



1 House BILL NO. 499  
 2 INTRODUCED BY Sandoz  
 3 BY REQUEST OF THE STATE AUDITOR

4  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING LENDERS  
 6 FROM USING OR DISCLOSING INFORMATION WITH RESPECT TO A LOAN  
 7 OR EXTENSION OF CREDIT INVOLVING CREDIT INSURANCE; AND  
 8 AMENDING SECTION 33-18-501, MCA."

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

12 "33-18-501. Lenders -- restrictions on solicitation,  
 13 rejection, charges, and disclosure -- favoring agent  
 14 prohibited. (1) No person may require as a condition  
 15 precedent to the lending of money or extension of credit or  
 16 any renewal thereof that the person to whom such money or  
 17 credit is extended or whose obligation a creditor is to  
 18 acquire or finance negotiate any contract of insurance or  
 19 renewal thereof through a particular insurer or group of  
 20 insurers or agent or solicitor or group of agents or  
 21 solicitors.

22 (2) No person who lends money or extends credit may:

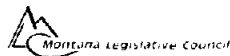
23 (a) solicit insurance for the protection of real  
 24 property, after a person indicates interest in securing a  
 25 first-mortgage credit extension, until such person has

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

3 (b) unreasonably reject a contract of insurance  
 4 furnished by the borrower for the protection of the property  
 5 securing the credit or lien. A rejection is not  
 6 unreasonable if it is based on reasonable standards,  
 7 uniformly applied, relating to the extent of coverage  
 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.

13 (c) require that any borrower, mortgagor, purchaser,  
 14 insurer, solicitor, or agent pay a separate charge in  
 15 connection with the handling of any contract of insurance  
 16 required as security for a loan on real estate or pay a  
 17 separate charge to substitute the insurance policy of one  
 18 insurer for that of another. This subsection (2)(c) does not  
 19 include the interest which may be charged on premium loans  
 20 or premium advancements in accordance with the terms of the  
 21 loan or credit document.

22 (d) use or disclose ~~without the prior written consent~~  
 23 ~~of the borrower, mortgagor, or purchaser,~~ information taken  
 24 ~~at a time other than the making of the loan or extension of~~  
 25 ~~credit~~ relative to a contract of insurance which is required



1 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  
 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.

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  
 14 of the borrower's choice, subject only to the lender's right  
 15 to reject a given insurer or agent as provided in subsection  
 16 (2)(b). Compliance with disclosures as to insurance  
 17 required by truth-in-lending laws or comparable state laws  
 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  
 21 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

1 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.

4 (6) Nothing contained in this section applies to  
 5 credit life or credit accident and health insurance."

6 NEW SECTION. Section 2. Extension of authority. Any  
 7 existing authority of the commissioner of insurance to make  
 8 rules on the subject of the provisions of this act is  
 9 extended to the provisions of this act.

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APPROVED BY COMM. ON BUSINESS AND LABOR

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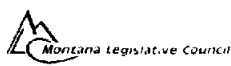
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