

1 AN ACT relating to vehicle financial protection products.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO

4 READ AS FOLLOWS:

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

7 *(1) Are defined; and*

8 *(2) May be offered within this state.*

9 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 367 IS CREATED TO

10 READ AS FOLLOWS:

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

12 *(1) "Borrower" means a debtor, or retail purchaser or lessee, under a finance*
13 *agreement;*

14 *(2) "Commercial" means a transaction under which a vehicle will be used primarily*
15 *for business purposes;*

16 *(3) "Consumer":*

17 *(a) Means:*

18 *1. An individual purchaser or lessee of a vehicle; or*

19 *2. A borrower; and*

20 *(b) Includes a contract holder;*

21 *(4) "Contract holder" means a person who is the purchaser or holder of a vehicle*
22 *value protection agreement;*

23 *(5) "Creditor" means any of the following:*

24 *(a) The lender in a loan transaction;*

25 *(b) The lessor in a lease transaction;*

26 *(c) Any retail seller of vehicles; and*

27 *(d) The assignee of any person referenced in paragraph (a), (b), or (c) of this*

1 subsection to whom a credit obligation is payable;

2 (6) "Debt waiver" includes:

3 (a) A guaranteed asset protection waiver;

4 (b) Excess wear and use waiver; and

5 (c) Other products as determined by the Attorney General in an administrative
6 regulation promulgated in accordance with KRS Chapter 13A;

7 (7) "Excess wear and use waiver" means a contractual agreement, as part of or as a
8 separate addendum to a lease agreement, in which a creditor agrees, with or
9 without a separate charge, to cancel or waive all or parts of amounts that may
10 become due under a borrower's lease agreement as a result of excessive wear and
11 use of a vehicle, including an agreement to cancel or waive amounts due for
12 excessive mileage;

13 (8) "Finance agreement" means any of the following:

14 (a) A loan, retail installment sales contract, or lease for the purchase,
15 refinancing, or lease of a vehicle; and

16 (b) A loan with a term of at least twelve (12) months that is secured by a
17 vehicle;

18 (9) "Free look period" means a period of time from the effective date of the vehicle
19 financial protection product until the date the vehicle financial protection
20 product may be canceled without penalty, fees, or costs;

21 (10) "Guaranteed asset protection waiver":

22 (a) Means a contractual agreement wherein a creditor agrees, with or without a
23 separate charge, to cancel or waive all or part of amounts due under a
24 borrower's finance agreement in the event of a total physical damage loss of
25 unrecovered theft of the vehicle; and

26 (b) May provide, with or without a separate charge, a benefit that waives an
27 amount, or provides a borrower with a credit, toward the purchase of a

1 replacement vehicle;

2 (11) "Insurer" means:

3 (a) An insurance company licensed, registered, or otherwise authorized under
4 the laws of this state to transact insurance business; or
5 (b) A nonadmitted insurer in accordance with the requirements of Subtitle 10
6 of KRS Chapter 304;

7 (12) "Person" includes an individual, company, association, organization,
8 partnership, business trust, corporation, and every form of legal entity;

9 (13) "Vehicle":

10 (a) Means a self-propelled or towed vehicle designed for personal or
11 commercial use; and
12 (b) Includes automobiles, trucks, motorcycles, recreational vehicles, all-terrain
13 vehicles, snowmobiles, campers, boats, personal watercraft, and related
14 trailers;

15 (14) "Vehicle financial protection product" means any:

16 (a) Debt waiver; and
17 (b) Vehicle value protection agreement; and

18 (15) "Vehicle value protection agreement":

19 (a) Means a contractual agreement that, upon the occurrence of an adverse
20 event to a contract holder's vehicle, including loss, theft, damage,
21 obsolescence, diminished value, or depreciation, provides a benefit towards
22 either:

23 1. The reduction of some or all of the contract holder's current finance
24 agreement deficiency balance; or

25 2. The purchase or lease of a replacement vehicle or vehicle services;

26 (b) Includes trade-in credit agreements, diminished value agreements,
27 depreciation benefit agreements, vehicle cash down payment agreements,

1 and other similarly named agreements; and

2 (c) Does not include:

3 1. A debt waiver; or

4 2. A service contract as defined in KRS 304.5-070.

