

**DEPARTMENT OF INSURANCE**

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**NOTICE**

**TO:** All Admitted Insurers and Credit Insurance Agents

**DATE:** November 15, 2010

**SUBJECT:** Change to Credit Insurance Agent License

**Background**

Assembly Bill (AB) 2782 (Chapter 400, Statutes of 2010) will become effective on January 1, 2011. Included among the provisions of the bill was to expand the kinds of insurance that a credit insurance agent is allowed to transact to include guaranteed automobile protection (GAP) insurance. The effect of this change is as follows:

**Current Credit Insurance Agent License Authority**

Current law specifies that a credit insurance agent may only transact the following insurance lines: credit life insurance, credit disability insurance, credit involuntary unemployment insurance, credit loss-of-income insurance, and credit property insurance. A credit insurance agent may only act as one in connection with and incidental to a loan or other extension of credit other than a loan in excess of \$60,000 relating to or secured by real property where the repayment period does not exceed ten years.

**Addition to Current Credit Insurance Agent License Authority**

AB 2782 amends the California Insurance Code to permit credit insurance agents to transact GAP insurance beginning on January 1, 2011. GAP insurance means insurance in which a person agrees to indemnify a vehicle purchaser or lessee for any of the difference between the actual cash value of the insured's vehicle at the time of an unrecovered theft or total loss and the amount owed on the vehicle pursuant to the terms of a loan, lease agreement or installment sales contract used to purchase or lease the vehicle. GAP insurance may also include a promise to pay up to \$5,000 to an insured, in addition to the sum needed to indemnify the insured for the difference between the actual cash value and the outstanding debt, to purchase or lease another vehicle.

GAP insurance does not include, and no insurance license of any type under the California Insurance Code is required to offer, any of the following: (A) A promise contained in a conditional sales contract for the sale of a vehicle by a licensed motor vehicle dealer or a promise contained in a lease agreement for the lease of a vehicle by a licensed motor vehicle dealer or leasing company to waive all or a portion of the difference between the actual cash value of the insured's vehicle at the time of an unrecovered theft or total loss and the amount owed on the vehicle pursuant to the terms of a loan, lease agreement, or installment sales contract used to purchase or lease the vehicle; (B) A promise by a lender as part of a debt obligation to purchase or lease a vehicle in which the lender agrees to waive all or a portion of

the difference between the actual cash value of the insured's vehicle at the time of an unrecovered theft or total loss and the amount owed on the vehicle pursuant to the terms of a loan, lease agreement, or installment sales contract used to purchase or lease the vehicle; (C) Coverage under subparagraphs (A) and (B) may not include a promise to pay money to a vehicle purchaser or lessee in addition to waiving the difference between the actual cash value and the amount owed. A promise to pay money does not include, and a dealer shall be allowed to offer, a discount or credit provided to a consumer as an incentive for purchasing or leasing a new vehicle if the consumer is required to use the discount or credit on a purchase or lease from the dealer that sold or leased the original vehicle to the consumer.

### **Questions**

For further information regarding this notice, please e-mail the Producer Licensing Bureau at <https://interactive.web.insurance.ca.gov/pli/servlet/InformationRequest> or call CDI's Producer Licensing Toll Free Hotline at (800) 967-9331. Please be sure to include your name, telephone number, license number and e-mail address in all correspondence with the CDI.

You may also review AB 2782 at the following link: [http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab\\_2751-2800/ab\\_2782\\_bill\\_20100927\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2751-2800/ab_2782_bill_20100927_chaptered.pdf)