**20:06:06:07.  Refunds.** If credit life insurance on a debtor terminates prior to expiration of the period for which the debtor has been charged because of early discharge of indebtedness for any reason other than payment of a death claim under the credit life insurance policy, a refund of the charge for insurance shall be made to the debtor or credited to the debtor's account, using one of the formulas following this paragraph. If credit accident and health insurance on a debtor terminates prior to expiration of the period for which the debtor has been charged for any reason except for payment of a lump sum disability insurance benefit, a refund of the charge for insurance shall be made to the debtor, the debtor's beneficiary, or the debtor's estate, as appropriate, using one of the following formulas:

(1)  The amount of the refund in the case of reducing term credit life insurance or of credit health insurance on which the charges to the debtor are payable by other than a single sum of level term credit life insurance may not be less than the pro rata gross unearned amount charged;

(2)  The amount of the refund in the case of reducing term credit life insurance or of credit health insurance on which the insurance charges to the debtor are paid in a single sum may not be less than the amount computed by the "sum of the digits" formula, commonly known as the "rule of 78"; and

(3)  A premium refund or credit need not be made if the amount is less than one dollar.

**Source:** 4 SDR 6, effective August 9, 1977; 5 SDR 91, effective April 25, 1979; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

**General Authority:** SDCL 58-19-34.

**Law Implemented:** SDCL 58-19-15.