

ALABAMA DEPARTMENT OF INSURANCE
ADMINISTRATIVE CODECHAPTER 482-1-111
LICENSING OF LIMITED LINE CREDIT INSURANCE PRODUCERS

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482-1-111-.01 Purpose.

The purpose of this chapter is to set forth the rules and requirements which the Commissioner deems necessary to apply to producers marketing credit insurance coverage, as described in the Alabama Consumer Credit Act, Title 5, Chapter 19, Code of Ala. 1975, (commonly referred to as the "Mini-Code"); the Alabama Small Loan Act, Title 5, Chapter 18, Code of Ala. 1975; the Alabama Insurance Code, Title 27, Code of Ala. 1975; as well as rules and regulations promulgated pursuant to these statutes. This chapter is to clarify future licensing procedures concerning credit insurance and in no way reflects on previous practices. The information required by this chapter is hereby declared to be necessary and appropriate and in the public interest and for the protection of policyholders in this state. Additionally this chapter is to promote the public welfare by regulating credit insurance in this state.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

History: New Rule: April 19, 1995; effective May 1, 1995.

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482-1-111-.02 Authority.

This chapter is adopted pursuant to Sections 27-2-17 and 27-7-43, Code of Ala. 1975.

Author: Reyn Norman, Associate Counsel

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482-1-111-.03 Definitions.

The following definitions shall apply for purposes of this chapter:

(a) ACTUAL CASH VALUE. In a GAP insurance policy, this term shall have the same meaning as under the physical damage insurance policy covering the leased property or collateral, but may be reduced by all or part of any applicable deductible.

(b) BUSINESS ENTITY. As defined in Section 27-7-1, Code of Ala. 1975.

(c) COMMISSIONS. Any valuable consideration paid with respect to the sale of insurance, the amount of which is based on the amount of insurance written or the amount of premium written or earned.

(d) CREDIT DISABILITY INSURANCE. Insurance on a debtor or debtors, in connection with a specific credit transaction, to provide indemnity for payments or debt becoming due on that credit transaction, in whole or in part, while the debtor is disabled as defined in the policy, and which precludes debtor selection of primary beneficiary. The terms "credit accident and health insurance," "credit health and accident insurance" and "credit disability insurance" have the same meaning. "Mortgage disability insurance" shall also be considered "credit disability insurance."

(e) CREDIT INSURANCE. Shall include "Credit Life Insurance", "Credit Disability Insurance" and "Credit Property and Casualty Insurance" as defined in this section.

(f) CREDIT LIFE INSURANCE. Insurance on a debtor or debtors, in connection with a specific credit transaction, to provide for satisfaction of that credit obligation, in whole or in part, upon the death of an insured debtor, and which precludes debtor selection as to primary beneficiary. "Mortgage life insurance" shall also be considered "credit life insurance."

(g) CREDIT PROPERTY AND CASUALTY INSURANCE. Any of the following forms of insurance sold to a debtor or debtors in connection with a specific credit transaction that is limited

to partially or wholly extinguishing that credit obligation: automobile physical damage insurance (whether single interest or dual interest coverage), creditor-placed insurance (also known as forced-placed insurance), mortgage guaranty insurance, GAP insurance, family and medical leave insurance, nonfiling insurance, physical damage coverage on household goods, and involuntary unemployment insurance. Credit property and casualty insurance may be issued at or after contract inception.

(h) CREDIT TRANSACTION. Any transaction by the terms of which the repayment of money loaned or loan commitment made, or payment for goods, services or properties sold or leased, is to be made at a future date or dates. It is acknowledged that the Alabama Consumer Credit Act does not apply to true leases; however, it is intended that credit insurance issued or sold in connection with true leases be subject to this chapter to the extent provided herein.

(i) CREDITOR. A person who regularly extends or arranges for the extension of credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise, and, for purposes of this chapter, "creditor" also includes a lessor, and any successor of the foregoing.

(j) DEBT CANCELLATION CONTRACT. A two-party agreement between a creditor and a debtor whereby the creditor agrees that, in the event of certain specified events, the creditor, or its assignee, will cancel all or some specified portion of the debt. A debt cancellation contract is not considered insurance, even if the creditor, independently of the debtor, has obtained insurance to cover all or part of the debt that the creditor has agreed to cancel.

(k) DEBTOR. A borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

(l) ENROLL. The term "enroll" describes the process of adding debtors to a master group policy which includes informing the debtor of the coverage, recommending the purchase, calculating the insurance charge, preparing the certificate of insurance, answering questions regarding the coverage and/or otherwise assisting the debtor in making an informed decision whether or not credit insurance is to be elected as a part of a loan or other credit transaction.

(m) GAP AMOUNT. In a GAP insurance policy, any deficiency between the following:

1. The amount owed by the lessee or debtor under the lease, loan or other credit transaction as of the date of

a total loss of the leased property or collateral caused by theft or physical damage.

2. The sum of the following:

(i) Any unpaid payments and other charges that accrued prior to the total loss.

(ii) The actual cash value of the leased property or collateral as of the date of the loss.

