

**11 NCAC 12 .0711            MOTOR VEHICLE LEASES**

- (a) A motor vehicle lease is eligible for Credit Life and Credit Accident and Health insurance if:
- (1) the lessee's has assumed a contractual obligation to make payments as compensation for use of the leased vehicle,
  - (2) the total of all payments which the lessee is contractually obligated to make for such use either exceeds or is substantially equal to the value of the property when leased, and
  - (3) the term of the lease does not exceed 15 years.
- (b) Where the lessee's contractual obligation includes paying or guaranteeing a lump sum (the "residual amount") at the end of the periodic payment schedule, the insurance may cover the sum of all periodic payments plus the residual amount. The residual amount will be included in determining the total of all payments for purposes of (a) - (b) in this Rule.
- (c) Where upon the lessee's death the lessee's estate is obligated to purchase the leased vehicle at a price stated in or determinable under the lease, Credit Life insurance may be written to provide a death benefit equal to:
- (1) the sum of all remaining periodic payments required under the lease plus any residual amount stated in or determinable under the lease; or
  - (2) the purchase price at the time of the lessee's death as stated in or determinable under the lease. The sum of all periodic payments together with any lump sum residual amount will be included in determining with the total of purposes of (a) - (b) in this Rule.
- (d) Where neither the lessee's nor the lessee's estate has any obligation with regard to purchase of the leased vehicle or payment or guarantee of any residual amount, Credit Life insurance may be written to provide a death benefit which is equal to the sum of all remaining periodic installments required under the terms of the lease.
- (e) Credit Accident and Health insurance may be written to cover only the periodic payments required under the lease.
- (f) In addition to all other applicable requirements for Credit Life insurance and Credit Accident and Health insurance, and subject to (a) - (e) in this Rule, the following information must be fully disclosed in the certificate or the policy of insurance and the lease contract when Credit Life or Credit Accident and Health insurance is provided in connection with a leasing contract:
- (1) the identity of the lessee, designated as such;
  - (2) the identity of any co-lessee, designated as such;
  - (3) the identity of the lessor, designated as such;
  - (4) the amount of the periodic lease payment being insured;
  - (5) the residual amount, if any, insured for Credit Life insurance;
  - (6) the premium for Credit Life insurance on periodic payments under the lease (if provided);
  - (7) the premium for Credit Life insurance on any residual amount (if provided);
  - (8) the premium, if any, for Credit Accident and Health insurance under the lease (if provided).
- (g) Whenever a Credit Life insurance certificate or policy provides or may provide Credit Life insurance applicable to a residual amount, such policy or certificate shall include a disclosure as to whether Credit Life insurance is or is not applicable to the residual amount or a statement describing the conditions under which Credit Life insurance will apply to the residual amount.

*History Note: Authority G.S. 58-2-40; 58-57-1; 58-57-5;  
Eff. April 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018.*