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

7 (1) Except as provided in subsection (3) of this section, a vehicle financial protection
8 product offered, sold, or given to a consumer in this state shall comply with
9 Sections 1 to 7 of this Act.

10 (2) Notwithstanding any other law, vehicle financial protection products issued
11 before, on, or after the effective date of this Act shall not be considered
12 insurance.

13 (3) Sections 1 to 7 of this Act shall not apply to:

14 (a) Any vehicle financial protection product offered prior to the effective date of
15 this Act; or

16 (b) Any debt waiver offered by a state or federal bank or credit union in
17 compliance with applicable state and federal law.

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

20 (1) Notwithstanding any other law, any amount charged or financed for a vehicle
21 financial protection product:

22 (a) Is an authorized charge that shall be separately stated; and

23 (b) Shall not be considered a finance charge or interest.

24 (2) (a) An extension of credit, the terms of a loan, or the terms of a related vehicle
25 sale or lease shall not be conditioned upon a consumer's payment for, or
26 financing of, any charge for a vehicle financial protection product.

27 (b) A vehicle financial protection product may be discounted or given at no

1 charge in connection with the purchase of other noncredit-related goods or
2 services.

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

5 (1) As used in this section, "administrator" means a person, other than an insurer or
6 creditor, that performs administrative or operational functions relating to debt
7 waivers.

8 (2) (a) 1. Except as provided in subparagraph 2. of this paragraph, a retail
9 seller of vehicles shall insure its debt waivers under a contractual
10 liability policy or other insurance policy that:

11 a. Is issued by an insurer; and
12 b. Complies with subsection (3) of this section.

13 2. A retail seller of vehicles shall not be required to comply with
14 subparagraph 1. of this paragraph for leased vehicles.

15 (b) A creditor, other than a retail seller of vehicles, may insure its debt waivers
16 under a contractual liability or other insurance policy that:

17 1. Is issued by an insurer; and
18 2. Complies with subsection (3) of this section.

19 (c) An insurance policy referenced under paragraph (a) or (b) of this
20 subsection may be:

21 1. Obtained directly by the retail seller or other creditor; or
22 2. Procured by an administrator.

23 (3) (a) A contractual liability policy or any other insurance policy that insures debt
24 waivers shall:

25 1. State the obligation of the insurer to reimburse or pay to the creditor
26 any sums the creditor is legally obligated to waive under a debt waiver;
27 2. Cover any subsequent assignee upon the assignment, sale, or transfer

of the finance agreement; and

3. Remain in effect unless cancelled or terminated in compliance with applicable insurance laws of this state.

(b) The cancellation or termination of a contractual liability policy or any other insurance policy that insures debt waivers shall not reduce the insurer's responsibility for any debt waivers that are:

1. Issued by the creditor prior to the date of cancellation or termination;
and

2. Insured under a policy for which a premium has been received by the insurer.

11 (4) (a) A debt waiver shall remain a part of a finance agreement upon the
12 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.

22 (5) A debt waiver, other than a debt waiver offered in connection with a commercial
23 transaction, shall disclose the following, in writing and in clear and
24 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:

1 2. The terms of the loan; or

2 3. The terms of any related vehicle sale or lease;

3 (b) The name and address of:

4 1. The initial creditor and the borrower of the finance agreement; and

5 2. The administrator, if applicable;

6 (c) The terms and conditions of the debt waiver, including:

7 1. The purchase price of the debt waiver, if any;

