

INSURANCE: Insurance upon the lives of installment  
CREDIT SALES: credit account holders must be made pur-  
INSTALLMENT SALES: suant to 408.260. Companies issuing such  
CONSUMER CREDIT: insurance must be authorized to do business  
in Missouri.

OPINION NO. 285

October 17, 1967

Honorable Donald L. Manford  
State Representative - 18th District  
Missouri House of Representatives  
Capitol Building  
Jefferson City, Missouri



Dear Representative Manford:

Reference is made to your letter of May 23, 1967, concerning the legality of a proposed life insurance plan of the John Alden Life Insurance Company insuring the revolving credit account of an individual payable to Gamble-Skogmo, Inc. Under the plan, a group policy is issued to Gamble-Skogmo, Inc., the policyholder, and the individual account holders of the Gamble stores are the individual insured members of the group. You have enclosed with your letter a copy of the insurance certificate which is furnished to the individual account holder. The accounts in question are revolving credit accounts, and the amount of the insurance automatically increases or decreases monthly to the balance of such installment accounts.

We have discussed this matter with you by telephone conversation and are informed that you seek our opinion in regard to the account holder's obligation for insurance premiums when such insurance is added to the account after such account has been in existence. Some of these accounts have been in existence for a number of years without the inclusion of insurance on the life of the account holder for the amount of the account. You stated that the account holders are notified by the Gamble Company that such insurance has been added to the account and the premium therefor shall be charged to the account unless the

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Gamble Company is notified in writing to the contrary by the account holder. You have further informed us that such notices come to the account holder through the mail, together with quantities of advertising material, and the notice is susceptible to being overlooked by the account holder.

We have not been furnished a copy of the written contract, if any, between the Gamble Company and the account holder at the time the account was opened.

Statutory provisions in regard to retail time sales are set forth in Sections 408.250 through 408.370, RSMo Supp. 1965. (All statutory references herein are to RSMo Supp. 1965, unless otherwise specified). Section 408.260 provides that each retail time contract shall be in writing, signed by the buyer and the seller, and completed prior to being signed by the buyer. Section 408.260, subparagraph 5 (4), provides that the contract shall contain any provision for insurance issued in connection with the contract and shall separately state the amount for any insurance premium. Section 408.260, subparagraph 6, specifically authorizes revolving credit retail time contracts.

Section 408.280 sets forth detailed provisions concerning insurance issued in connection with retail time contracts. It is provided that all insurance shall be written by an insurance company authorized to do business in this state and that the applicable premiums shall be in accordance with rates approved by the insurance department of this state. The retail seller may require of the retail buyer life insurance for the protection of the seller. However, the buyer shall have the privilege of purchasing the required insurance from a company of his own selection.

Upon inquiry to the Division of Insurance we have learned that John Alden Life Insurance Company is not authorized by the State of Missouri to do business in this state. Therefore, the group life insurance policy issued to Gamble-Skogmo, Inc., by the John Alden Life Insurance Company upon the lives of account holders of the Gamble Company who have entered into retail time agreements with the Gamble Company in this state is contrary to Section 408.280.

You have indicated that many of the accounts with the Gamble Company about which you inquire have been in existence for several years and that life insurance on the lives of the account holders

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has not been a part of the contract between the Gamble Company and the account holders. You have further indicated that the Gamble Company has notified the account holders that insurance on the lives of such account holders will be issued and premiums therefor will be added to such accounts unless the account holders notify the Gamble Company in writing to the contrary. It has been noted above that Section 408.260 requires each retail contract to be signed by both the buyer and the seller. The contract must be completed prior to signing and must include any provisions for insurance which may be issued and charged to the buyer in connection with such contract. Therefore, the indicated addition of insurance provisions with charges therefor to the account holder would be contrary to Section 408.260 unless the contract with the buyer meets all of the provisions of the cited section.

Section 408.280 provides that the Commissioner of Finance shall issue regulations governing the types and limits of insurance and the issuance of policies in connection with retail time transactions. Upon inquiry of the Division of Finance we are informed that no regulations have been issued in regard to the form and content of group insurance policies for revolving credit account holders.

The provisions of Chapter 376, RSMo 1959, apply to life insurance companies authorized to do business in this state. Among other things, Chapter 376 includes provisions which shall be contained in life insurance policies. The Division of Insurance has supervisory authority over the forms of life insurance policies. However, as noted above, the John Alden Life Insurance Company is not authorized to do business in this state, and therefore, the group policy in question has not been approved by the Division of Insurance.

#### CONCLUSION

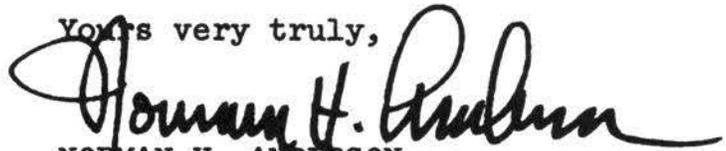
The issuance of insurance on the lives of those to whom retail credit has been extended pursuant to time sales contracts is governed by Sections 408.250 through 408.370, RSMo Supp. 1965. Companies issuing such insurance must be authorized to do business in the State of Missouri. The addition of insurance provisions to previously existing outstanding time sales contracts must comply strictly with the provisions of 408.260, RSMo Supp. 1965.

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The addition of insurance provisions to previously existing revolving credit installment accounts by Gamble-Skogmo, Inc., not made in strict compliance with Section 408.260, RSMo Supp. 1965, is unauthorized by law and no obligation for insurance premiums is incurred by an account holder for failure to notify the company in writing that such insurance is not wanted. The John Alden Life Insurance Company is not authorized by the State of Missouri to do business in this state and the issuance of policies by the company upon the lives of account holders of the Gamble Company in this state is contrary to Section 408.280, RSMo Supp. 1965.

The foregoing opinion, which I hereby approve, was prepared by my Assistant, Thomas J. Downey.

Yours very truly,

A handwritten signature in black ink, appearing to read "Norman H. Anderson". The signature is written in a cursive style with a large, sweeping initial "N".

NORMAN H. ANDERSON  
Attorney General