

**BUSINESS ENTITY LIMITED LINES PRODUCER LICENSE
FOR CREDIT INSURANCE**

REGULATION I-2007-01

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Section 1. Authority

This Regulation is promulgated under the authority granted to the Commissioner of the Department of Banking, Insurance, Securities and Health Care Administration by 8 V.S.A. §§ 15, 4813a(6) and 4813f(b).

Section 2. Purpose

The purpose of this Regulation is to establish a Business Entity Limited Lines Producer License for the sale of Credit Insurance and to set forth requirements for the sale of Credit Insurance by a Business Entity Limited Lines Credit Insurance Producer and its employees and representatives.

Section 3. Scope

This Regulation governs the sale, solicitation and negotiation of Credit Insurance by a Business Entity Limited Lines Credit Insurance Producer and its employees and representatives.

Section 4. Definitions

As used in this Regulation:

A. “Business Entity” means a corporation, association, partnership, limited liability company, limited liability partnership or other legal entity.

B. "Business Entity Limited Lines Producer License" means the license issued to a Business Entity pursuant to this Regulation.

C. "Business Entity Limited Lines Credit Insurance Producer" means a Business Entity licensed under this Regulation to sell, solicit or negotiate Credit Insurance.

D. "Credit Insurance" means credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage disability, and guaranteed automobile protection (gap) insurance, which are hereby designated as forms of limited line Credit Insurance for purposes of this Regulation, and any other form of insurance offered to a consumer in connection with an extension of credit to such consumer that is limited to partially or wholly extinguishing such credit obligation and which the Commissioner designates as a form of limited line Credit Insurance for purposes of this Regulation. For purposes of this Regulation, "Credit Insurance" shall not include Private Mortgage Insurance ("PMI").

E. "Designated Responsible Licensed Producer" means a natural person described in Section 6(B) of this Regulation.

F. "Insurer" means any insurance company licensed to offer, sell or negotiate Credit Insurance in this state.

G. "Insurance Producer" means a natural person required to be licensed under the laws of this state to sell, solicit or negotiate insurance.

H. "Limited Lines Credit Insurance Producer" means a natural person licensed pursuant to Insurance Division Regulation I-2007-02 to sell, solicit or negotiate Credit Insurance.

Capitalized terms not defined in this Regulation shall have the meaning set forth in 8 V.S.A. § 4813a.

Section 5. General Requirements

A. The Commissioner hereby determines that the solicitation, sale and negotiation of Credit Insurance in this state does not require the professional competency of a licensed Insurance Producer and that an individual involved in such activities shall be subject to the requirements of this Regulation unless such individual is licensed as an Insurance Producer or as a Limited Lines Credit Insurance Producer.

B. No person, including an officer, director, employee or representative of a Business Entity, shall sell, solicit or negotiate Credit Insurance unless: (i) that person is licensed as an Insurance Producer or as a Limited Lines Credit Insurance Producer, or (ii) such Business Entity and person are in compliance with the requirements of this Regulation.

C. The Commissioner may issue to a Business Entity that has complied with the requirements of this Regulation, a Business Entity Limited Lines Producer License authorizing the Business Entity to act as a Business Entity Limited Lines Credit Insurance Producer subject

to the provisions of this Regulation in connection with the solicitation, sale or negotiation of Credit Insurance.

Section 6. Licensing

To obtain a Business Entity Limited Lines Credit Insurance Producer license, a Business Entity shall:

A. Submit to the Commissioner an application and fees for licensure as required under 8 V.S.A. Chapter 131. Such application must be signed by an officer of the Business Entity;

B. Have designated a Designated Responsible Licensed Producer for each Insurer referenced in Section 6(C):

1. who is a natural person;
2. who is a full-time supervisor or an owner of the Business Entity;
3. who is appointed as an agent of each Insurer referenced in Section 6(C) of this Regulation;
4. who is responsible for the Business Entity's compliance with the insurance laws of this state as a Business Entity Limited Lines Credit Insurance Producer; and
5. who is licensed as an Insurance Producer or a Limited Lines Credit Insurance Producer and who has certified on a form prepared by the Commissioner that he/she understands the requirements of this Regulation, has read the provisions of this Regulation, and has complied with all other applicable requirements set forth in 8 V.S.A. Chapter 131.

