



**DEPARTMENT OF COMMERCE**

INSURANCE DIVISION

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BULLETIN NO. 88-004

NOVEMBER 7, 1988

**RELATED TO FINANCIAL INSTITUTIONS AND THE SALE OF CREDIT  
PROPERTY AND GROUP CREDIT INSURANCE FOR LIFE AND HEALTH**

This bulletin clarifies certain confusion related to (1) whether financial institutions which are involved in the placement of group credit insurance for life and health only 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 may be licensed only for credit insurance.

If properly licensed, the financial institution may receive commission.

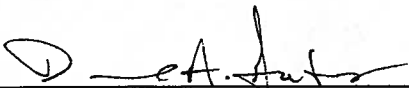
**MECHANICAL BREAKDOWN INSURANCE**

"Mechanical Breakdown Insurance" is a species of Casualty Insurance. NRS 683A.110 prohibits financial institutions from transacting the business of insurance except for credit life, credit health and credit property

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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 Division that qualifies as credit property insurance under NAC 683A.089 and therefore it cannot be sold in Nevada by any financial institution.

  
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DAVID A. GATES  
Commissioner of Insurance

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