

Louisiana Consumer Credit Law
Credit Insurance Rebates

OFI Advisory Opinion No. 7
August 29, 2008

Purpose

This advisory opinion addresses the rebate of insurance premiums on consumer credit transactions that are paid in full prior to the maturity date of a loan.

Analysis

The Louisiana Consumer Credit Law authorizes the sale and financing of insurance products. Specifically, LSA-R.S. 9:3542(G) provides, "...an extender of credit may offer any credit insurance authorized by the Louisiana Insurance Code in connection with any extension of credit authorized by this Chapter.

LSA-R.S. 9:3548 states, "(A) When a consumer credit transaction is paid in full for any reason, the insurance paid by the debtor and provided, sold, or obtained through the extender of credit in connection therewith shall be cancelled; ... (B) ... The remaining balance of unearned insurance premiums ... shall be refunded to the consumer ..."'

The Louisiana Department of Insurance (DOI) authorizes the sale of insurance products in this state. When submitting their products for approval, insurance providers submit the premiums and method of calculating rebates on their insurance products. These rebate calculations may include methods such as, but not limited to: actuarial, pro rata, short rate or the rule of 78's. Whatever rebate method is approved by the DOI, the amount of the unearned premium rebate is remitted to the creditor who applies said rebate to the loan balance or remits the unearned premium to the consumer.

Conclusion

Upon prepayment of consumer loans that also include the financing of credit insurance, the creditor shall rebate the total amount of the unearned insurance premiums received from the insurance company to the borrower as required by LSA-R.S. 9:3548. The method of calculating said rebate shall be the method approved by the DOI for the credit insurance product sold to the consumer.



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