8 2. The requirements for protection, conditions, and exclusions; and

9 3. The procedure the borrower must follow, if any, to obtain benefits

10 under the debt waiver, including, if applicable, a telephone number or

11 website and address where the borrower may apply for the benefits;

12 (d) That the borrower:

13 1. May cancel the debt waiver within a free look period of not less than
14 thirty (30) days, as specified in the debt waiver; and

15 2. Will be entitled to a full refund of the purchase price paid by the
16 borrower, if any, if:

17 a. The borrower cancels the debt waiver during the free look
18 period; and

19 b. A benefit has not been provided;

20 (e) Whether the debt waiver is cancellable after the free look period and the
21 conditions under which it may be canceled, if applicable, including the
22 procedures for requesting any refund of amounts paid;

23 (f) If the debt waiver is cancellable after the free look period, the borrower may
24 be entitled to a refund of the unearned portion of the purchase price of the
25 debt waiver, if any, less an administrative fee of not more than seventy-five
26 dollars (\$75), if a benefit has not been, and will not be, provided;

27 (g) If the borrower seeks a refund under paragraph (f) of this subsection, the

1 *borrower shall, in accordance with the terms and conditions of the debt*
2 *waiver, provide a written request to cancel to the creditor or administrator,*
3 *except if the borrower seeks a refund due to the early termination of the*
4 *finance agreement, the borrower shall provide the written request to cancel*
5 *within ninety (90) days of the occurrence of the event terminating the*
6 *finance agreement;*

7 *(h) The methodology for calculating any refund under paragraph (f) of this*
8 *subsection, if any; and*

9 *(i) If the cancellation of a debt waiver is due to a default under the finance*
10 *agreement, the repossession of the vehicle associated with the finance*
11 *agreement, or any other early termination of the finance agreement, any*
12 *refund due may be paid directly to the creditor or administrator and applied*
13 *as a reduction of the amount owed under the finance agreement, unless the*
14 *borrower can show that the finance agreement has been paid in full.*

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

17 **(1) As used in this section:**

18 *(a) "Administrator" means a person, other than a provider, that performs*
19 *administrative or operational functions relating to vehicle value protection*
20 *agreements, including the adjudication of claims or benefits requested by*
21 *contract holders;*

22 *(b) "Commissioner" means the commissioner of the Department of Insurance;*

23 *(c) "NAIC" means the National Association of Insurance Commissioners;*

24 *(d) "Provider" means a person that is obligated to provide a benefit under a*
25 *vehicle value protection agreement; and*

26 *(e) "SEC" means the United States Securities and Exchange Commission.*

27 **(2) A provider may, but shall not be required to, utilize an administrator to be**

1 responsible for any and all of the administration of a vehicle value protection
2 agreement in compliance with Sections 1 to 7 of this Act.

3 (3) A vehicle value protection agreement shall not be sold unless the contract holder
4 has been, or will be, provided access to a copy of the vehicle value protection
5 agreement.

6 (4) In order to ensure faithful performance under a vehicle value protection
7 agreement, each provider shall comply with at least one (1) of the following
8 paragraphs of this subsection:

9 (a) 1. A provider shall insure all of its vehicle value protection agreements
10 under an insurance policy that:

- a. Pays or reimburses if the provider fails to perform its obligations
under any vehicle value protection agreement; and
- b. Is issued by an insurer that complies with subparagraph 2. of
this paragraph.

15 2. At the time the insurance policy issued to the provider is filed with the
16 commissioner, and continuously thereafter, the insurer satisfies one
17 (1) of the following subdivisions of this subparagraph:

- a. The insurer:
 - i. Maintains a surplus as to policyholders and paid-in capital
of at least fifteen million dollars (\$15,000,000); and
 - ii. Annually files copies of the insurer's financial statements,
NAIC annual statement, and actuarial certification
required by, and filed in, the insurer's state of domicile; or

- b. The insurer:
 - i. Maintains a surplus as to policyholders and paid-in capital
of less than fifteen million dollars (\$15,000,000) but at least
ten million dollars (\$10,000,000);

