*
- (b) *A creditor that is not otherwise required to insure its debt waivers under paragraph (a) of this subsection may insure its debt waivers under a contractual liability or other insurance policy that:*
  - 1. *Is issued by an insurer; and*
  - 2. *Complies with this subsection.*
- (c) *An insurance policy referenced under paragraph (a) or (b) of this subsection may be:*
  - 1. *Obtained directly by the retail seller or other creditor; or*
  - 2. *Procured by an administrator.*
- (3) (a) *A debt waiver shall remain a part of a finance agreement upon the assignment, sale, or transfer of the finance agreement by the creditor.*
- (b) *For a debt waiver that is insured under a contractual liability policy or other insurance policy, a creditor shall:*
  - 1. *Report the sale of any finance agreement that includes the debt waiver to the insurer; and*
  - 2. *If applicable, forward any funds due to the assignee, buyer, or transferee of the finance agreement.*
- (c) *Funds that are received by a creditor or administrator and that belong to an assignee, buyer, or transferee of a finance agreement shall be held by the creditor or administrator in a fiduciary capacity.*
- (4) *A debt waiver, other than a debt waiver offered in connection with a commercial transaction, shall disclose the following, in writing and in clear and understandable language that is easy to read:*

- (a) *That the following shall not be conditioned on the borrower's purchase of a debt waiver:*
  - 1. *The extension of credit;*
  - 2. *The terms of the loan; or*
  - 3. *The terms of any related vehicle sale or lease;*
- (b) *The name and address of:*
  - 1. *The initial creditor and the borrower of the finance agreement; and*
  - 2. *The administrator, if applicable;*
- (c) *The terms and conditions of the debt waiver, including:*
  - 1. *The purchase price of the debt waiver, if any;*
  - 2. *The requirements for protection, conditions, and exclusions; and*
  - 3. *The procedure the borrower must follow, if any, to obtain benefits under the debt waiver, including, if applicable, a telephone number or website and address where the borrower may apply for the benefits;*
- (d) *That the borrower:*
  - 1. *May cancel the debt waiver within a free look period of not less than thirty (30) days, as specified in the debt waiver; and*
  - 2. *Will be entitled to a full refund of the purchase price paid by the borrower, if any, if:*
    - a. *The borrower cancels the debt waiver during the free look period; and*
    - b. *A benefit has not been provided;*
- (e) *Whether the debt waiver is cancellable after the free look period and the conditions under which it may be canceled, if applicable, including the procedures for requesting any refund of amounts paid;*
- (f) *If the debt waiver is cancellable after the free look period, the borrower may be entitled to a refund of the unearned portion of the purchase price of the debt waiver, if any, less an administrative fee of not more than seventy-five dollars (\$75), if a benefit has not been, and will not be, provided;*
- (g) *If the borrower seeks a refund under paragraph (f) of this subsection, the borrower shall, in accordance with the terms and conditions of the debt waiver, provide a written request to cancel to the creditor or administrator, except if the borrower seeks a refund due to the early termination of the finance agreement, the borrower shall provide the written request to cancel within ninety (90) days of the occurrence of the event terminating the finance agreement;*
- (h) *The methodology for calculating any refund under paragraph (f) of this subsection, if any; and*
- (i) *If the cancellation of a debt waiver is due to a default under the finance agreement, the repossession of the vehicle associated with the finance agreement, or any other early termination of the finance agreement, any refund due may be paid directly to the creditor or administrator and applied as a reduction of the amount owed under the finance agreement, unless the borrower can show that the finance agreement has been paid in full.*

➔SECTION 6. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

- (1) *As used in this section:*
  - (a) *"Administrator" means a person, other than a provider, that performs administrative or operational functions relating to vehicle value protection agreements, including the adjudication of claims or benefits requested by contract holders;*
  - (b) *"Provider" means a person that is obligated to provide a benefit under a vehicle value protection agreement; and*
  - (c) *"SEC" means the United States Securities and Exchange Commission.*
- (2) *A provider may, but shall not be required to, utilize an administrator to be responsible for any and all of the administration of a vehicle value protection agreement in compliance with Sections 1 to 7 of this Act.*