(n) GAP INSURANCE. Also known as "guaranteed asset protection" or "guaranteed automobile protection", insurance covering all or part of the gap amount in the event of a total loss of the personal property that is leased or that serves as collateral for the loan or other credit transaction. For the purposes of this chapter, GAP insurance does not include any debt cancellation contract as defined in this chapter where the lessor or creditor agrees to cancel all or part of the gap amount in the event of a total loss of the leased property or collateral. For the purposes of this chapter, GAP insurance does not include any insurance obtained by a lessor or creditor independently of the debtor, which insures only the lessor or creditor for all or part of the gap amount in the event of a total loss of any leased property or collateral, regardless of whether or not the gap amount is subject to a debt cancellation contract as defined in this chapter.

(o) LIMITED LINE CREDIT INSURANCE. Credit life insurance, credit disability insurance, and credit property and casualty insurance as defined in this rule.

(p) NONFILING INSURANCE. Insurance obtained by a creditor in lieu of filing a financing statement or recording a security instrument with governmental authorities. Nonfiling insurance protects the creditor in the event the creditor suffers a loss as a result of not perfecting its security interest in the collateral.

(q) PRODUCER. As defined in Section 27-7-1, Code of Ala. 1975.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

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482-1-111-.04 Payment Of Commission.

Commissions may be paid only to licensed insurance producers. A business entity must have at least one individual who is licensed as an insurance producer for a particular line of authority who has been designated responsible for the business entity's compliance with the insurance laws, rules and regulations of this state in order for the business entity to be licensed as an insurance producer for that particular line of authority. If this individual only holds a limited line credit insurance license, the business entity will only be qualified for a limited line credit insurance license.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

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482-1-111-.05 Licensing Of Credit Insurance Producers.

(1) In this state, no person shall be, act as, or claim to be a limited line credit insurance producer unless licensed in this state as an insurance producer under the provisions of Chapter 7 of Title 27, Code of Ala. 1975. A limited line credit insurance producer may only market one or more forms of credit insurance to individuals through a master, corporate, group, or individual policy.

(2) An individual or business entity licensed under the provisions of Chapter 7 of Title 27, Code of Ala. 1975:

(a) As an insurance producer for the life line of authority may market credit life insurance.

(b) As an insurance producer for the disability line of authority may market credit disability insurance.

(c) As an insurance producer for the property and casualty lines of authority may market credit property and casualty insurance.

(d) As an insurance producer for the personal lines line of authority may market credit property and casualty insurance in transactions where the collateral is an automobile.

(3) An insurance producer license is not required of persons who secure and furnish information for the purpose of group life insurance, group property and casualty insurance, group annuities, group or blanket accident and health insurance; or for the purpose of enrolling individuals in such plans, or issuing certificates thereunder or otherwise assisting in administering such plans, or performs administrative services related to mass marketed property and casualty insurance, where no commission is paid to such person for such services. These persons may enroll debtors without any license; however, commissions may be paid on this business only to licensed producers.

(4) Individuals will be issued a limited line credit insurance license upon application, if otherwise qualified, without prelicensing education or written examination.

(5) Business entities, including creditors, that have at least one individual licensed as a limited line credit insurance producer will be licensed as a limited line credit insurance producer upon application.

(6) A creditor may form or acquire a subsidiary corporation for the purpose of securing a producer license. A licensed partnership, corporation, financial institution, or other creditor may receive payment of commissions directly from the sale of credit insurance.

(7) Employees of creditors may be individually licensed and appointed as producers. Employee includes officers, directors, stockholders, and traditional employees.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

History: New Rule: April 19, 1995; effective May 1, 1995.

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482-1-111-.06 Licensing Procedures.

(1) Business Entities. To be licensed as a producer, business entities shall comply with the requirements set forth in Chapter 482-1-147. To renew a producer license, business entities shall comply with the requirements set forth in Chapter 482-1-110.

(2) Individuals. To be licensed as a producer, individuals shall comply with the requirements set forth in Chapter 482-1-147. To renew a producer license, individuals shall comply with the requirements set forth in Chapter 482-1-110.

(3) In accordance with Subsection (d) of Section 27-7-5, Code of Ala. 1975, each insurer must provide a program of instruction for each limited line credit insurance producer acting on its behalf.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

History: New Rule: April 19, 1995; effective May 1, 1995.

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482-1-111-.07 Severability.

If any provisions of this chapter, or the application thereof to any person or circumstance, is held invalid, such determination shall not affect other provisions or applications or sections of this chapter which can be given effect without the invalid provision or application, and to that end the provisions for this chapter are severable.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

History: New Rule: April 19, 1995; effective May 1, 1995.

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482-1-111-.08 Effective Date.

This chapter shall become effective upon its approval by the Commissioner of Insurance, and upon its having been on file as a public document in the office of the Secretary of State for ten days.

Author: Reyn Norman, Associate Counsel

Statutory Authority: Code of Ala. 1975, §§27-2-17, 27-7-43.

History: New Rule: April 19, 1995; effective May 1, 1995.

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