1 ii. Demonstrates to the satisfaction of the commissioner that
2 the insurer maintains a ratio of net written premiums,
3 wherever written, to surplus as to policyholders and paid-in
4 capital of not greater than three (3) to one (1); and

5 iii. Annually files copies of the insurer's audited financial
6 statements, NAIC annual statement, and actuarial
7 certification required by, and filed in, the insurer's state of
8 domicile;

9 (b) 1. A provider shall:

10 a. Maintain a funded reserve account for its obligations under all
11 of its vehicle value protection agreements issued and outstanding
12 in this state, which shall:

13 i. Contain not less than forty percent (40%) of the gross
14 consideration received, less claims paid, on the sale of all
15 in-force vehicle value protection agreements; and

16 ii. Be subject to examination and review by the Attorney
17 General; and

18 b. Place a financial security deposit, in the form required by
19 subparagraph 2. of this paragraph, in trust with the Attorney
20 General that has a value of not less than the greater of the
21 following:

22 i. Five percent (5%) of the gross consideration received, less
23 claims paid, on the sale of all in-force vehicle value
24 protection agreements; or

25 ii. Twenty-five thousand dollars (\$25,000).

26 2. The financial security deposit required under subparagraph 1.b. of
27 this paragraph shall be in the form of one (1) of the following:

- 1 a. A surety bond issued by an authorized surety;
- 2 b. Securities of the type eligible for deposit by authorized insurers
3 in this state;
- 4 c. Cash;
- 5 d. A letter of credit issued by a qualified financial institution; or
- 6 e. Another form of security determined by the Attorney General in
7 an administrative regulation promulgated in accordance with
8 KRS Chapter 13A; or

9 (c) 1. Subject to subparagraph 2. of this paragraph, a provider shall:

- 10 a. Maintain, or together with its parent company maintain, a net
11 worth of stockholder's equity of at least one hundred million
12 dollars (\$100,000,000); and
- 13 b. Upon request, provide the Attorney General with a copy of the
14 provider's or its parent company's:
 - 15 i. Except as provided in subpart ii. of this subdivision, most
16 recent Form 10-K or Form 20-F filed with the SEC within
17 the last calendar year; or
 - 18 ii. If the provider and its parent company does not file with
19 the SEC, the audited financial statements of the provider or
20 its parent company that show a net worth of the provider or
21 its parent company of at least one hundred million dollars
22 (\$100,000,000).

23 2. If the Form 10-K, Form 20-F, or audited financial statements of the
24 provider's parent company are used to satisfy the requirements of
25 subparagraph 1. of this paragraph, the parent company shall agree to
26 guarantee the obligations of the provider under the vehicle value
27 protection agreements sold by the provider in this state.

1 (5) Except as provided in subsection (4) of this section, a provider shall not be subject
2 to financial security requirements relating to vehicle value protection agreements.

3 (6) A vehicle value protection agreement, other than a vehicle value protection
4 agreement offered in connection with a commercial transaction, shall disclose the
5 following in writing and in clear and understandable language that is easy to
6 read:

7 (a) That the following shall not be conditioned on the contract holder's
8 purchase of an agreement:

9 1. The extension of credit;

10 2. The terms of a loan; or

11 3. The terms of any related vehicle sale or lease;

12 (b) The name and address of:

13 1. The provider and contract holder; and

14 2. The administrator, if applicable;

15 (c) The terms and conditions of the agreement, including:

16 1. The purchase price of the agreement, if any;

17 2. The requirements for eligibility, conditions, and exclusions; and

18 3. The procedure the contract holder must follow, if any, to obtain a
19 benefit under the agreement, including, if applicable, a telephone
20 number or website and address where the contract holder may apply
21 for vehicle value protection agreement benefits;

22 (d) That the contract holder:

23 1. May cancel the agreement within a free look period of not less than
24 thirty (30) days as specified in the agreement; and

25 2. Will be entitled to a full refund of the purchase price paid by the
26 contract holder, if any, if:

27 a. The borrower cancels the debt waiver during the free look

period; and

b. A benefit has not been provided;

(e) 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;

(f) 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

(g) 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.