- (3) *A vehicle value protection agreement shall not be sold unless the contract holder has been, or will be, provided access to a copy of the vehicle value protection agreement.*
- (4) *In order to ensure faithful performance under a vehicle value protection agreement, each provider shall comply with at least one (1) of the following paragraphs of this subsection:*
- (a) *A provider shall insure all of its vehicle value protection agreements under an insurance policy that:*
1. *Pays or reimburses if the provider fails to perform its obligations under any vehicle value protection agreement; and*
  2. *Is issued by an insurer;*
- (b) 1. *A provider shall:*
- a. *Maintain a funded reserve account for its obligations under all of its vehicle value protection agreements issued and outstanding in this state, which shall:*
    - i. *Contain not less than forty percent (40%) of the gross consideration received, less claims paid, on the sale of all in-force vehicle value protection agreements; and*
    - ii. *Be subject to examination and review by the Attorney General; and*
  - b. *Place a financial security deposit, in the form required by subparagraph 2. of this paragraph, in trust with the Attorney General that has a value of not less than the greater of the following:*
    - i. *Five percent (5%) of the gross consideration received, less claims paid, on the sale of all in-force vehicle value protection agreements; or*
    - ii. *Twenty-five thousand dollars (\$25,000).*
2. *The financial security deposit required under subparagraph 1.b. of this paragraph shall be in the form of one (1) of the following:*
- a. *A surety bond issued by an authorized surety;*
  - b. *Securities of the type eligible for deposit by authorized insurers in this state;*
  - c. *Cash; or*
  - d. *A letter of credit issued by a qualified financial institution; or*
- (c) 1. *Subject to subparagraph 2. of this paragraph, a provider shall:*
- a. *Maintain, or together with its parent company maintain, a net worth of stockholder's equity of at least one hundred million dollars (\$100,000,000); and*
  - b. *Upon request, provide the Attorney General with a copy of the provider's or its parent company's:*
    - i. *Except as provided in subpart ii. of this subdivision, most recent Form 10-K or Form 20-F filed with the SEC within the last calendar year; or*
    - ii. *If the provider and its parent company does not file with the SEC, the audited financial statements of the provider or its parent company that show a net worth of the provider or its parent company of at least one hundred million dollars (\$100,000,000).*
2. *If the Form 10-K, Form 20-F, or audited financial statements of the provider's parent company are used to satisfy the requirements of subparagraph 1. of this paragraph, the parent company shall agree to guarantee the obligations of the provider under the vehicle value protection agreements sold by the provider in this state.*
- (5) *Except as provided in subsection (4) of this section, a provider shall not be subject to financial security requirements relating to vehicle value protection agreements.*

- (6) *A vehicle value protection agreement, other than a vehicle value protection agreement offered in connection with a commercial transaction, shall disclose the following in writing and in clear and understandable language that is easy to read:*
- (a) *That the following shall not be conditioned on the contract holder's purchase of an agreement:*
    - 1. *The extension of credit;*
    - 2. *The terms of a loan; or*
    - 3. *The terms of any related vehicle sale or lease;*
  - (b) *The name and address of:*
    - 1. *The provider and contract holder; and*
    - 2. *The administrator, if applicable;*
  - (c) *The terms and conditions of the agreement, including:*
    - 1. *The purchase price of the agreement, if any;*
    - 2. *The requirements for eligibility, conditions, and exclusions; and*
    - 3. *The procedure the contract holder must follow, if any, to obtain a benefit under the agreement, including, if applicable, a telephone number or website and address where the contract holder may apply for vehicle value protection agreement benefits;*
  - (d) *That the agreement is not a contract of insurance;*
  - (e) *That the contract holder:*
    - 1. *May cancel the agreement within a free look period of not less than thirty (30) days as specified in the agreement; and*
    - 2. *Will be entitled to a full refund of the purchase price paid by the contract holder, if any, if:*
      - a. *The borrower cancels the agreement during the free look period; and*
      - b. *A benefit has not been provided;*
  - (f) *Whether the agreement is cancellable after the free look period and the conditions under which it may be canceled, if applicable, including the procedures for requesting any refund of amounts paid;*
  - (g) *The terms, restrictions, and conditions governing a cancellation of the agreement by the provider or the contract holder prior to the termination or expiration of the agreement, which shall include:*
    - 1. *Except as provided in subparagraph 2. of this paragraph, the provider shall mail a written notice of the cancellation to the contract holder's last known address contained in the records of the provider at least five (5) days prior to the cancellation of an agreement by the provider;*
    - 2. *A provider shall not be required to provide prior notice of its cancellation of an agreement if the cancellation is due to:*
      - a. *Nonpayment of a provider fee;*
      - b. *A material misrepresentation by the contract holder to the provider or administrator; or*
      - c. *A substantial breach of duties by the contract holder under the terms of the agreement;*
    - 3. *A notice of cancellation of an agreement by a provider shall state:*
      - a. *The effective date of the cancellation; and*
      - b. *The reason for the cancellation;*
    - 4. *If the cancellation of an agreement by a provider is not due to nonpayment of a provider fee, the provider shall provide the contract holder with a refund of one hundred percent (100%) of the unearned pro rata provider fee paid by the contract holder, if any;*
    - 5. *If coverage under the agreement continues after a claim, any claims paid may be deducted from any refund; and*

6. *The provider may charge a reasonable administrative fee not to exceed seventy-five dollars (\$75); and*
- (h) *The methodology for calculating any refund of the unearned purchase price of the agreement, if any, that will be due in the event of a cancellation, including that any refund may be reduced by claims paid.*