C. Submit to the Commissioner a certificate by each appointing Insurer, stating that the Insurer has satisfied itself that the Business Entity applicant is trustworthy and competent to act as its Credit Insurance agent; that the Insurer has provided training and education in conformity with the requirements set forth in Section 7(C) of this Regulation, and that the Insurer will appoint the applicant to act as its agent for the solicitation, sale or negotiation of Credit Insurance. An officer of the Insurer shall execute the certification; and

D. Be appointed by an Insurer to act as its agent.

Section 7. Employees and Representatives of the Business Entity

A. An employee or representative of a Business Entity Limited Lines Credit Insurance Producer is authorized to sell, solicit or negotiate Credit Insurance under the authority of the Business Entity Limited Lines Credit Insurance Producer License, without such person

being individually licensed as an Insurance Producer or a Limited Lines Credit Insurance Producer, if all of the following conditions have been satisfied:

1. The employee or representative is 18 years of age or older;
2. The Business Entity has taken reasonable steps to ensure the employee or representative is competent and trustworthy;
3. The employee or representative has completed a training and education program consistent with the requirements of this Regulation; and
4. The employee or representative complies with the requirements of this Regulation.

B. A Business Entity Limited Lines Credit Insurance Producer, the Designated Responsible Licensed Producer and the appointing Insurer are responsible for all actions of the Business Entity's employees and representatives relating to the sale, solicitation or negotiation of Credit Insurance. The conduct of an employee or representative related to insurance shall be deemed to be the conduct of the Business Entity, the Designated Responsible Licensed Producer and the appointing Insurer for purposes of this Regulation.

C. Each appointing Insurer of the Business Entity Limited Lines Credit Insurance Producer shall provide a training and education program for each employee and representative of the Business Entity prior to allowing such person to sell, solicit or negotiate Credit Insurance pursuant to this Regulation. The training and education program shall meet the following minimum standards:

1. Include instruction about the kinds of insurance subject to this Regulation that are offered for sale by the Business Entity;
2. Provide training about the requirements and limitations imposed on a Business Entity Limited Lines Credit Insurance Producer and its employees and representatives. This training shall include specific instruction that the employee or representative is prohibited by law from making any statement or engaging in any conduct, express or implied, that would lead a consumer to believe:
 - a. That the purchase of Credit Insurance is required for a consumer to make a purchase or obtain financing;
 - b. That the consumer does not already have insurance policies in place that provide the coverage being offered; or
 - c. That the employee or representative is qualified to evaluate the adequacy of the consumer's existing insurance coverage, including but not limited to whether the consumer has coverage with respect to the purchase or financing transaction at issue;

3. Provide comprehensive training about the product to be sold by an employee or representative, including insurance coverages and terms, any coverage limitations or exclusions, pricing, underwriting requirements and for whom such product is suitable or unsuitable.

D. At the time of application for Credit Insurance an employee or representative must provide the following information to a consumer, in writing, in a format and manner established and approved by the appointing Insurer:

1. The purpose of the proposed coverage;
2. Proposed coverage amounts;
3. Cost of coverage (which may be expressed in terms of the total cost of the proposed coverage or in terms of the unit cost of coverage relative to various dollar amounts of a loan or purchase) and the availability of refunds, if applicable;
4. Name of the Insurer;
5. Any limitations or exclusions of the proposed coverage;
6. Any underwriting requirements, including pre-existing condition limitations or eligibility requirements;
7. A statement whether an application is accepted and coverage is effective upon receipt of a completed application by the employee or representative or, if not, when and how the consumer will be told whether an application is accepted and when coverage is effective;
8. A certificate of coverage or other evidence of coverage if available, or a copy of the application for insurance or other receipt if evidence of coverage is not available; and
9. A description of the process for filing a claim, including a toll-free number for the Insurer to report a claim.

If the consumer applies for Credit Insurance through a medium other than applying in writing, the foregoing information may be provided to the consumer in compliance with Title 9 V.S.A., Chapter 20.

