

# Arizona Department of Financial Institutions



## SUBSTANTIVE POLICY STATEMENT

**Section: Consumer Lenders**

**July 30, 2012**

**Subject: Sale of Insurance**

**Policy Statement # CL-1**

A.R.S. §6-636 allows consumer lenders to sell credit life insurance and credit disability insurance so long as it bears a reasonable relationship to the existing hazard or risk of loss and is “written by an agent licensed in this state and by an insurance company authorized to conduct such business in this state.”

The Department has received inquiries from consumer lenders regarding whether the Department requires a licensed insurance agent to be on the consumer lender’s premises when credit life insurance that may be issued are spelled out in A.R.S. §20-1604. Because credit life and credit disability insurance can be offered in different forms, there is not one answer to the questions.

When a consumer lender writes an individual policy, the policy must be written by a licensed insurance agent pursuant to A.R.S. §§ 6-636 and 20-1612(B). Therefore, the Department requires that a licensed insurance agent be present when the consumer lender sells such a policy to the borrower.

The same is not true, however, when a consumer lender sells group insurance to a borrower. Pursuant to A.R.S. §20-1612(B), a consumer lender need not be a licensed insurance agent if it only enrolls a borrower in its group policy. The reason being that the creditor has already purchased a group policy from a licensed insurance agent and is merely issuing borrowers certificates evidencing coverage in the group policy. Therefore, the Department does not require that a licensed agent be present when a consumer lender enrolls borrowers in a group policy.

Questions regarding this policy statement should be directed to our Financial Enterprise Division at (602) 771-2800.