➔SECTION 7. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO READ AS FOLLOWS:

- (1) (a) *The Attorney General may take action necessary or appropriate to enforce Sections 1 to 7 of this Act.*
- (b) *All of the remedies, powers, and duties provided to the Attorney General by KRS 367.190 to 367.300 and 367.990, pertaining to acts and practices declared unlawful by KRS 367.170, shall apply with equal force and effect to acts and practices declared unlawful under Sections 1 to 7 of this Act.*
- (2) (a) *After proper notice and opportunity for a hearing in accordance with KRS Chapter 13B, the Attorney General may take any one (1) or more of the following actions:*
1. *Order a creditor, provider, administrator, or any other person to cease and desist from conduct in violation of any provision of Sections 1 to 7 of this Act; and*
  2. *Impose a civil penalty of not more than five hundred dollars (\$500) per violation of any provision of Sections 1 to 7 of this Act, except a civil penalty shall not exceed ten thousand dollars (\$10,000) in the aggregate for violations of a similar nature.*
- (b) *For purposes of paragraph (a) of this subsection, violations are of a similar nature if the violations consist of the same or similar course of conduct, action, or practice, irrespective of the number of times the action, conduct, or practice occurred.*
- (3) *Any person aggrieved by a final order issued by the Attorney General pursuant to this section shall have the right of an appeal in accordance with KRS Chapter 13B.*

➔Section 8. KRS 190.100 is amended to read as follows:

- (1) (a) Every retail installment contract shall:
1. Be in writing in at least eight (8) point type;
  2. Contain all the agreements of the parties;
  3. Be signed by the retail buyer;~~and~~
  4. Require a copy thereof to be furnished to the retail buyer at the time of the execution of the contract; *and*
  5. *Comply with Sections 1 to 7 of this Act, as applicable.*
- (b) A retail installment contract need not appear on a single page and a contract that includes a provision incorporating agreements that appear after the buyer's signature, including without limitation, terms, and conditions on the back or on subsequent pages, shall be deemed in compliance with KRS 446.060(1).
- (c) No provisions for confession of judgment, power of attorney therefor, or wage assignment contained in any retail installment contract shall be valid or enforceable.
- (d) 1. The holder of a retail installment contract may collect a delinquency and collection charge in an amount not in excess of five percent (5%) of each installment or fifteen dollars (\$15), whichever is greater, for each installment in arrears for a period not less than:
- a. Three (3) days for installment periods that are less than twenty-eight (28) days; or
  - b. Ten (10) days for installment periods that are twenty-eight (28) days or longer.
2. In addition to such delinquency and collection charge, the retail installment contract may provide for the payment of reasonable attorneys' fees where such contract is referred to an attorney not a salaried employee of the holder of the contract for collection, plus the court costs.

- (e) Unless notice has been given to the retail buyer of actual or intended assignment of a retail installment contract, payment thereunder or tender thereof made by the retail buyer to the last known holder of such contract shall be binding upon all subsequent holders or assignees.
  - (f) Upon written request from the retail buyer, the holder of the retail installment contract shall give or forward to the retail buyer a written statement of the total amount unpaid under such contract. A retail buyer shall be given a written receipt for any payment when made in cash.
- (2) The retail installment contract shall contain the following:
- (a) The cash sale price of the motor vehicle which is the subject matter of the retail installment sale;
  - (b) The amount of the retail buyer's down payment, whether made in money or goods, or partly in money or partly in goods;
  - (c) The difference between paragraphs (a) and (b) of this subsection;
  - (d) 1. Amount, if any, included for insurance and other benefits; and  
2. Types of coverage and benefits;
  - (e) Official fees as defined in KRS 190.090;
  - (f) Any amounts eligible for inclusion in the cash sale price as defined in KRS 190.090 that the seller elects to separately itemize; and
  - (g) Principal balance, which is the sum of paragraphs (c), (d), and (e) of this subsection.
- (3) A retail installment contract is deemed in compliance with subsection (2) of this section if it satisfies the requirements of the Truth in Lending Act that would apply to a retail installment contract within the Truth in Lending Act's scope, regardless of whether the Truth in Lending Act would apply to the retail installment sale at issue.
- (4) The amount, if any, included for insurance, shall not exceed the premiums chargeable in accordance with applicable rate filings made with the commissioner of insurance. Every retail seller or sales finance company, if insurance on the motor vehicle is included in a retail installment contract shall within thirty (30) days after execution of the retail installment contract send or cause to be sent to the retail buyer a policy or policies or certificate of insurance, which insurance shall be written by a company authorized to do business in this state, clearly setting forth the amount of the premium, the kind or kinds of insurance and the scope of the coverage and all the terms, exceptions, limitations, restrictions and conditions of the contract or contracts of the insurance. The buyer of a motor vehicle under a retail installment contract shall have the privilege of purchasing such insurance from an agent or broker of his own selection and of selecting an insurance company acceptable to the seller; provided, however, that the inclusion of the insurance premium in the retail installment contract when the buyer selects the agent, broker or company, shall be optional with the seller. If any such policy is canceled, the unearned insurance premium refund received by the holder of the contract shall be credited to the final maturing installments of the retail installment contract. For purposes of this subsection, single interest insurance insuring the retail seller or sales finance company shall not be considered insurance on the motor vehicle. Neither a copy of the policy nor a certificate of insurance of this type of insurance shall be sent to the retail buyer.
- (5) Any sales finance company hereunder may purchase or acquire from any retail seller any retail installment contract on such terms and conditions as may be agreed upon between them. No filing of the assignment, no notice to the retail buyer of the assignment, and no requirement that the retail seller shall be deprived of dominion over the payments thereunder or the goods covered thereby if repossessed by the retail seller shall be necessary to the validity of a written assignment of a retail installment contract as against creditors, subsequent purchasers, pledgees, mortgagees, and lien claimants of the retail seller.
- (6) An acknowledgment in the body of the retail installment contract by the retail buyer of the delivery of a copy thereof shall be conclusive proof of delivery in any action or proceeding by or against any assignee of a retail installment contract.†
- ~~(7) (a) A "debt cancellation agreement" is a written provision in a retail installment contract, or separate addendum thereto, which provides for cancellation of all or part of an obligation of the buyer or obligor upon the occurrence of a specified event.~~

