

**COMMISSIONER OF BANKING**

**STATE OF WEST VIRGINIA**

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**In the Matter of:**

**REQUEST FOR AUTHORIZATION TO  
ENGAGE IN SUBSIDIARY BUSINESS BY  
A SUPERVISED LENDER  
filed on behalf of  
KENTUCKY FINANCE CO., INC.  
(Re: Level Term Life Ins.)**

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**DECISION ON AUTHORIZATION REQUEST**

On June 27, 1996 Associates Corporation of North America on behalf of its licensed Supervised Lender affiliate, Kentucky Finance Co., Inc., by letter, requested of the West Virginia Commissioner of Banking a DECISION ON AUTHORIZATION pursuant to W. Va. Code § 46A-4-110 in regards to the marketing and selling of level term life insurance underwritten by Protective Life Insurance Co. in the same office, room, or place of business in which the Applicant, acting as a supervised lender licensee, conducts the business of making supervised loans.

Upon review of this request, the Commissioner of Banking has, consistent with an earlier Declaratory Ruling of July 16, 1985, determined that such a product is sufficiently related to the business of transacting supervised loans; that the nature and character of marketing and selling such product will not per se facilitate evasions or contradictions of Article 4, Chapter 46A of the West Virginia Code or the rules issued thereunder; and that the marketing and selling of non-credit level term life insurance will not be detrimental to the consumers of this state-- Provided certain consumer rights are afforded as set forth herein.

46A-4-110

The decision to grant this type of authority is tempered with concern for the economic well-being of the consumer and conformity with the restrictions placed on additional charges to consumer loans by W. Va. Code § 46A-3-109. To ensure compliance and prevent economic coercion the following operational guidelines must be adopted and adhered to by each of the supervised lender licensees of the Applicant:

- (1) The purchase of level term life insurance may not be required as a condition to the making of any loan or extension of credit by the lender licensee;
- (2) Any claims made under the terms and conditions of a non-credit level term life insurance policy must be paid to the insured or to his/her beneficiary. Said claims may not be used to secure any loan made to the consumer by the lender licensee;
- (3) The premium(s) charged for any non-credit level term life insurance policy must be reasonable in relation to the benefit conferred upon the consumer as such may be determined by the West Virginia Commissioner of Insurance, and all licenses required by the Commissioner of Insurance have been properly obtained by the marketer and seller of the insurance. In addition, the premium(s) for such insurance may not exceed more than twenty-five (25%) of the proceeds of any loan;
- (4) The sale of non-credit level term life insurance in combination with any other insurance sold by the lender licensee in connection with a loan transaction may not be made unless any overlaps in coverage by the policies are disclosed in writing to the consumer at the time of sale; nor may not be made where such insurance is substantively duplicative of other insurance (e.g. credit loss life insurance) sold by the lender licensee in connection with that loan transaction;
- (5) Within at least thirty (30) days after a non-credit level term life insurance policy is received by the consumer, he/she may, if no claim has been made thereunder, surrender the policy to the insurer and receive a full refund of the premium paid. And after such time may surrender the policy and receive a pro rata refund of the premium paid; and
- (6) The consumer will be advised of their rights set forth in the preceding paragraphs 1 - 5 on a disclosure statement or form that shall be signed by the consumer. This disclosure statement or form must be submitted to and approved by the Commissioner of Banking prior to its use.

46A-4-110

Any deviation from the above-stated guidelines will result in the revocation of this written authorization of a particular supervised lender licensee of the Applicant to engage in the business of making loans in the same office, room or place of business in which non-credit insurance products were marketed or sold. Subject to the terms and conditions set forth herein: AUTHORIZATION IS HEREBY GRANTED.

*SGB*

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Sharon G. Bias  
Commissioner of Banking

Date: 8/20/96

46A-4-110

August 20, 1996

Phil E. Hitz  
Governmental Affairs  
Associates Corporation of North America  
250 Carpenter Freeway  
P.O. Box 660237  
Dallas, TX 75266-0237

Re: Authorization to Offer Level Term Life Insurance

Dear Mr. Hitz:

On June 27, 1996 Associates Corporation on behalf of its licensed supervised lender affiliates in West Virginia requested that the Commissioner approve and authorize such offices to sell "level term life insurance." Enclosed please find a copy of the decision by the Commissioner pursuant to W. Va. Code §46A-4-110 granting this request.

This authorization is conditioned upon the offices following the restrictions and terms contained in the attached decision. If you have any questions regarding this matter, please contact me.

Sincerely,

Timothy C. Winslow  
General Counsel

Enclosure