

286.7-480 Additional charges prohibited -- Allowed collateral.

In addition to the charge permitted by KRS 286.7-410 to 286.7-600, no further amount shall be directly or indirectly charged, contracted for or received on any such installment loan, except lawful fees actually paid to a public official for filing, recording or releasing any instrument securing the loan, delinquency and deferral charges as set out in subsection (1) of KRS 286.7-500. Provided, however, that the certificate holder may request, as collateral for any loan, and collect premiums for:

- (1) Notwithstanding the provisions of this or any other law:
 - (a) A certificate holder may request a borrower to insure tangible personal property, except household goods, offered as security for a loan not exceeding seven thousand five hundred dollars (\$7,500) under KRS 286.7-410 to 286.7-600 against any substantial risk of loss, damage or destruction for any amount not to exceed the actual value of such property or the approximate amount of the loan, whichever is lesser, and for a term and upon conditions which are reasonable and appropriate considering the nature of the property and the maturity and other circumstances of the loan; provided, such insurance is sold by a licensed agent, broker or solicitor.
 - (b) A certificate holder may also request as security for any loan obligation insurance on the life of the borrower, or one of them if there are two or more. The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where an indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled or actual amount of unpaid indebtedness, whichever is greater. Not more than one policy of life insurance may be written in connection with any loan transaction under KRS 286.7-410 to 286.7-600.
 - (c) In accepting any insurance provided for by KRS 286.7-410 to 286.7-600 as security for a loan the certificate holder, its officers, agents or employees may deduct the premiums or identifiable charge therefor from the proceeds of the loan, and remit such premiums to the insurance company writing such insurance and any gain or advantage to the certificate holder or any employee, officer, director, agent, affiliate or associate from such insurance or its sale, shall not be considered as additional or further charge in connection with any loan made under KRS 286.7-410 to 286.7-600. The arranging for and collecting of an identifiable charge shall not be deemed the sale of insurance.
 - (d) Every insurance policy or certificate written in connection with a loan transaction pursuant to paragraph (b) of this subsection shall provide for cancellation of coverage and a refund of the premium or identifiable charge unearned upon the discharge of the loan obligation for which such insurance is security without prejudice to any claim.
 - (e) Whenever insurance is written in connection with a loan transaction pursuant to KRS 286.7-410 to 286.7-600, the certificate holder shall deliver or cause to be delivered to the borrower a policy, certificate or other memorandum which shall show the coverages and the costs thereof, if any, to the borrower within thirty days from the date of the loan.

- (f) All such insurance shall be written by a company authorized to conduct such business in this state and the certificate holder shall not require the purchase of such insurance from any agent or broker designated by the certificate holder nor shall the certificate holder decline existing coverages which equal or exceed the standards of KRS 286.7-410 to 286.7-600.
- (2) Insurance on real property pledged as security for a loan in an amount not to exceed the actual value of such property or the approximate amount of the loan whichever is lesser.
- (3) Accident and health insurance on not less than a fourteen-day retroactive basis, covering one borrower in aggregate amount not to exceed the approximate amount of the loan with each periodic indemnity payment not to exceed the original indebtedness divided by the number of periodic installments; all subject to the general provisions and limitations of KRS 286.7-410 to 286.7-600. Premium rates for accident and health insurance written pursuant to KRS 286.7-410 to 286.7-600 shall be reasonable in relation to benefits, and shall be filed with the commissioner of insurance.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 24, sec. 753, effective July 15, 2010. -- Amended 1972 Ky. Acts ch. 317, sec. 3. -- Created 1962 Ky. Acts ch. 166, sec. 6 (first clause of subsection (2)).

Formerly codified as KRS 291.480.

Legislative Research Commission Note (7/12/2006). In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286, and KRS references within this statute have been adjusted to conform with the 2006 renumbering of that code.