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

9 (1) The Attorney General may take action necessary or appropriate to enforce
10 Sections 1 to 7 of this Act.

11 (2) (a) After proper notice and opportunity for a hearing, the Attorney General
12 may take any one (1) or more of the following actions:

13 1. Order a creditor, provider, administrator, or any other person to cease
14 and desist from conduct in violation of any provision of Sections 1 to 7
15 of this Act; and

16 2. Impose a civil penalty of not more than five hundred dollars (\$500)
17 per violation of any provision of Sections 1 to 7 of this Act, except a
18 civil penalty shall not exceed ten thousand dollars (\$10,000) in the
19 aggregate for violations of a similar nature.

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

25 (1) (a) Every retail installment contract shall:

26 1. Be in writing in at least eight (8) point type;
27 2. Contain all the agreements of the parties;

- 1 3. Be signed by the retail buyer; ~~and~~
- 2 4. Require a copy thereof to be furnished to the retail buyer at the time of
- 3 the execution of the contract; and
- 4 5. Comply with Sections 1 to 7 of this Act, as applicable.
- 5 (b) A retail installment contract need not appear on a single page and a contract
- 6 that includes a provision incorporating agreements that appear after the
- 7 buyer's signature, including without limitation, terms, and conditions on the
- 8 back or on subsequent pages, shall be deemed in compliance with KRS
- 9 446.060(1).
- 10 (c) No provisions for confession of judgment, power of attorney therefor, or wage
- 11 assignment contained in any retail installment contract shall be valid or
- 12 enforceable.
- 13 (d) 1. The holder of a retail installment contract may collect a delinquency and
- 14 collection charge in an amount not in excess of five percent (5%) of
- 15 each installment or fifteen dollars (\$15), whichever is greater, for each
- 16 installment in arrears for a period not less than:
 - 17 a. Three (3) days for installment periods that are less than twenty-
 - 18 eight (28) days; or
 - 19 b. Ten (10) days for installment periods that are twenty-eight (28)
 - 20 days or longer.
- 21 2. In addition to such delinquency and collection charge, the retail
- 22 installment contract may provide for the payment of reasonable
- 23 attorneys' fees where such contract is referred to an attorney not a
- 24 salaried employee of the holder of the contract for collection, plus the
- 25 court costs.
- 26 (e) Unless notice has been given to the retail buyer of actual or intended
- 27 assignment of a retail installment contract, payment thereunder or tender

1 thereof made by the retail buyer to the last known holder of such contract
2 shall be binding upon all subsequent holders or assignees.

3 (f) Upon written request from the retail buyer, the holder of the retail installment
4 contract shall give or forward to the retail buyer a written statement of the
5 total amount unpaid under such contract. A retail buyer shall be given a
6 written receipt for any payment when made in cash.

7 (2) The retail installment contract shall contain the following:

10 (b) The amount of the retail buyer's down payment, whether made in money or
11 goods, or partly in money or partly in goods:

12 (c) The difference between paragraphs (a) and (b) of this subsection;

13 (d) 1. Amount, if any, included for insurance and other benefits; and

14 2. Types of coverage and benefits:

15 (e) Official fees as defined in KRS 190.090;

16 (f) Any amounts eligible for inclusion in the cash sale price as defined in KRS
17 190.090 that the seller elects to separately itemize; and

18 (g) Principal balance, which is the sum of paragraphs (c), (d), and (e) of this
19 subsection

20 (3) A retail installment contract is deemed in compliance with subsection (2) of this
21 section if it satisfies the requirements of the Truth in Lending Act that would apply
22 to a retail installment contract within the Truth in Lending Act's scope, regardless
23 of whether the Truth in Lending Act would apply to the retail installment sale at
24 issue.