- (b) ~~In accordance with subsection (2)(d) of this section, a debt cancellation agreement shall be itemized by type on the retail installment contract and considered an "other benefit" for which the seller, sales finance company, or other holder may charge the buyer or obligor.~~
- (c) ~~A debt cancellation agreement shall not be considered a contract of, or for, insurance.~~

➔SECTION 9. A NEW SECTION OF SUBTITLE 4 OF KRS CHAPTER 286 IS CREATED TO READ AS FOLLOWS:

*Notwithstanding any other provision of this subtitle, a consumer loan company shall comply with Sections 1 to 7 of this Act.*

➔Section 10. KRS 304.1-120 is amended to read as follows:

No provision of this code shall apply to:

- (1) Fraternal benefit societies (as identified in Subtitle 29), except as stated in Subtitle 29;~~;~~
- (2) Nonprofit hospital, medical-surgical, dental, and health service corporations (as identified in Subtitle 32) except as stated in Subtitle 32;~~;~~
- (3) Burial associations (as identified in KRS Chapter 303), except as stated in Subtitle 31;~~;~~
- (4) Assessment or cooperative insurers (as identified in KRS Chapter 299), except as stated in KRS Chapter 299;~~;~~
- (5) Insurance premium finance companies (as identified in Subtitle 30), except as stated in Subtitle 30;~~;~~
- (6) Qualified organizations which issue charitable gift annuities within the Commonwealth of Kentucky. For the purposes of this subsection:
  - (a) A "qualified organization" means one which is:
    1. Exempt from taxation under Section 501(c)(3) of the Internal Revenue Code as a charitable organization, if it files a copy of federal form 990 with the Office of Consumer Protection in the Office of the Attorney General;~~;~~
    2. Exempt from taxation under Section 501(c)(3) of the Internal Revenue Code as a religious organization; or
    3. Exempt as a publicly owned or nonprofit, privately endowed educational institution approved or licensed by the State Board of Education, the Southern Association of Colleges and Schools, or an equivalent public authority of the jurisdiction where the institution is located; and
  - (b) A "charitable gift annuity" means a giving plan or method by which a gift of cash or other property is made to a qualified organization in exchange for its agreement to pay an annuity;~~;~~
- (7) A religious organization, as identified in this subsection, or its participants, that:
  - (a) Is a nonprofit religious organization;
  - (b) Is limited to participants who are members of the same denomination or religion;
  - (c) Matches its participants who have financial, physical, or medical needs with participants who choose to assist with those needs;
  - (d) 1. Includes the following notice for delivery to all participants, printed in not less than ten (10) point, bold-faced type on or accompanying all applications, guideline materials, or any similar documents:
 

"NOTICE: UNDER KENTUCKY LAW, THE RELIGIOUS ORGANIZATION FACILITATING THE SHARING OF MEDICAL EXPENSES IS NOT AN INSURANCE COMPANY, AND ITS GUIDELINES, PLAN OF OPERATION, OR ANY OTHER DOCUMENT OF THE RELIGIOUS ORGANIZATION DO NOT CONSTITUTE OR CREATE AN INSURANCE POLICY. PARTICIPATION IN THE RELIGIOUS ORGANIZATION OR A SUBSCRIPTION TO ANY OF ITS DOCUMENTS SHALL NOT BE CONSIDERED INSURANCE. ANY ASSISTANCE YOU RECEIVE WITH YOUR MEDICAL BILLS WILL BE TOTALLY VOLUNTARY. NEITHER THE ORGANIZATION OR ANY PARTICIPANT SHALL BE COMPELLED BY LAW TO CONTRIBUTE TOWARD YOUR MEDICAL

