

### **304.16-040 Debtor groups.**

The lives of a group of individuals may be insured under a policy issued to a creditor or its parent holding company, or to a trustee or trustees or agent appointed by two (2) or more creditors, which creditors, holding company, affiliate, trustee, trustees, or agent shall be deemed the policyholder, to insure debtors of the creditor, subject to the following requirements:

- (1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes thereof.
- (2) The policy may provide that the term "debtors" shall include:
  - (a) Borrowers of money or purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction;
  - (b) The debtors of one (1) or more subsidiary corporations; and
  - (c) The debtors of one (1) or more affiliated corporations, proprietorships, or partnerships if the business of the policyholder and of such affiliated corporations, proprietorships, or partnerships is under common control.
- (3) The premium for the policy shall be paid by the policyholder, either from the creditor's or creditors' funds, or from charges collected from the insured debtors, or from both. A policy on which no part of the premium is to be derived from the funds contributed by insured debtors specifically for their insurance shall insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer.
- (4) The amount of the insurance on the life of any debtor shall at no time exceed the greater of the scheduled or actual amount of the unpaid indebtedness to the creditor, except that insurance written in connection with open-end credit having a credit limit exceeding ten thousand dollars (\$10,000) shall be in an amount not exceeding the credit limit.
- (5) The insurance shall be payable to the creditor or any successor to the right, title, and interest of the creditor. Such payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment and any excess of the insurance shall be payable to the estate of the insured.
- (6) Notwithstanding the provisions of this section, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment on a nondecreasing or level term plan, and insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

**Effective:** July 15, 2008

**History:** Amended 2008 Ky. Acts ch. 140, sec. 2, effective July 15, 2008. -- Created 1970 Ky. Acts ch. 301, subtit. 16, sec. 4, effective June 18, 1970.