25 (4) The amount, if any, included for insurance, shall not exceed the premiums
26 chargeable in accordance with applicable rate filings made with the commissioner
27 of insurance. Every retail seller or sales finance company, if insurance on the motor

1 vehicle is included in a retail installment contract shall within thirty (30) days after
2 execution of the retail installment contract send or cause to be sent to the retail
3 buyer a policy or policies or certificate of insurance, which insurance shall be
4 written by a company authorized to do business in this state, clearly setting forth the
5 amount of the premium, the kind or kinds of insurance and the scope of the
6 coverage and all the terms, exceptions, limitations, restrictions and conditions of the
7 contract or contracts of the insurance. The buyer of a motor vehicle under a retail
8 installment contract shall have the privilege of purchasing such insurance from an
9 agent or broker of his own selection and of selecting an insurance company
10 acceptable to the seller; provided, however, that the inclusion of the insurance
11 premium in the retail installment contract when the buyer selects the agent, broker
12 or company, shall be optional with the seller. If any such policy is canceled, the
13 unearned insurance premium refund received by the holder of the contract shall be
14 credited to the final maturing installments of the retail installment contract. For
15 purposes of this subsection, single interest insurance insuring the retail seller or
16 sales finance company shall not be considered insurance on the motor vehicle.
17 Neither a copy of the policy nor a certificate of insurance of this type of insurance
18 shall be sent to the retail buyer.

19 (5) Any sales finance company hereunder may purchase or acquire from any retail
20 seller any retail installment contract on such terms and conditions as may be agreed
21 upon between them. No filing of the assignment, no notice to the retail buyer of the
22 assignment, and no requirement that the retail seller shall be deprived of dominion
23 over the payments thereunder or the goods covered thereby if repossessed by the
24 retail seller shall be necessary to the validity of a written assignment of a retail
25 installment contract as against creditors, subsequent purchasers, pledgees,
26 mortgagees, and lien claimants of the retail seller.

27 (6) An acknowledgment in the body of the retail installment contract by the retail

1 buyer of the delivery of a copy thereof shall be conclusive proof of delivery in
2 any action or proceeding by or against any assignee of a retail installment
3 contract.}

4 (7) (a) ~~A "debt cancellation agreement" is a written provision in a retail installment
5 contract, or separate addendum thereto, which provides for cancellation of all
6 or part of an obligation of the buyer or obligor upon the occurrence of a
7 specified event.~~

8 (b) ~~In accordance with subsection (2)(d) of this section, a debt cancellation
9 agreement shall be itemized by type on the retail installment contract and
10 considered an "other benefit" for which the seller, sales finance company, or
11 other holder may charge the buyer or obligor.~~

12 (c) ~~A debt cancellation agreement shall not be considered a contract of, or for,
13 insurance.]~~

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

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

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

19 No provision of this code shall apply to:

20 (1) Fraternal benefit societies (as identified in Subtitle 29), except as stated in Subtitle
21 29;[.]

22 (2) Nonprofit hospital, medical-surgical, dental, and health service corporations (as
23 identified in Subtitle 32) except as stated in Subtitle 32;[.]

24 (3) Burial associations (as identified in KRS Chapter 303), except as stated in Subtitle
25 31;[.]

26 (4) Assessment or cooperative insurers (as identified in KRS Chapter 299), except as
27 stated in KRS Chapter 299;[.]