BILLS. WHETHER OR NOT YOU RECEIVE ANY PAYMENTS FOR MEDICAL EXPENSES, AND WHETHER OR NOT THIS ORGANIZATION CONTINUES TO OPERATE, YOU SHALL BE PERSONALLY RESPONSIBLE FOR THE PAYMENT OF YOUR MEDICAL BILLS."

2. A participant shall acknowledge receipt of the "Notice" by signing below the "Notice" on the application; *and*
  - (e) Suggests amounts to give that are voluntary among the participants, with no assumption of risk or promise to pay either among the participants or between the participants and the organization;{+}
- (8) A public or private ambulance service licensed and regulated by the Cabinet for Health and Family Services to the extent that it solicits membership subscriptions, accepts membership applications, charges membership fees, and furnishes prepaid or discounted ambulance services to subscription members and designated members of their households;{+}
- (9) A direct primary care agreement established under KRS 311.6201, 311.6202, 314.198, and 314.199; *or*
- (10) *A vehicle financial protection product as defined in Section 2 of this Act.*

➔SECTION 11. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

*As used in Sections 11 to 18 of this Act:*

- (1) *"Collateral" means any personal property, including but not limited to a motor vehicle, pledged as security or in which a purchase money security interest is retained, for the satisfaction of a debt;*
- (2) *"Credit personal property insurance" means a policy, endorsement, rider, binder, certificate, or other instrument or evidence of insurance that:*
  - (a) *Is offered in connection with a credit transaction;*
  - (b) *Covers perils to the personal property purchased through, or used as collateral for, a credit transaction; and*
  - (c) *Concerns a creditor's interest in the purchased personal property or pledged collateral, in whole or in part;*
- (3) *"Credit transaction":*
  - (a) *Means any transaction in which the:*
    1. *Repayment of money loaned, or a credit commitment, is made; or*
    2. *Payment of goods, services, property, rights, or privileges sold or leased, is to be made at a future date or dates; and*
  - (b) *Includes a retail installment transaction;*
- (4) *"Creditor" means:*
  - (a) *A lender of money;*
  - (b) *A vendor or lessor of goods, services, property, rights, or privileges for which payment is arranged through a credit transaction;*
  - (c) *Any successor to the right, title, or interest of a lender, vendor, or lessor;*
  - (d) *Any director, officer, or employee of any person referenced under paragraph (a), (b), or (c) of this subsection;*
  - (e) *Any affiliate, association, or subsidiary of any person referenced under paragraph (a), (b), or (c) of this subsection; or*
  - (f) *Any person associated in any way with a person referenced under paragraph (a), (b), or (c) of this subsection;*
- (5) *"Debtor" means:*
  - (a) *Any or all borrowers of money; or*

- (b) *A purchaser or lessee of goods, services, property, rights, or privileges for which payment is arranged through a credit transaction; and*
- (6) **"Finance charge":**
- (a) *Means any charge payable, directly or indirectly, as an incident to, or a condition of, the extension of credit, including but not limited to:*
1. *Interest;*
  2. *Time price differentials;*
  3. *Amounts payable under a discount system of additional charges;*
  4. *Service, transaction, or carrying charges;*
  5. *Loan fees;*
  6. *Points or similar charges;*
  7. *Appraisal fees; or*
  8. *Charges incurred for investigating the credit worthiness of the consumer; and*
- (b) *Does not include charges as a result of:*
1. *Default;*
  2. *Taxes;*
  3. *License fees;*
  4. *Delinquency charges; or*
  5. *Filing fees.*

➔SECTION 12. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) *Except as provided in subsection (2) of this section, all credit personal property insurance written in connection with credit transactions for personal, family, or household purposes shall be subject to Sections 11 to 18 of this Act.*
- (2) *The following shall not be subject to Sections 11 to 18 of this Act:*
- (a) *Transactions involving extensions of credit primarily for business or commercial purposes;*
  - (b) *Insurance that is not classified and filed as credit insurance;*
  - (c) *Insurance written in connection with a credit transaction that is secured by a real estate mortgage or deed of trust;*
  - (d) *Title insurance;*
  - (e) *Non-filing insurance;*
  - (f) *Insurance purchased by a creditor after:*
    1. *Repossession; or*
    2. *A similar event where the creditor gains possession of the property;*
  - (g) *Insurance for which no identifiable charge is made to, or collected from, the debtor;*
  - (h) *Blanket vendor single interest (VSI); or*
  - (i) *Vehicle financial protection products as defined in Section 2 of this Act.*

