

**RULES
OF
TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
INSURANCE DIVISION**

**CHAPTER 0780-1-7
CREDIT TRANSACTION COVERING MOTOR VEHICLES AND MORTGAGED PROPERTY**

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0780-1-7-.01 DEFINITIONS.

- (1) Lender, as used in these rules, shall mean mortgagee and/or servicing agent of the mortgagee, provided the servicing agent is bound by the requirements approved by the mortgagee.
- (2) Borrower, as used in these rules shall mean mortgagor.
- (3) Commissioner, as used in these rules, shall mean the Commissioner of Insurance and Banking.

Authority: T.C.A. §56-2-301. Administrative History: Original rule certified June 10, 1974.

0780-1-7-.02 NOTICE TO BORROWER.

- (1) Prior to any formal application for the loan or payment of any fees or costs required with the filing or an application, the lender must inform the borrower of his legal rights regarding the placing of insurance.
- (2) Notice must be given to said borrower in a clear and concise statement, in writing, with a copy of said statement to be signed by the borrower and retainer by the lender. Nothing in these rules shall be construed to mean that this statement must be a part of the mortgage contract.

Authority: T.C.A. §56-2-301. Administrative History: Original rule certified June 10, 1974.

0780-1-7-.03 LENDER'S RIGHTS. The lender has the right to select the type of insurance company (mutual, stock, reciprocal) whose policies will be acceptable. The lender also may prescribe reasonable requirements regarding the financial structure and stability of the company, including reinsurance agreements. In prescribing these requirements, the adequacy of the insurance coverage provided by an insurance company may be taken into consideration.

Authority: T.C.A. §56-2-301. Administrative History: Original rule certified June 10, 1974.

0780-1-7-.04 BORROWER'S AGENTS LIST. The borrower shall have the right to submit to the lender a list containing a reasonable choice of agents and/or insurers selected by the borrower, who will write the insurance in connection with the loan. The number of agencies comprising a "reasonable choice"

(Rule 0780-1-7-.04, continued)

shall be construed to be a minimum of three (3) agents and/or insurers. The lender has the right to refuse insurance policies written by agents not located within the trade area normally served by the lender.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.05 CLOSING DAY – BORROWER’S DUTY. If the insurance submitted by the borrower is acceptable to the lender, the borrower must have available on the day of the closing of the loan and at the time specified by the lender, the policy (or acceptable binder) and coverage agreed upon.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.06 CANCELLATION – BORROWER’S DUTY. If the policy is cancelled by the insurer, the borrower must have a new policy, acceptable to the lender, in the hands of the lender not less than thirty-six (36) hours before the expiration date stated in the notice of cancellation to the insured.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.07 MORTGAGE TRANSFER – EFFECT ON INSURANCE. In the event the mortgage is transferred by the original mortgagee to another institution or party during the term of the insurance contract, the insurance coverage shall not be cancelled except by mutual agreement of the borrower and the lender, upon full notice to the borrower, of his rights and powers, and of any expense or penalty charge which he may experience as a result of any such transfer of insurance coverage during such term.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.08 COERCION COMPLAINTS. Complaints of coercion filed with the Insurance Commissioner must be in the form of a written statement signed by the borrower. Complaints from insurance agents must be accompanied by a written statement signed by the borrower.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.09 FILING OF LENDER’S REQUIREMENTS. Any requirements adopted by the lender pursuant to these rules shall be filed with the Insurance Commissioner and such requirements shall be made available to the borrower, insurance companies and agents. The Insurance Commissioner shall treat such requirements, when filed, as public records, making such available to interested parties upon request.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.10 RENEWALS.

- (1) The agent shall deliver a renewal policy or a renewal certificate to the lender at least ten (10) days prior to the expiration date of the policy in force, if required by the lender.
- (2) In cases where the borrower desires to change insurance agents or insurers, the agent writing the renewal business must file with the lender a letter of authorization signed by the borrower, which shall be accepted by the lender in good faith.
- (3) Where a change of agent is involved in the renewal of a policy, the lender shall notify the agent renewing the insurance and the borrower, in writing, within five (5) business days after tender of the renewal policy if said policy is not acceptable to the lender.

Authority: T.C.A. §56-2-301. **Administrative History:** Original rule certified June 10, 1974.

0780-1-7-.11 UNFAIR PRACTICES. Your attention is invited to Section 56-8-104, of Tennessee Code Annotated, in which the following are defined as unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

(Rule 0780-1-7-.10, continued)

Misrepresentations and False Advertising of Policy Contracts.....
Boycott, Coercion and Intimidation
Unfair Discrimination
Rebates.....

Requiring as a condition precedent to lending money upon the security of a mortgage or lien upon real or personal property, that the borrower for whom such financing is arranged, or the owner of the property, negotiate any policy of insurance covering such real or personal property through a particular insurance agent or broker, or insurance company; provided, however, that this provision shall not prevent the exercise by any lender or lien holder or mortgagee of its right to approve or disapprove, for reasons affecting solvency or other proper reasons, of the insurance company selected by the owner or borrower to underwrite the insurance.....

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.

0780-1-7-.12 STATUTORY PROVISION. It is highly recommended that Section 56-8-101 to Section 56-8-212, of Tennessee Code Annotated, be read and all persons engaged in the business of insurance in the State of Tennessee become familiar with these provisions.

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.

