

TITLE 114
LEGISLATIVE RULES
INSURANCE COMMISSIONER
SERIES 7
PREMIUM FINANCING OF LIFE INSURANCE
FOR COLLEGE STUDENTS

§ 114-7-1. General.

1.1. Scope. -- The purpose of this regulation is to set forth requirements to be followed by insurers and agents transacting life insurance in West Virginia under a plan whereby life insurance policies are offered to college students under premium financing arrangements. This regulation encompasses the financing arrangements, disclosure requirements and general selling practices of insurers and agents offering life insurance policies to college students whereby premiums are to be paid under a premium financing arrangement. All insurers and agents participating in such an arrangement shall be subject to the provisions of this regulation.

1.2. Authority. -- W. Va. Code §33-2-10 and §33-11-6

1.3. Filing Date. -- May 13, 1970

1.4. Effective Date. -- July 1, 1970

§114-7-2. Financing Arrangement.

2.1. Financing agreement. -- If the insured is a minor and executes a promissory note in connection with the first year's premium, such note must be witnessed or acknowledged by at least one of the insured's parents or his guardian. It is not the intent of this section to enlarge the rights or duties of a minor as found in the statutory and common law of West Virginia, including, but not limited to, the provisions of section four, article six, chapter thirty-three of the West Virginia Code of 1931, as amended.

2.2. Disclosure in application-Down payment. -- The giving of a promissory note in connection with the first premium must be set out in the application over the applicant's signature, showing the amount of the note and the amount of the down payment made to an agent at the time of sale. A down payment in cash of at least ten dollars (\$10.00) must be paid at the time the application is signed.

2.3. Down payment-Unfair practices. -- The down payment must be paid by the applicant in cash and any payment made, directly or indirectly, by the agent to or for the benefit of the applicant in connection with the sale shall be presumed to be an illegal rebate or inducement.

2.4. Same-Limitation on amount. -- If a note is taken to finance less than the first year's premium, the balance must be paid in cash by the applicant at the time the application is taken, except that such balance shall not be less than ten dollars (\$10.00). The maximum amount of any premium financing arrangement which may be entered into shall be in accordance with reasonable and sound underwriting practices as determined by the insurer. A premium financing arrangement whereby an applicant becomes indebted in an amount sufficient to finance the first annual premium, exclusive of interest, shall be deemed prima facie in accordance with reasonable and sound underwriting practices. A financed program should not be sold to a undergraduate student on a basis where premiums would come due less than ninety (90) days after the anticipated date of graduation of said student.

2.5. Note and assignment attached to policy. -- A copy of the note and any assignment must be attached to the policy.

2.6. When note becomes payable. -- The maturity date of any promissory note payable in one lump sum at maturity, or the maturity date of any installment type note which provided for a "Balloon" payment, should not be less than ninety (90) days after the anticipated graduation date of the applicant: Provided, That any such note may contain an acceleration clause to become operable not less than thirty-one (31) days after default in the payment of any renewal premium. The obligation evidenced by a promissory note may be satisfied in advance of the maturity date without penalty.

§114-7-3. Receipt.

3.1. Evidence of acceptance. -- Upon delivery of the policy, a policy receipt or acceptance form must be executed by the insured acknowledging that:

(a) The policy has been issued as represented; and

(b) The insured acknowledges and understands the provisions and obligations of the financial indebtedness that he has incurred.

If, at the time the policy receipt or acceptance form is presented with the policy to the insured for his signature, he decides that he does not wish the plan, it is strongly recommended that the policy and note be canceled and the applicant released from any liability, and refund made of the down payment. Failure to comply with this recommendation will be cause for an investigation by this department to determine

whether proper disclosure of the plan was made at the time of the solicitation and application for insurance.

3.2. Registration of printed form Time of delivery. -- The printed form described in Section 3.1 of these rules above should be registered by number (preferably corresponding to policy number) in the home office. Such form must be sent with the policy at the time of delivery only. These forms shall not be made available as supplies to field representatives or agents, but must be furnished from the home office in transmittal of the policy to the writing agent.

§114-7-4. Transfer Of Note.

4.1. Time of transfer. -- Promissory notes should not be sold or otherwise transferred by the payee nor any commissions on the sale paid to the agent until the printed form described in Section 3.1 of these rules, above, executed by the insured, has been received in the home office of the insurer.

4.2. Notice of transfer. -- The insurer shall notify the note maker (insured) and any co-makers regarding the sale or transfer of the note after such sale or transfer, inviting any questions relative to the note or the policy which is used as collateral security for the note. Such notice may be given by the purchaser, transferee or assignee of the note, but the insurer is charged with the ultimate responsibility to give notice.

§114-7-5. Selling Practices.

5.1. Sales presentation-Cash values-Written summary to applicant. -- Any cash values shown at the time of presentation should be based on the face amount of the policy being offered and not for a larger policy. For example, if a ten thousand dollars (\$10,000) policy is being presented, the values for such ten thousand dollars (\$10,000) policy, and not for a fifty thousand dollars (\$50,000) or seventy-five dollars (\$75,000) program, should be shown. An appropriate written summary setting forth the proposal accepted shall be given to the applicant at the time he executes the application.

5.2. Filing sales material. -- All sales material, promissory notes and other forms used in the sale of such programs must be submitted to the West Virginia Insurance Department in duplicate with duplicate letters of transmittal referring to the policy form or forms in connection with which such material is to be used. No such materials shall be used until submitted for approval as outlined above.

5.3. "Bird Dogging" prohibited. -- No person other than a licensed agent shall participate in the solicitation, negotiation, or effectuation of life insurance with respect to college students in this State. Solicitation includes, but is not limited to, situations where a licensed agent compensates or agrees to compensate certain professors, students, or administrative personnel for aiding him in the solicitation of prospects.

§114-7-6. Separability.

6.1. Partial invalidity. -- If any provision of this regulation shall be held invalid, the remainder of the regulation shall not be affected thereby.