

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

- 1                   of the finance agreement; and
- 2                   3. Remain in effect unless cancelled or terminated in compliance with
- 3                   applicable insurance laws of this state.
- 4                   (b) The cancellation or termination of a contractual liability policy or any other
- 5                   insurance policy that insures debt waivers shall not reduce the insurer's
- 6                   responsibility for any debt waivers that are:
- 7                   1. Issued by the creditor prior to the date of cancellation or termination;
- 8                   and
- 9                   2. Insured under a policy for which a premium has been received by the
- 10                  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.
- 13                  (b) For a debt waiver that is insured under a contractual liability policy or other
- 14                  insurance policy, a creditor shall:
- 15                  1. Report the sale of any finance agreement that includes the debt waiver
- 16                  to the insurer; and
- 17                  2. If applicable, forward any funds due to the assignee, buyer, or
- 18                  transferee of the finance agreement.
- 19                  (c) Funds that are received by a creditor or administrator and that belong to an
- 20                  assignee, buyer, or transferee of a finance agreement shall be held by the
- 21                  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:
- 25                  (a) That the following shall not be conditioned on the borrower's purchase of a
- 26                  debt waiver:
- 27                  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

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) "Commissioner" means the commissioner of the Department of Insurance;

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

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

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

(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:

11 a. Pays or reimburses if the provider fails to perform its obligations  
12 under any vehicle value protection agreement; and

13 b. Is issued by an insurer that complies with subparagraph 2. of  
14 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:

18 a. The insurer:

19 i. Maintains a surplus as to policyholders and paid-in capital  
20 of at least fifteen million dollars (\$15,000,000); and

21 ii. Annually files copies of the insurer's financial statements,  
22 NAIC annual statement, and actuarial certification  
23 required by, and filed in, the insurer's state of domicile; or

24 b. The insurer:

25 i. Maintains a surplus as to policyholders and paid-in capital  
26 of less than fifteen million dollars (\$15,000,000) but at least  
27 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

1 period; and

2 b. A benefit has not been provided;

3 (e) Whether the agreement is cancellable after the free look period and the  
4 conditions under which it may be canceled, if applicable, including the  
5 procedures for requesting any refund of amounts paid;

6 (f) The terms, restrictions, and conditions governing a cancellation of the  
7 agreement by the provider or the contract holder prior to the termination or  
8 expiration of the agreement, which shall include:

9 1. Except as provided in subparagraph 2. of this paragraph, the provider  
10 shall mail a written notice of the cancellation to the contract holder's  
11 last known address contained in the records of the provider at least  
12 five (5) days prior to the cancellation of an agreement by the provider;

13 2. A provider shall not be required to provide prior notice of its  
14 cancellation of an agreement if the cancellation is due to:

15 a. Nonpayment of a provider fee;

16 b. A material misrepresentation by the contract holder to the  
17 provider or administrator; or

18 c. A substantial breach of duties by the contract holder under the  
19 terms of the agreement;

20 3. A notice of cancellation of an agreement by a provider shall state:

21 a. The effective date of the cancellation; and

22 b. The reason for the cancellation;

23 4. If the cancellation of an agreement by a provider is not due to  
24 nonpayment of a provider fee, the provider shall provide the contract  
25 holder with a refund of one hundred percent (100%) of the unearned  
26 pro rata provider fee paid by the contract holder, if any;

27 5. If coverage under the agreement continues after a claim, any claims

- 1                   *paid may be deducted from any refund; and*  
2                   *6. The provider may charge a reasonable administrative fee not to exceed*  
3                   *seventy-five dollars (\$75); and*  
4                   *(g) The methodology for calculating any refund of the unearned purchase price*  
5                   *of the agreement, if any, that will be due in the event of a cancellation,*  
6                   *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.*  
20                   *(b) For purposes of paragraph (a) of this subsection, violations are of a similar*  
21                   *nature if the violations consist of the same or similar course of conduct,*  
22                   *action, or practice, irrespective of the number of times the action, conduct,*  
23                   *or practice occurred.*

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:

8           (a) The cash sale price of the motor vehicle which is the subject matter of the  
9           retail installment sale;

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.