CONSUMER CREDIT INDUSTRY ASSOCIATION
TESTIMONY
TO
NAIC PRODUCER LICENSING (EX) WORKING GROUP INTERIM MEETING
MAY 2, 2010

The Consumer Credit Insurance Association doing business as the Consumer Credit Industry Association (CCIA) is a trade association of insurance companies and other financial institutions engaged in the business of underwriting, selling, or servicing consumer credit insurance, consumer credit related lines of insurance, and other consumer credit protection products and services whether or not insurance. CCIA has actively participated in NAIC credit insurance deliberations since 1951, including deliberations concluding with adoption of the Producer Licensing Model Act (PLMA). By our understanding, we were invited to speak today to the role and activities of limited line credit insurance producers.

Consumer credit insurance producers work in banks, finance companies, credit unions, motor vehicle dealerships, and furniture, appliance, and other consumer goods retailers. Their primary function is to market the goods or services being offered by the business entity that employs them. If you met them and asked them what they do for a living, they would identify themselves as loan officers, finance specialists and retail sales people.

For consumers that want to finance the purchase of the goods or services, they facilitate the qualification and closing of the credit transaction. When the credit application is approved, the credit insurance option is presented during the closing of the credit transaction. The presentation includes the federal Regulation Z (TILA) written disclosure of the premium charge, that the election is an option and not a condition of credit, and the required signature of the consumer. The offering of the product is done in the business entity, the producers do not go out to the consumer's home and they do not collect premium. As you can see the offering of consumer credit insurance is incidental to the primary function of the job. This is why consumer credit insurance is distinguishable from primary lines of insurance.

Credit insurance products are narrowly defined and strictly regulated by the states. State regulation limits the premium rate, the amount of coverage, and the term of coverage; defines a narrow range of policy terms, conditions, exclusions, and eligibility; specifies when unearned premium refunds are to be made and how they are to be calculated; requires consumers be given evidence of coverage and other disclosures, often in addition to the above federal requirement; and, holds the insurance company responsible for creditor compliance.

Having this responsibility, the underwriting insurance company undertakes the training of credit insurance producers within the business entity, as required by the PLMA. This training is regularly repeated since there is a lot of turnover in the ranks of credit insurance producers as their primary career path moves forward.

There is an expectation by the insurer and the employer that those consumer credit insurance producers offering credit insurance conduct themselves professionally. In looking at the NAIC database we find in 2009, a total of 186,721 complaints, and 454 of those complaints were for credit insurance, or .24%, so few in relation to the number of transactions.

States have long recognized credit insurance producers as core limited lines licensees. So too the NAIC Producer Licensing Model Act (PLMA) and the Uniform Licensing Standards (ULS). A prime objective of the PLMA was simplified administration, uniformity, and reciprocity for full lines licensees and, CCIA believed, for limited lines licensees. With all the differences that still exist by state for limited line credit insurance producers, those objectives have yet to be achieved, but are achievable.

A matter for your consideration is the relationship between individual state discretion and uniformity objectives – the more discretion, the less uniformity. The impulse to retain discretion is understandable but needs to be conceded where not necessary to address unique state circumstances if the benefits of uniformity are to be obtained.

Before closing, let's summarize the characteristics applicable to credit insurance transactions:

- The credit insurance transaction is incidental to the primary duties of the individual producer.
- The producer does not touch the premium dollars.
- The producer does not enter the homes or business of the applicant.
- The credit insurance products are necessarily simple to comply with governing statutes.
- Insurers provide producer training in addition to that which may be required by law or regulation.
- There are few consumer complaints about the products or transactions.
- It is the business entity that has program management responsibility and will absorb the consequences of insurance commissioner regulatory enforcement actions.

As you know from our past submissions (summary attached) to the Task Force, we encourage you to adopt a Business Entity Licensing approach which is supported by the current PLMA and is used by a number of states, just not all.

ATTACHMENT

SUMMARY OF CONSUMER CREDIT INDUSTRY ASSOCIATION RECOMMENDATIONS FOR LIMITED LINES BUSINESS ENTITY LICENSE STANDARDS

Branch Locations:

The business entity license should apply to all branch locations of the business entity within a state.

There should be no separate registration or licensing requirements for branch locations.

Designated Responsible Licensed Producer (DRLP):

A business entity must have a DRLP licensed either in the same line of authority as the business entity (limited lines or state equivalent), or as an insurance producer.

The business entity license should be issued simultaneously with the DRLP's license.

The DRLP must be appointed by the insurer.

The DRLP must be a natural person who is a full-time employee, principal or owner of the business entity and that is responsible for the entity's compliance with the insurance laws of the state in which the business entity holds its license.

The business entity and DRLP are responsible for tracking employees working under the business entity license, but there should be no requirement that this list be submitted to the Department of Insurance.

The insurer shall provide education and training if required by law.

No other licensing would be required of employees of the business entity acting within the scope of the limited lines business entity license if there is no commission paid to those employees.

Appointments:

The insurer appoints the business entity and the DRLP.

Affiliations:

As discussed above, the DLRP would be licensed and affiliated with the business entity.

Fingerprinting:

Not necessary for limited lines applicants.