0780-1-7-.13 PROCEDURES. The following procedures are published herewith as requirements which are deemed to be necessary for full compliance with the law as cited above:

- (a) Purchasers or borrowers, in all credit transactions where insurance coverage is required, must not be misled concerning their right to purchase insurance from any insurance company licensed by this Department and which company provides the necessary coverage. The finance factor or creditor must act affirmatively in such cases in advising the borrower of his rights to a choice of companies or agents. Where insurance is required in transactions involving the purchase of motor vehicles, the finance factor or creditor need not accept as evidence of insurance a policy which does not contain a LOSS PAYABLE CLAUSE.
- (b) When the purchaser or borrower chooses to purchase insurance from the insurer represented by the finance factor or creditor, the seller must furnish the purchaser with evidence of the insurance at the time the sales contract or purchase order is executed. Such insurance evidence must be in the form of an insurance binder. The policy shall be delivered to the purchaser or borrower within twenty-five days following the execution of the initial evidence of insurance.
- (c) Where single interest is written in connection with a finance or loan transaction, a clear and concise statement shall be furnished to the purchaser or borrower, advising him that the insurance effected is solely for the interest of the dealer, finance factor or lender, and that no protection thereunder exists for the benefit of the purchaser or borrower. Such policies shall be clearly stamped or printed in not less than fourteen-point type on the title page "SINGLE INTEREST ONLY."

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.

0780-1-7-.14 FURNISHING COPY OF RECORD REQUIRED. The purchaser of motor vehicles financed under an installment sales contract must be furnished at the time the contract is consummated with a properly executed copy of a record of the transaction in which must be incorporated the following minimum requirements:

(Rule 0780-1-7-.14, continued)

- (a) CASH SELLING PRICE (Including Sales Tax and Extra Equipment)..... \$ _____
Indicate Extra Equipment
and Amount Sales Tax.....
DOWN PAYMENT: CASH..... \$ _____
TRADE-IN: Year..... Make

Model.....
Motor No..... \$ _____
- (b) TOTAL DOWN PAYMENT..... \$ _____
- (c) UNPAID BALANCE OF CASH PRICE
(Subtract Item b from a)..... \$ _____
- (d) TOTAL FINANCE CHARGE AND INSURANCE PREMIUM
FOR WHICH CREDIT IS EXTENDED..... \$ _____
Check Insurance Coverage:
Comprehensive or Fire-Theft and Combined
Additional Coverage
\$ _____ Deductible Collision

Term..... Months
Other (Describe):.....
Class 1 – Over Age 25 Yes No
Class 2 – Under Age 25 Yes No
Class 3 – Business Only Yes No
Health and Accident and Credit Life Insurance
Creditor Life Insurance Only
No Creditor Life nor Health & Accident Insurance
- PURCHASER MUST BE FURNISHED POLICIES ON EACH COVERAGE
CHECKED ABOVE WITHIN TWENTY-FIVE (25) DAYS AFTER THIS DATE.
- (e) DEFERRED (time) BALANCE..... \$ _____
Payable in _____ Monthly Installments of \$ _____
each and One Final Installment of \$ _____
The First Installment Becomes Due _____, _____.
- (f) The purchaser must indicate whether or not he/she has fire, theft or collision insurance
on trade-in car.

 Yes No
- (g) If so, indicate whether you want this insurance transferred without penalty, to the car
being purchased.

 Yes No
- (h) If there is no trade-in involved, the borrower or purchaser must indicate his/her desire
that the seller arrange the insurance described above.

 Yes No
- (i) If the answer is “No” immediately above, give name of agent through whom the
insurance will be procured. _____

(Rule 0780-1-7-.14, continued)

I (OR WE) CERTIFY THAT I (OR WE) HAVE EXAMINED THE ABOVE STATEMENT, THAT I (OR WE) UNDERSTAND EACH INCLUDED ITEM, AND THAT A COPY OF THIS STATEMENT WAS FURNISHED ME (OR US) UPON SALE OF THE ABOVE VEHICLE.

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.

0780-1-7-.15 NOTIFICATION. If the automobile physical damage policy does not afford automobile bodily injury and property damage insurance, the policy shall state the following notification:

“THIS POLICY DOES NOT PROVIDE AUTOMOBILE BODILY INJURY OR PROPERTY DAMAGE INSURANCE AND IS NOT IN COMPLIANCE WITH THE MOTOR VEHICLE FINANCIAL RESPONSIBILITY LAW OF ANY STATE.”

- (a) This notification must be not less than FOURTEEN point type and it shall be displayed in RED across the face and on the filing back of the policy and may be displayed as an over-print or by a rubber stamp impression. This notification shall also be displayed on sales instruments which afford only material damage insurance. USE OF STICKERS FOR THIS PRUPOSE IS PROHIBITED.
- (b) The purchaser or borrower shall be promptly notified in writing of the cancellation of or change in the policy in accordance with the standard ten-day advance cancellation notice as contained in the policy. If through payment in advance by the purchaser or borrower of the remaining undue installments or if the indebtedness is discharged in any manner prior to its maturity date, thereby terminating the insurance coverage, the unearned portion of the insurance premium and interest charged thereon, if any, shall be refunded promptly and without any delay whatsoever.

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.

0780-1-7-.16 POWERS OF THE COMMISSIONER. Under the provisions of Section 56-8-105, of Tennessee Code Annotated, the Commissioner is empowered to examine and investigate into the affairs of every person engaged in the business of insurance in this State in order to determine whether such person has been or is engaged in any unfair method of competition or any unfair or deceptive act or practice prohibited by the Fair Trade Practices Act, and after a hearing the offender may be severely penalized up to Five Thousand (\$5,000.00) Dollars for each such violation. In view of the seriousness of complaints, and in view of the financial losses which residents of this State have sustained, it shall be the policy of this Department to exercise, wherever deemed necessary, the authority contained in said Act.

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.

0780-1-7-.17 SCOPE OF CHAPTER. Any company or agent now or hereafter writing such insurance mentioned above in this State shall subscribe and agree to these rules and regulations and shall be required to act in full compliance therewith.

Authority: T.C.A. §56-2-301. *Administrative History:* Original rule certified June 10, 1974.