➔SECTION 13. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) *As used in this section, "gross debt" means the sum of the remaining payments owed to a creditor by a debtor.*

- (2) *For credit personal property insurance sold in conjunction with a closed-end credit transaction, an insurer shall not issue the insurance:*
- (a) *In an amount that exceeds the gross debt of the underlying credit transaction; or*
  - (b) *With a term that exceeds the scheduled term of the underlying credit transaction.*
- (3) *Credit personal property insurance shall cover a substantial risk of loss of, or damage to, the collateral pledged or secured in the credit transaction.*
- (4) *An insurer shall not:*
- (a) *Require the bundling of other credit insurance coverages with the purchase of credit personal property insurance; or*
  - (b) *Use gross debt in determining credit personal property insurance premiums.*
- (5) *A debtor shall have the choice to purchase credit personal property insurance separate from other credit insurance coverage.*

➔SECTION 14. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

*When credit personal property insurance is written pursuant to Sections 11 to 18 of this Act, the creditor shall deliver, or cause to be delivered, a policy, certificate, memorandum, or other disclosure which discloses the coverage and costs to the debtor within thirty (30) days after the date of the loan.*

➔SECTION 15. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

*With respect to credit personal property insurance delivered or issued for delivery in this state, all of the following shall be filed with the commissioner:*

- (1) *All policies, certificates, plans, and contracts, including endorsements and riders;*
- (2) *Group and individual applications for insurance;*
- (3) *Enrollment forms; and*
- (4) *Schedules of premiums rates.*

➔SECTION 16. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) *Upon cancellation of credit personal property insurance for any reason prior to the scheduled maturity date of the indebtedness, the insurer shall promptly refund or credit the debtor any unearned premium in accordance with subsection (2) of this section, except an insurer shall not be required to refund or credit an amount of less than five dollars (\$5).*
- (2) (a) *Except as provided in paragraph (b) of this subsection, the method of calculating unearned premium due under subsection (1) of this section shall be the method in the credit personal property insurance policy, certificate, plan, or contract as filed with the commissioner before or after the effective date of this Act.*
- (b) *If a method for calculating unearned premium due under subsection (1) of this section is not set forth in the credit personal property insurance policy, certificate, plan, or contract, the method shall be the method set forth in the underlying credit transaction for the refund of finance charges.*

➔SECTION 17. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) (a) *Any claim under a credit personal property insurance policy, certificate, plan, or contract shall be promptly reported to the insurer or its designated claim representative.*
- (b) *An insurer shall maintain adequate claims files for claims reported under paragraph (a) of this subsection.*
- (2) *A claim under credit personal property insurance shall be paid by draft drawn upon the insurer, by electronic funds transfer, or by check of the insurer to the order of:*

- (a) *Except as provided in paragraph (b) of this subsection, the claimant to whom payment of the claim is due pursuant to the policy provisions; or*
- (b) *Upon direction of the claimant, to a person other than the claimant.*
- (3) (a) *A firm, corporation, or other person, other than the insurer or its designated claim representative, shall not be authorized to settle or adjust claims under credit personal property insurance.*
- (b) 1. *Except as provided in subparagraph 2. of this paragraph, a creditor shall not be designated as a claim representative for the insurer in adjusting claims.*
- 2. *When the amount of a claim is determined, a group policyholder may, by arrangement with the insurer and subject to audit and review by the insurer, draw drafts or checks or make electronic transfers, in payment of claims due to the group policyholder.*
- (4) *All claims for credit personal property insurance shall be subject to Subtitle 12 of this chapter to the extent applicable and not in conflict with Sections 11 to 18 of this Act.*

➔SECTION 18. A NEW SECTION OF SUBTITLE 19 OF KRS CHAPTER 304 IS CREATED TO READ AS FOLLOWS:

- (1) *Unless a remedy is otherwise specifically provided, any person aggrieved by a final decision of the commissioner issued pursuant to Sections 11 to 18 of this Act may, within twenty (20) days of service of the notice of the decision, request an administrative hearing which shall be conducted in accordance with KRS Chapter 13B.*
- (2) *An insurer that violates any provision of Sections 11 to 18 of this Act shall be subject to the penalty provisions of Subtitle 99 of this chapter.*

➔Section 19. KRS 304.19-010 is amended to read as follows:

All life insurance and all health insurance in connection with loans or other credit transactions shall be subject to the provisions of **KRS 304.19-020 to 304.19-140**~~[this subtitle]~~, except health insurance in connection with a loan or other credit transaction of more than five (5) years' duration or life insurance in connection with a loan or other credit transaction of more than ten (10) years' duration; nor shall insurance be subject to **KRS 304.19-020 to 304.19-140**~~[the provisions of this subtitle]~~, where the issuance of such insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

➔Section 20. KRS 304.19-020 is amended to read as follows:

For the purpose of **KRS 304.19-020 to 304.19-140**~~[this subtitle]~~:

- (1) "Credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction;
- (2) "Credit health 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;
- (3) "Creditor" means the lender of money or vendor or lessor of goods, services, or 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;
- (4) "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;
- (5) "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction;
- (6) "Joint credit life or credit health" shall mean insurance on the life of the debtor and the spouse of the debtor, partners, or any other legal cosigner.

