FINANCIAL INSTITUTIONS, DEPARTMENT OF: Retail Installment Sales Act—Whether buyer may be required to pay cost of "single interest" insurance.

July 22, 1936.

Hon. Richard A. McKinley,
Director, Department of
Financial Institutions,
Indianapolis, Indiana.

Dear Sir:

I have before me your letter requesting an interpretation of Section 5 of the Retail Installment Sales Act of 1935 as applied to certain situations set out in your letter which reads in part as follows:

"The question has arisen as to whether or not the cost of insurance can be charged to a retail buyer when such insurance protects only the interests of the retail seller or a subsequent holder of the retail installment contract. Insurance of this nature is commonly known as 'single interest' insurance.

"If 'single interest' insurance is written should not the retail buyer be advised in all cases in order that he may have knowledge of the fact that his own interests are not insured?"

Section 5 supra in so far as the same is necessary for the purposes of your questions provides as follows:

"Any retail seller who, in any retail installment contract, has agreed to purchase insurance for the retail buyer and to extend credit for the price thereof, shall, within twenty-five days after the making of the retail installment contract, mail to the retail buyer at his address as shown on the retail installment contract, a policy or policies of insurance or in lieu thereof a certificate briefly describing the protection afforded by the insurance procured, and the kind and amount thereof."


The first question which you have raised is as to whether the cost of this insurance can be charged against the retail
buyer when it protects only the retail seller. The question apparently arises because of the italicized language *supra*, but I do not think the use of such language need lead to any difficulty of construction. It must be remembered that the Act does not undertake to fix the price of the merchandise as distinguished from the price of credit and that subdivision (4) of Section 4 is based upon the theory that the retail seller and retail buyer are free to contract as to the amount and type of insurance to be carried and which the retail buyer will procure, the cost of which may be included in the "principal balance" if purchased by the retail seller for the retail buyer and if credit is extended therefor. Note the following language from Section 4 in setting out the items which the contract must recite:

"(4) The cost to the retail buyer of any insurance the retail buyer has agreed to procure, if the retail seller has agreed to purchase the insurance and extend credit to the retail buyer for the price thereof."

The language "for the retail buyer" as used in Section 5 therefor does not necessarily refer, therefor, to only such insurance as will benefit the retail buyer but rather to such as the retail buyer has agreed to procure but which, for the accommodation of the retail buyer, the retail seller has agreed to pay for in the first instance and extend credit to the retail buyer for the price thereof. I think this sufficiently answers your first question.

As to your second question, I think the answer obviously is in the affirmative. The statute requires the delivery to the retail buyer of the policy or policies or a certificate "briefly describing the protection afforded by the insurance procured, and the kind and amount thereof."


Twenty-five days, however, are allowed for this purpose, which may be too late, but I do not find any requirement for an earlier statement other than the ordinary requirements of fair dealing, and the liabilities which may attach in case of misrepresentation.