

RELATED TO FINANCIAL INSTITUTIONS AND THE SALE OF CREDIT PROPERTY AND GROUP CREDIT INSURANCE FOR LIFE AND HEALTH THIS BULLETIN REPLACES BULLETIN NUMBER 88-004.

This bulletin is to clarify (1) whether financial institutions which are involved in the placement of group credit insurance for life and health are exempt from licensure requirements; and (2) whether a properly licensed financial institution may sell insurance commonly known as mechanical breakdown insurance.

GROUP CREDIT INSURANCE FOR LIFE & HEALTH

NRS 683A.100(6) provides an exemption from licensure for persons who secure or furnish information for group life or group health insurance or enroll persons in such plans where no commission is paid for such service.

The exemption of NRS 683A.100(6) DOES NOT apply to group credit insurance. Any financial institution which enrolls, secures, furnishes or otherwise is involved in the sale or placement of insurance for credit life, credit health and credit property insurance must be properly licensed. This is true whether the credit insurance is for individuals or group insurance. Pursuant to NRS 683A.110 a financial institution as defined in the statute may be licensed only for credit insurance.

If properly licensed, the financial institution may receive commission.

MECHANICAL BREAKDOWN INSURANCE

"Mechanical Breakdown Insurance" is a type of Casualty Insurance. NRS 683A.110 prohibits certain financial institutions from transacting the business of insurance except for credit life, credit health and credit property insurance. Credit property insurance is defined in NAC 683A.089 as insurance "which provides for the payment of: (1) The outstanding balance of a loan if the property given for the loan is destroyed; or (2) the cost of repairing the property given as security in the loan up to the amount of the outstanding balances of the loan." Thus, the Mechanical Breakdown Insurance that properly licensed financial institutions may sell to debtors is limited to the amount of the declining balance of the loan.

Currently, there is no Mechanical Breakdown Insurance filed with the Department of Insurance that qualifies as credit property insurance under NAC 683A.089. Therefore, it cannot be sold in Nevada by any financial institution.

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