

The House Committee on Industry and Labor offers the following substitute to HB 523:

A BILL TO BE ENTITLED  
AN ACT

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

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

**SECTION 1.**

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

"(b) If the Commissioner shall find that:

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

(2) ~~Allowing the applicant to engage in business will promote the convenience and advantage of the community in which the licenses office is to be located; The location from which the applicant seeks to operate would not be within three miles of any National Guard Armory or any United States military base, installation, or reserve center,~~ the Commissioner shall grant such application and issue to the applicant a license which shall be authority to engage in the business of making loans pursuant to said license in accordance with this chapter."

**SECTION 2.**

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

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

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

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

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

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

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

### SECTION 3.

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