➔Section 21. KRS 304.19-080 is amended to read as follows:

- (1) All such policies, certificates of insurance, notices of proposed insurance, applications for insurance, indorsements and riders delivered or issued for delivery in this state and the schedule of premium rates pertaining thereto shall be filed with the commissioner.

- (2) All life insurance and all health insurance in connection with loans or other credit transactions shall be subject to ~~*KRS 304.19-020 to 304.19-140*~~ [the provisions of this subtitle], except health insurance in connection with a loan or other credit transaction of more than five (5) years' duration or life insurance in connection with a loan or other credit transaction of more than ten (10) years' duration; nor shall insurance be subject to ~~*KRS 304.19-020 to 304.19-140*~~ [provisions of this subtitle] where the issuance of such insurance is an isolated transaction on the part of the insurer not relating to an agreement or a plan for insuring debtors of the creditor; nor shall insurance issued for an amount in excess of forty thousand dollars (\$40,000) be subject to ~~*KRS 304.19-020 to 304.19-140*~~ [this subtitle].
- (3) (a) Credit life insurance. The premium rates set forth hereunder, or actuarially equivalent, shall not exceed:
1. For decreasing term credit life insurance, a single premium of sixty cents (\$0.60) per annum per one hundred dollars (\$100) of scheduled indebtedness, or sixty-five cents (\$0.65) per annum per one hundred dollars (\$100) of scheduled indebtedness if dismemberment benefits are included in the policy;
  2. Single premium rates for indebtedness repayable in monthly installments other than twelve (12) in number shall not exceed one-twelfth (1/12) of the above premium rate multiplied by the number of full months in the scheduled period;
  3. A premium payable monthly at the rate of ninety-two cents (\$0.92) per one thousand dollars (\$1,000) of outstanding unpaid insured indebtedness or one dollar (\$1) per one thousand dollars (\$1,000) of outstanding unpaid insured indebtedness if dismemberment benefits are included in the policy, will be deemed the actuarial equivalent of the foregoing rates; and
  4. For level term credit life insurance, a single premium of one dollar and twenty cents (\$1.20) per annum per one hundred dollars (\$100) of indebtedness or one dollar and thirty cents (\$1.30) per one hundred dollars (\$100) of indebtedness if dismemberment benefits are included in the policy.
- (b)
1. The standards set forth above are applicable to a plan of death benefits with or without requirements for evidence of insurability which contain no exclusions except for suicide; other exclusions must receive the approval of the commissioner.
  2. Coverage shall be offered to all debtors regardless of age; or to all debtors not older than the applicable age limit which shall be not less than sixty-five (65) at the inception of the indebtedness or sixty-six (66) at the scheduled maturity date of the transaction, provided that each company's right to underwrite risks on an individual basis shall not be restricted by this subparagraph. Appropriate adjustments may be made with the approval of the commissioner if premium rates are determined according to the age of the insured debtor or by age brackets.
  3. Rates for use with forms which are more restrictive in any material respect shall reflect such variations in lower rates. Similarly, forms providing more extensive benefits than set forth above may carry appropriately higher charges.
  4. The standards set forth above shall be applicable to contracts which may contain a provision excluding or denying a claim for death, resulting from pre-existing illness, disease or physical condition for which the debtor received medical advice, consultation or treatment during the twelve (12) month period immediately preceding the effective date of the debtor's coverage and which would ordinarily be expected to affect materially the debtor's health during the period of coverage; provided, however, that after such coverage has been in force for six (6) months (twelve (12) months for contracts of more than three (3) years), this pre-existing exclusion clause shall not operate to deny coverage for any death thereafter. The contract shall contain no other provision which excludes or restricts liability in the event of death caused in a certain specified manner, except provisions excluding or restricting coverage in the event of intentionally self-inflicted injuries, foreign travel or residence, flight in nonscheduled aircraft, war or military service.
- (4) (a) Credit health insurance. The following premium rates, or actuarially equivalent rates, shall be charged for the coverages set forth hereunder:

