Administrative Interpretation No. 4.108-7401 (as amended 11-3-78)*

PROVISIONS PERTAINING TO REFUND OF UNEARNED INSURANCE PREMIUM ARE APPLICABLE TO CONSUMER LOANS EXCEPT RESTRICTED LOANS.

Section 4.108(1) of the Consumer Protection Code [S.C. Code Ann. §37-4-108(1976)] provides that:

Upon prepayment in full of a consumer credit sale or consumer loan by the proceeds of consumer credit insurance, the debtor or his estate is entitled to a refund of any portion of a separate charge for insurance which by reason of prepayment is retained by the creditor or returned to him by the insurer unless the charge was computed from time to time on the basis of the balances of the debtor's account.


(1) Except as provided in subsection (2), this Article applies to insurance provided or to be provided in relation to a consumer credit sale (§2.104), a consumer lease (§2.106) or a consumer loan (§3.104).

(2) The provision on cancellation by a creditor (§4.304) applies to loans the primary purpose of which is the financing of insurance. No other provision of this Article applies to insurance so financed or to restricted loans. (Emphasis added.)

"Restricted loan" is defined in §3.501(3) [S.C. Code Ann. §37-3-501 (Cum. Supp. 1977)] as "a supervised loan made by a restricted lender pursuant to and in compliance with Act 988 of 1966 (The South Carolina Consumer Finance Act)." Subsection (4) of that section defines "restricted lender" as "a person licensed pursuant to Act 988 of 1966 to make loans under that Act (The South Carolina Consumer Finance Act)."
It is the opinion of this Department that §4.108 of the Consumer Protection Code pertaining to refund of unearned insurance premium applies to consumer loans as defined in the Consumer Protection Code except restricted loans.

By: Kathleen Goodpasture Smith
Counsel to the Administrator

Irvin D. Parker
Administrator

* The 11-3-78 amendment to the Administrative Interpretation reworded both the headnote and the interpretation. It is intended to clarify that §4.108 of the Consumer Protection Code now applies to consumer loans other than restricted loans due to the amendment of §4.102(1) and (2) by Act 686 of 1976 effective September 29, 1976. Prior to that date, §4.108 applied only to consumer credit sales notwithstanding the reference to consumer loans in that section.

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It is the opinion of this Department that §4.108 of the Consumer Protection Code pertaining to refund of unearned insurance premium applies to consumer loans as defined in the Consumer Protection Code except restricted loans.

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