

House Bill 523 (COMMITTEE SUBSTITUTE)

By: Representatives Strickland of the 111th, Prince of the 127th, Nimmer of the 178th, England of the 116th, and Meadows of the 5th

A BILL TO BE ENTITLED
AN ACT

1 To amend Chapter 3 of Title 7 of the Official Code of Georgia Annotated, relating to
2 industrial loans, so as to provide for standards for the issuance of a license to issue industrial
3 loans; to require certain disclosures related to insurance premiums on industrial loans in
4 certain instances; to repeal conflicting laws; and for other purposes.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

6 style="text-align:center">**SECTION 1.**

7 Chapter 3 of Title 7 of the Official Code of Georgia Annotated, relating to industrial loans,
8 is amended in Code Section 7-3-9, relating to investigation of application, issuance or denial
9 of license, and purchase of license location, by revising subsection (b) as follows:

10 "(b) If the Commissioner shall find that:

11 (1) The financial responsibility, character, and general fitness of the applicant are such
12 as to command the confidence of the public and to warrant a belief that the business will
13 not be operated unfairly or unlawfully contrary to the purposes of this chapter; and

14 (2) ~~Allowing the applicant to engage in business will promote the convenience and~~
15 ~~advantage of the community in which the licenses office is to be located; The location~~
16 from which the applicant seeks to operate would not be within three miles of any
17 National Guard Armory or any United States military base, installation, or reserve center,

18 the Commissioner shall grant such application and issue to the applicant a license which
19 shall be authority to engage in the business of making loans pursuant to said license in
20 accordance with this chapter."

21 style="text-align:center">**SECTION 2.**

22 Said chapter is further amended in Code Section 7-3-14, relating to maximum loan amount,
23 period, and charges, by revising paragraph (3) as follows:

24 "(3) **Insurance premiums.** A licensee may charge and collect from the borrower
25 premiums actually paid or to be paid for insurance obtained for the borrower. A licensee

26 may accept as security on any loan or advance made under this chapter any one or any
 27 combination of the following:

28 (A) Insurance on tangible property against substantial risks or loss;

29 (B) Reasonable insurance on the life and health of the principal party; or

30 (C) Reasonable insurance against accident of the principal party;

31 provided, however, that any such insurance shall be reasonably related to the type and
 32 value of the property insured and to the amount and term of the loan and shall be obtained
 33 from an insurance company authorized to conduct such business in the State of Georgia
 34 and at rates lawfully filed by such company with the Commissioner of Insurance and
 35 through a regular insurance agent licensed by the Commissioner of Insurance; provided,
 36 further, that the amount of life, health, or accident insurance required as security for loans
 37 made under this chapter shall not exceed the amount of the loan, including charges, to be
 38 secured; and the premiums on such insurance required of the principal party obligated
 39 shall be limited to premiums reasonably based upon reliable actuarial experience and
 40 sound insurance practice; and the Commissioner is authorized and directed to promulgate
 41 rules and regulations to effectuate this provision in accordance with the spirit and intent
 42 thereof. It shall be the duty of the Commissioner from time to time under the foregoing
 43 direction, after public hearing in the manner provided in subsection (b) of Code Section
 44 7-3-7, to determine and promulgate the rates and maximum premiums permissible to be
 45 charged for life, health, and accident insurance required as security for a loan made under
 46 this chapter and to make regulations incident thereto necessary to effectuate the same;
 47 such premiums, when thus established and as changed from time to time in the manner
 48 aforesaid, shall be the maximum effective and permissible charges under this paragraph.
 49 Premiums paid or to be paid pursuant to the authority of this paragraph shall not
 50 constitute interest. The insurance company in turn may pay to the party writing the
 51 insurance policy sold in connection with the loan a fee or commission in an amount
 52 which is reasonable in relationship to the transaction and in no event in excess of the
 53 amount of fee or commission customarily paid within the industry where comparable
 54 insurance is sold in a transaction not involving credit, as determined by the
 55 Commissioner. A licensee shall conspicuously disclose, in at least 10 point and bolded
 56 type and on the first page of the loan agreement, the exact dollar amount of the
 57 commission to be received as a result of any insurance product sold on any loan at a
 58 licensed location where the percentage of borrowers that accepted such insurance product
 59 from the licensee in the prior calendar year exceeded 50 percent;"

60 **SECTION 3.**

61 All laws and parts of laws in conflict with this Act are repealed.