E. For purposes of this Regulation, an employee or representative shall not be deemed to be engaged in the sale, solicitation or negotiation of Credit Insurance if the employee or representative's activities with respect to Credit Insurance are limited to referral of a customer to the Designated Responsible Licensed Producer, to a licensed Insurance Producer, or to an

employee qualified under this Section 7 of this Regulation, without any discussion of insurance coverage terms and conditions.

Section 8. Business Entity Limited Lines Credit Insurance Producer Requirements

No insurance may be offered, sold, solicited or negotiated pursuant to this Regulation unless:

A. At every location where a Business Entity Limited Lines Credit Insurance Producer sells Credit Insurance, the Business Entity provides brochures or other written materials to each consumer applying for Credit Insurance, prior to sale, which clearly, conspicuously and in plain language:

1. Summarize the material terms, exclusions, limitations and conditions of coverage, including the identity of the Insurer;

2. Describe the process for filing a claim, including a toll-free telephone number of the Insurer to report a claim;

3. Inform the consumer that the purchase by applicant of Credit Insurance is not required to make a purchase or to obtain financing; and

4. Inform the consumer that neither the Business Entity Limited Lines Credit Insurance Producer nor the Business Entity's employees and representatives are qualified to evaluate the adequacy of the consumer's existing insurance coverages, unless an employee or representative is a licensed Insurance Producer.

B. All costs for the Credit Insurance are separately itemized in any loan or purchase documents and agreements.

C. For transactions conducted by electronic means, the Business Entity Limited Lines Credit Insurance Producer must prominently notify the consumer of the availability of the brochures or other written materials required by this Regulation and ensure the consumer can readily access them.

D. If the Business Entity is not authorized to underwrite and bind coverage on behalf of the Insurer, every application for Credit Insurance shall be forwarded to the Insurer within fifteen (15) business days of receipt by the Business Entity. If the Business Entity is authorized to underwrite and bind coverage on behalf of the Insurer, every application for Credit Insurance shall be forwarded to the Insurer within sixty (60) business days of receipt by the Business Entity.

Section 9. Business Entity Limited Lines Credit Insurance Producer Prohibitions

A Business Entity Limited Lines Credit Insurance Producer shall not:

A. Advertise, represent, or otherwise portray itself or any of its employees or representatives as licensed Insurance Producers, other than an employee or representative who is a licensed Insurance Producer;

B. Pay any employee or representative of the Business Entity Limited Lines Credit Insurance Producer a commission for the sale of Credit Insurance unless such person is a licensed Insurance Producer or a Limited Lines Credit Insurance Producer.

Section 10. Trust Accounts

A. A Business Entity Limited Lines Credit Insurance Producer shall establish trust accounts for moneys collected from applicants purchasing Credit Insurance in accordance with the requirements of Regulation 95-1, Trust Accounts.

B. Any money held in trust for ~~an Insurer or~~ a consumer shall be paid to such ~~Insurer or~~ consumer within thirty-five (35) business days of receipt. Any money held in trust for an Insurer shall be paid to such Insurer within thirty-five (35) business days of receipt, unless the Business Entity and the Insurer have agreed to a different time period.

~~CB.~~ In the case of a Business Entity that is a federally insured depository institution, for purposes of applying Regulation 95-1:

1. a "trust account" shall mean a separately stated account as shown on the Business Entity's annual audited financial statements; a "trust account" shall not mean a "financial account";

2. the Business Entity shall not be precluded from commingling funds credited to the trust account with any other non-segregated funds held by the Business Entity;

3. a "deposit" to a trust account shall mean that the Business Entity credits the trust account with the amount of funds accepted by the Business Entity as a third-party recipient; and

4. a "withdrawal" or "transfer" from a trust account shall mean that the Business Entity debits the trust account by the amount of funds to be removed from the trust account.

Section 11. Record Retention

A Business Entity Limited Lines Credit Insurance Producer shall comply with all record retention requirements set forth in Regulation 99-1, Record Retention. Each Business Entity shall keep records of the transactions under the license granted pursuant to this Regulation.

Section 12. Effective Date

This Regulation shall take effect on May 1, 2008.

Paulette J. Thabault, Commissioner