

**STATE OF MICHIGAN  
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES  
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

**Bulletin 2003-08-INS**

**In the Matter of Licensing  
Requirements that Apply to  
Limited Line Credit  
Insurance Plans**

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**Issued and entered  
this 12th day of November 2003  
by Linda A. Watters  
Commissioner**

Several lenders have raised licensing issues with respect to limited line credit insurance. As defined in MCL 500.1201(g), that insurance includes credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage guaranty, mortgage disability, and guaranteed automobile protection insurance.

Generally, a person or lender is required to be licensed to sell, solicit or negotiate this insurance coverage to individuals through a master, corporate, group, or individual policy. However, as to enrolling individuals into group coverage, an exception is created where the enroller or the lender does not receive a commission. MCL 500.1202(2) provides:

2) A license as an insurance producer is not required of any of the following:

\* \* \*

(b) A person who performs and receives no commission for any of the following services:

(i) Securing and furnishing information for the purpose of group life insurance, group property and casualty insurance, group annuities, or group or blanket accident and health insurance.

(ii) Securing and furnishing information for the purpose of enrolling individuals under plans, issuing certificates under plans, or otherwise assisting in administering plans.

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The following key interpretations apply to a lender and its employees engaged in enrolling individuals into limited line credit insurance plans:

- An employee enrolling individuals does not need to be licensed if the employee receives no commission.
- A salary is not a commission.
- The lender does not need to be licensed if the lender receives no commission.
- Reimbursement paid for overhead expenses is not a commission. Unsubstantiated costs, particularly on a per certificate basis, are suggestive of a commission.

With regard to licensing, individuals will need to take an examination that is tailored to the insurance they are soliciting. There are no prelicensing course requirements, but licenses are reviewed at two-year intervals to ascertain that the producer has completed continuing education requirements.

Where a lender seeks licensure, it must designate an individual as the licensed producer responsible for the lender's compliance with this state's insurance laws, rules, and regulations. The individual does not have to be an employee of the lender.

Uncertainty as to requirements of the new laws has led some individuals and lenders to delay becoming properly licensed. This bulletin clarifies responsibilities.

OFIS will defer compliance actions based upon lack of appropriate licensure through December 31, 2003. Individuals and lenders may use this as a window of opportunity to determine commission arrangements and to prepare and apply for licenses where required.

Beginning January 1, 2004, OFIS will bring compliance actions against individuals or lenders that have failed to apply for a required license. The Commissioner is authorized to order a civil penalty of up to \$500.00 for each violation. However, if the individual or lender knew or reasonably should have known of the violation, the Commissioner may order the payment of a civil fine of not more than \$2,500.00 for each violation.

Any questions regarding this bulletin should be directed to:

Office of Financial and Insurance Services  
Division of Conduct Review and Securities  
Licensing Section  
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Linda A. Watters  
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