HOUSE BILL NO. 499

INTRODUCED BY SANDS

BY REQUEST OF THE STATE AUDITOR

IN THE HOUSE

	IN THE HOUSE
JANUARY 28, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & LABOR.
FEBRUARY 11, 1987	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 12, 1987	PRINTING REPORT.
FEBRUARY 13, 1987	SECOND READING, DO PASS.
FEBRUARY 14, 1987	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 94; NOES, 0.
	TRANSMITTED TO SENATE.
	IN THE SENATE
FEBRUARY 16, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY.
MARCH 13, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 17, 1987	SECOND READING, CONCURRED IN.
MARCH 19, 1987	THIRD READING, CONCURRED IN.
	AYES, 49; NOES, 0.
	AYES, 49; NOES, 0. RETURNED TO HOUSE.

RECEIVED FROM SENATE.

SENT TO ENROLLING.

MARCH 19, 1987

LC 1089/01

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50th Legislature

LC 1089/01

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A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING LENDERS FROM USING OR DISCLOSING INFORMATION WITH RESPECT TO A LOAN OR EXTENSION OF CREDIT INVOLVING CREDIT INSURANCE; AND AMENDING SECTION 33-18-501, MCA."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 33-18-501, MCA, is amended to read:

"33-18-501. Lenders -- restrictions on solicitation,
rejection, charges, and disclosure -- favoring agent
prohibited. (1) No person may require as a condition
precedent to the lending of money or extension of credit or
any renewal thereof that the person to whom such money or
credit is extended or whose obligation a creditor is to
acquire or finance negotiate any contract of insurance or
renewal thereof through a particular insurer or group of
insurers or agent or solicitor or group of agents or
solicitors.

- (2) No person who lends money or extends credit may:
- 23 (a) solicit insurance for the protection of real 24 property, after a person indicates interest in securing a 25 first-mortgage credit extension, until such person has

received a commitment in writing from the lender as to a loan or credit extension;

- 3 (b) unreasonably reject a contract of insurance furnished by the borrower for the protection of the property securing the credit or lien. A rejection is not unreasonable if it is based on reasonable standards, uniformly applied, relating to the extent of coverage 7 8 required and the financial soundness and the services of an 9 insurer. Such standards may not discriminate against any 10 particular type of insurer or call for rejection of an 11 insurance contract because the contract contains coverage in 12 addition to that required by the credit transaction.
 - (c) require that any borrower, mortgagor, purchaser, insurer, solicitor, or agent pay a separate charge in connection with the handling of any contract of insurance required as security for a loan on real estate or pay a separate charge to substitute the insurance policy of one insurer for that of another. This subsection (2)(c) does not include the interest which may be charged on premium loans or premium advancements in accordance with the terms of the loan or credit document.
 - (d) use or disclose; without-the-prior-written-consent of--the-borrower; mortgagor; or-purchaser; information taken at-a-time-other-than-the-making-of-the-loan-or-extension--of credit relative to a contract of insurance which is required



by the credit transaction;

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- (i) for the purpose of replacing such insurance; and
 - (ii) without the prior written consent of the borrower;
- (e) require any procedures or conditions of licensed agents, solicitors, or insurers not customarily required of those agents, solicitors, or insurers affiliated or in any way connected with the person who lends money or extends credit.
- (3) Each person who lends money or extends credit and who solicits insurance on real and personal property subject to subsection (2) of this section must explain to the borrower in writing that the insurance related to such credit extension may be purchased from an insurer or agent of the borrower's choice, subject only to the lender's right to reject a given insurer or agent as provided in subsection (2)(b). Compliance with disclosures as to insurance required by truth-in-lending laws or comparable state laws shall be compliance with this subsection.
- (4) The commissioner may examine and investigate those insurance-related activities of any person which may be in violation of this section. Any affected person may submit to the commissioner a complaint or material pertinent to the enforcement of this section.
- (5) Nothing herein prevents a person who lends money or extends credit from placing insurance on real or personal

- property in the event the mortgagor, borrower, or purchaser

 has failed to provide required insurance in accordance with
- 3 the terms of the loan or credit document.
- 4 (6) Nothing contained in this section applies to 5 credit life or credit accident and health insurance."
 - NEW SECTION. Section 2. Extension of authority. Any existing authority of the commissioner of insurance to make rules on the subject of the provisions of this act is extended to the provisions of this act.