- 1 (5) Insurance premium finance companies (as identified in Subtitle 30), except as stated
2 in Subtitle 30;[.]
- 3 (6) Qualified organizations which issue charitable gift annuities within the
4 Commonwealth of Kentucky. For the purposes of this subsection:
 - 5 (a) A "qualified organization" means one which is:
 - 6 1. Exempt from taxation under Section 501(c)(3) of the Internal Revenue
7 Code as a charitable organization, if it files a copy of federal form 990
8 with the Office of Consumer Protection in the Office of the Attorney
9 General;[or]
 - 10 2. Exempt from taxation under Section 501(c)(3) of the Internal Revenue
11 Code as a religious organization; or
 - 12 3. Exempt as a publicly owned or nonprofit, privately endowed educational
13 institution approved or licensed by the State Board of Education, the
14 Southern Association of Colleges and Schools, or an equivalent public
15 authority of the jurisdiction where the institution is located; and
 - 16 (b) A "charitable gift annuity" means a giving plan or method by which a gift of
17 cash or other property is made to a qualified organization in exchange for its
18 agreement to pay an annuity;[.]
- 19 (7) A religious organization, as identified in this subsection, or its participants, that:
 - 20 (a) Is a nonprofit religious organization;
 - 21 (b) Is limited to participants who are members of the same denomination or
22 religion;
 - 23 (c) Matches its participants who have financial, physical, or medical needs with
24 participants who choose to assist with those needs;
 - 25 (d) 1. Includes the following notice for delivery to all participants, printed in
26 not less than ten (10) point, bold-faced type on or accompanying all
27 applications, guideline materials, or any similar documents:

1 "NOTICE: UNDER KENTUCKY LAW, THE RELIGIOUS
2 ORGANIZATION FACILITATING THE SHARING OF MEDICAL
3 EXPENSES IS NOT AN INSURANCE COMPANY, AND ITS
4 GUIDELINES, PLAN OF OPERATION, OR ANY OTHER
5 DOCUMENT OF THE RELIGIOUS ORGANIZATION DO NOT
6 CONSTITUTE OR CREATE AN INSURANCE POLICY.
7 PARTICIPATION IN THE RELIGIOUS ORGANIZATION OR A
8 SUBSCRIPTION TO ANY OF ITS DOCUMENTS SHALL NOT BE
9 CONSIDERED INSURANCE. ANY ASSISTANCE YOU RECEIVE
10 WITH YOUR MEDICAL BILLS WILL BE TOTALLY
11 VOLUNTARY. NEITHER THE ORGANIZATION OR ANY
12 PARTICIPANT SHALL BE COMPELLED BY LAW TO
13 CONTRIBUTE TOWARD YOUR MEDICAL BILLS. WHETHER OR
14 NOT YOU RECEIVE ANY PAYMENTS FOR MEDICAL
15 EXPENSES, AND WHETHER OR NOT THIS ORGANIZATION
16 CONTINUES TO OPERATE, YOU SHALL BE PERSONALLY
17 RESPONSIBLE FOR THE PAYMENT OF YOUR MEDICAL
18 BILLS."

19 2. A participant shall acknowledge receipt of the "Notice" by signing
20 below the "Notice" on the application; and

21 (e) Suggests amounts to give that are voluntary among the participants, with no
22 assumption of risk or promise to pay either among the participants or between
23 the participants and the organization;[-]

24 (8) A public or private ambulance service licensed and regulated by the Cabinet for
25 Health and Family Services to the extent that it solicits membership subscriptions,
26 accepts membership applications, charges membership fees, and furnishes prepaid
27 or discounted ambulance services to subscription members and designated members

1 of their households;[-]

2 (9) A direct primary care agreement established under KRS 311.6201, 311.6202,
3 314.198, and 314.199; **or**

4 **(10) A vehicle financial protection product as defined in Section 2 of this Act.**

5 ➔Section 11. This Act applies to vehicle financial protection products that
6 become effective on or after January 1, 2027.

7 ➔Section 12. If any provision of this Act or the application thereof to any person
8 or circumstance is held invalid, the invalidity shall not affect other provisions or
9 applications of the Act that can be given effect without the invalid provision or
10 application, and to this end the provisions of this Act are severable.

11 ➔Section 13. This Act takes effect January 1, 2027.