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Department of Justice

CONSUMER PROTECTION DIVISION

FILE COPY

August 21, 1985

RE: Insurance Sold in Connection with Consumer
Credit Transactions

Dear

You have requested that the Administrator of the Iowa Consumer Credit Code approve your insurance as an item which may be offered to Iowans in connection with a consumer credit transaction. This office does not "approve" on a case-by-case basis specific types of insurance products sold in connection with consumer credit transactions. therefore, may not treat this response as the "approval" of the Iowa Consumer Credit Code Administrator to market Second Protector through consumer creditors in Iowa. This letter is merely advice of the Administrator issued pursuant to § 537.6104(1)(d) of the Iowa Consumer Credit Code.

Our response is based on the following assumptions being true:

- 1) pays the monthly consumer loan payment if the consumer's residence is "uninhabitable."
- 2) insurance will not be required by the consumer creditor and the consumer will be so advised that the insurance is optional.
- 3) insurance will be offered in connection with second mortgage consumer loans but it is not intended to serve as the primary property insurance coverage on the consumers real estate or as the primary "property" insurance which is connected with the loan.

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4) (a) Several months before you requested that any Iowa state agency which regulates consumer credit review the insurance for sale in consumer credit transactions, you received the approval of the Iowa Department of Insurance as to rates and forms for Second Protector, and

4) (b) was classified by the Iowa Department of Insurance as "property" insurance.

Based on our review of the information which has provided to this office and on our discussions with other consumer credit code administrators, we must conclude that insurance is not "insurance against loss of or damage to property." (See: Iowa § 537.2501[2][a].)

In order for property insurance which is written in connection with a consumer credit transaction to qualify as a permissible additional charge pursuant to § 537.2501(2)(a) of the Iowa Consumer Credit Code, the insurance must insure against loss or damage to property which is related to the credit transaction. Unless the consumer's home is used as security in the credit transaction, then Second Protector can not be "property insurance" under § 537.2501(2)(a). However, even if is sold only in connection with the transaction and the consumer's residence is used as security, it operates more in the manner of "credit" insurance because it is insurance which satisfies the underlying debt in part or in whole. While insurance appears to operate as a type of credit insurance, it is not a type of credit insurance which is specifically authorized by § 537.2501(2)(b) of the Iowa Consumer Credit Code (ICCC).

In summary, based on the above analysis, our response to your request for "approval" of is that because it does not appear to qualify as property insurance under § 537.2501(2)(a) of the ICCC or as credit insurance under § 537.2501(2)(b), it is not a permissible additional charge in connection with consumer credit transactions.

If has any additional questions concerning offering this insurance in connection with consumer credit transactions, please contact the undersigned.

Sincerely,

LINDA THOMAS LOWE
Assistant Attorney General

Enclosures: § 537.2501
§ 537.6104