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APPROVED BY COMM. ON BUSINESS AND LABOR

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 - (c) require that any borrower, mortgagor, purchaser, insurer, solicitor, or agent pay a separate charge in connection with the handling of any contract of insurance required as security for a loan on real estate or pay a separate charge to substitute the insurance policy of one insurer for that of another. This subsection (2)(c) does not include the interest which may be charged on premium loans or premium advancements in accordance with the terms of the loan or credit document.
 - (d) use or disclose,-without-the-prior-written-consent of--the-borrower,-mortgagor,-or-purchaser, information taken at-a-time-other-than-the-making-of-the-loan-or-extension--of credit relative to a contract of insurance which is required

- by the credit transaction;
- 2 (i) for the purpose of replacing such insurance; and
- 3 (ii) without the prior written consent of the borrower;
- 4 (e) require any procedures or conditions of licensed
- agents, solicitors, or insurers not customarily required of
- 6 those agents, solicitors, or insurers affiliated or in any
- 7 way connected with the person who lends money or extends
- 8 credit.

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- 9 (3) Each person who lends money or extends credit and
- 10 who solicits insurance on real and personal property subject
- 11 to subsection (2) of this section must explain to the
- 12 borrower in writing that the insurance related to such
- 13 credit extension may be purchased from an insurer or agent

of the borrower's choice, subject only to the lender's right

to reject a given insurer or agent as provided in subsection

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- 16 (2)(b). Compliance with disclosures as to insurance
- 17 required by truth-in-lending laws or comparable state laws
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- 18 shall be compliance with this subsection.
- 19 (4) The commissioner may examine and investigate those
- 20 insurance-related activities of any person which may be in
 - violation of this section. Any affected person may submit to
- 22 the commissioner a complaint or material pertinent to the
- 23 enforcement of this section.
- 24 (5) Nothing herein prevents a person who lends money
- 25 or extends credit from placing insurance on real or personal

- l property in the event the mortgagor, borrower, or purchaser
- 2 has failed to provide required insurance in accordance with
- 3 the terms of the loan or credit document.
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 - (c) require that any borrower, mortgagor, purchaser, insurer, solicitor, or agent pay a separate charge in connection with the handling of any contract of insurance required as security for a loan on real estate or pay a separate charge to substitute the insurance policy of one insurer for that of another. This subsection (2)(c) does not include the interest which may be charged on premium loans or premium advancements in accordance with the terms of the loan or credit document.
 - (d) use or disclose, without the prior written consent of the borrower, mortgagor, or purchaser, information taken at a time other than the making of the loan or extension of credit relative to a contract of insurance which is required

by the credit transaction;

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- (i) for the purpose of replacing such insurance; and
 (ii) without the prior written consent of the borrower;
- 4 (e) require any procedures or conditions of licensed
 5 agents, solicitors, or insurers not customarily required of
 6 those agents, solicitors, or insurers affiliated or in any
 7 way connected with the person who lends money or extends
 8 credit.
 - (3) Each person who lends money or extends credit and who solicits insurance on real and personal property subject to subsection (2) of this section must explain to the borrower in writing that the insurance related to such credit extension may be purchased from an insurer or agent of the borrower's choice, subject only to the lender's right to reject a given insurer or agent as provided in subsection (2)(b). Compliance with disclosures as to insurance required by truth-in-lending laws or comparable state laws shall be compliance with this subsection.
 - (4) The commissioner may examine and investigate those insurance-related activities of any person which may be in violation of this section. Any affected person may submit to the commissioner a complaint or material pertinent to the enforcement of this section.
- (5) Nothing herein prevents a person who lends money
 or extends credit from placing insurance on real or personal

- property in the event the mortgagor, borrower, or purchaser
 has failed to provide required insurance in accordance with
 the terms of the loan or credit document.
 - (6) Nothing contained in this section applies to credit life or credit accident and health insurance."
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(b) unreasonably reject a contract of insurance furnished by the borrower for the protection of the property securing the credit or lien. A rejection is not unreasonable if it is based on reasonable standards.

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11 insurance contract because the contract contains coverage in

12 addition to that required by the credit transaction.

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 - who solicits insurance on real and personal property subject to subsection (2) of this section must explain to the borrower in writing that the insurance related to such credit extension may be purchased from an insurer or agent of the borrower's choice, subject only to the lender's right to reject a given insurer or agent as provided in subsection (2)(b). Compliance with disclosures as to insurance required by truth-in-lending laws or comparable state laws shall be compliance with this subsection.
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