Single Premium Per \$100 of Initial Indebtedness

-----

Nonretroactive Basis

Retroactive Basis

Number of Monthly Installments	14-Day Wait	30-Day Wait	14-Day Wait	30-Day Wait
1-6 months	\$1.51	\$.69	\$2.02	\$.92
7-12 months	2.02	.91	2.69	1.22
13-19 months	2.50	1.56	3.33	2.08
20-24 months	2.93	1.84	3.91	2.45
25-30 months	3.28	2.34	4.37	3.12
31-36 months	3.85	2.77	5.14	3.70
37-48 months	4.77	3.67	6.36	4.89
49-60 months	5.68	4.58	7.58	6.11

- (b) 1. The standards set forth above shall be applicable to contracts which may contain a provision excluding or denying a claim for disability, resulting from pre-existing illness, disease or physical condition for which the debtor received medical advice, consultation or treatment during the twelve (12) month period immediately preceding the effective date of the debtor's coverage and which would ordinarily be expected to affect materially the debtor's health during the period of coverage; provided, however, that after such coverage has been in force for six (6) months (twelve (12) months for contracts of more than three (3) years), this pre-existing exclusion clause shall not operate to deny coverage for any disability commencing thereafter. The contract shall contain no other provision which excludes or restricts liability in the event of disability caused in a certain specified manner, except provisions excluding or restricting coverage in the event of pregnancy, intentionally self-inflicted injuries, foreign travel or residence, flight in nonscheduled aircraft, war or military service.
2. Coverage shall be offered to all debtors regardless of age, or to all debtors not older than the applicable age limit which shall be not less than sixty-five (65) at the inception of the indebtedness or sixty-six (66) at the scheduled maturity date of the transaction, provided that each company's right to underwrite risks on an individual basis shall not be restricted by this subparagraph. Appropriate adjustments may be made with the approval of the commissioner if premium rates are determined according to the age of the insured debtor or by age brackets.
3. Rates for use with forms which are more restrictive in any material respect shall reflect such variations in lower rates. Similarly, forms providing more extensive benefits than set forth above may carry appropriately higher charges.
- (5) Statistical reporting. Each insurer writing credit life or credit health insurance within this state shall keep and maintain statistical data of its experience on these kinds of insurance. The insurer shall, on or before May 1 of each year, file with the commissioner its statistical experience data for the year ending December 31 immediately preceding. Such experience shall be reported on forms conforming to those now or hereafter from time to time adopted by the National Association of Insurance Commissioners.
- (6) If a group policy has been delivered in this state before June 18, 1980, or has been or is delivered in another state before or on or after June 18, 1980, the insurer shall be required to file only the group certificate and notice of proposed insurance delivered or issued for delivery in this state as specified in subsections (2) and (4) of KRS 304.19-070, and such forms shall be approved by the commissioner if they conform with the requirements specified in such subsections and if the schedules of premium rates applicable to the insurance evidenced by such certificate or notice are not in excess of the insurer's schedules of premium rates filed with the commissioner. The premium rate in effect on existing group policies may be continued until the first policy anniversary date following June 18, 1980. After June 18, 1980, no borrower shall be added to an existing group policy at rates higher than those set forth in subsections (3) and (4) of this section.
- (7) The foregoing rates and procedures are deemed to be legislative prerogatives and shall not be subject to administrative or executive change or modification.

➔Section 22. KRS 304.19-090 is amended to read as follows:

- (1) Any insurer may revise its schedules of premium rates from time to time, and shall file such revised schedules with the commissioner. No insurer shall issue any credit life insurance or credit health insurance policy for which the premium rate exceeds that determined by the schedules of such insurer as then on file with the commissioner.
- (2) Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled 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. The commissioner 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 commissioner. Nothing contained in this section shall require the debtor to surrender any policy or group certificate for cancellation or termination solely because the indebtedness has been paid in full prior to the scheduled maturity date nor require the insurer to return any premiums.
- (3) When a debtor purchases credit life insurance or credit health insurance and an individual policy or group certificate 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.
- (4) The amount charged to a debtor for any credit life insurance or credit health insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.
- (5) Nothing in ***KRS 304.19-020 to 304.19-140***~~[this subtitle]~~ shall be construed to authorize any payments for insurance now prohibited under any statute, or rule thereunder, governing credit transactions.

➔Section 23. KRS 304.19-130 is amended to read as follows:

Whenever the commissioner finds that there has been a violation of ***KRS 304.19-020 to 304.19-140***~~[this subtitle]~~ or any administrative regulations promulgated pursuant thereto, the commissioner shall conduct a hearing in accordance with this chapter and KRS Chapter 13B.

➔Section 24. Sections 1 to 10 of this Act apply to vehicle financial protection products that become effective on or after January 1, 2027.

➔Section 25. Sections 11 to 18 of this Act apply to contracts issued or renewed on or after the effective date of this section.

➔Section 26. If any provision of this Act or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

➔Section 27. Sections 1 to 10 and 24 take effect January 1, 2027.

**Signed by Governor April 3, 2026.**