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Opinion No. 00-065

Authority of Limited Insurance Representative under Tenn. Code Ann. § 56-6-138

QUESTION

Under Tenn. Code Ann. § 56-6-138, an individual who has received a license as a "limited insurance representative" may sell, among other lines of insurance, credit life and credit accident and health insurance. Do the terms "credit life" and "credit accident and health insurance" as used in this statute include only policies that fall within the scope of Tenn. Code Ann. §§ 56-7-901, *et seq.*, regulating credit life and health insurance?

OPINION

No, by its terms, Tenn. Code Ann. § 56-7-904 limits its definitions to Tenn. Code Ann. §§ 56-7-903 to 56-7-912.

ANALYSIS

This opinion concerns the lines of insurance that a limited insurance representative may sell. As a general matter, only an individual licensed by the Department of Commerce and Insurance as an insurance agent may solicit or negotiate insurance policies in the State. Tenn. Code Ann. § 56-6-133. Applicants for an insurance agent license are generally required to pass a written examination. Tenn. Code Ann. § 56-6-136. But an individual who has met certain statutory requirements listed in Tenn. Code Ann. § 56-6-135 may obtain a limited insurance representative license without an examination in certain lines of insurance, including "credit life, credit accident and health insurance, or involuntary unemployment credit insurance." Tenn. Code Ann. § 56-6-138(2). The statute also provides that an individual may receive a limited insurance representative license without examination in "[a]ny other lines which the commissioner finds by rule are essential for the transaction of business in this state and do not require the professional competency demanded by an insurance agent's license." Tenn. Code Ann. § 56-6-138(8). The question presented is whether the term "credit life insurance," as used in Tenn. Code Ann. § 56-6-138(2), includes any policy that meets the definition in Tenn. Code Ann. § 56-2-201, or is limited to the narrower class of policies subject to regulation as credit life and health insurance under Tenn. Code Ann. §§ 56-7-901, *et seq.*

Insurance companies are generally required to obtain a certificate of authority and comply with the financial and operational requirements contained in Tenn. Code Ann. §§ 56-2-101, *et seq.* Tenn. Code Ann. § 56-2-201 defines various kinds of insurance. Under Tenn. Code Ann. § 56-2-201(3):

> "Credit insurance" includes:
>
> > (A) "Credit accident and health insurance," which means that form of insurance under which a borrower of money or a purchaser of goods is indemnified in connection with a specific loan or credit transaction against loss of time resulting from accident or sickness; and
> >
> > (B) "Credit life insurance," which means that form of insurance under which the life of a borrower of money or a purchaser of goods is insured in connection with a specified loan or credit transaction;

Tenn. Code Ann. § 56-2-201(3).

Under Tenn. Code Ann. §§ 56-7-901, *et seq.*, certain insurance policies issued in connection with a loan or credit transaction are subject to regulation as credit health and accident insurance and credit life insurance. Tenn. Code Ann. § 56-7-901(a) provides:

> **Credit health and accident insurance.--**(a) APPLICATION OF LAW. All accident and health insurance for a term of ten (10) years or less in connection with loans or credit transactions shall be subject to the provisions of this section, except such insurance in connection with a loan or other credit transaction of more than fifteen (15) years' duration; nor shall insurance be subject to the provisions of this section where the issuance of such insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

Tenn. Code Ann. § 56-7-901(a) (emphasis added). Tenn. Code Ann. § 56-7-903 provides:

> **Applicability of credit life insurance provisions.--**All life insurance policies and certificates issued in connection with loans or credit transactions for a duration of fifteen (15) years or less shall be subject to the provisions of §§ 56-7-902 — 56-7-912, except in connection with a loan or other credit transaction where the period of coverage on the debtor determined at date of issuance of the coverage is of more than ten (10) years' duration. Insurance shall not be subject to the provisions of §§ 56-7-902 — 56-7-912 where the issuance of such insurance is an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

Tenn. Code Ann. § 56-7-903 (emphasis added). Tenn. Code Ann. § 56-7-904 provides in relevant part:

> *As used in §§ 56-7-903 — 56-7-912, unless the context otherwise requires:*
>
> * * * *

> (4) "Credit life insurance" means insurance on the life of a debtor for a period of ten (10) years or less in connection with a specific loan or other credit transaction of fifteen (15) years duration or less to provide payment to a creditor in the event of the death of a debtor[.]

(Emphasis added). The question, then, is whether a limited insurance representative licensed to sell "credit life insurance" under Tenn. Code Ann. § 56-6-138(2) may sell only policies that meet the definition of "credit life insurance" in Tenn. Code Ann. § 56-7-904(4) and that are regulated under that statutory scheme, or may sell any policy that falls within the broader definition of "credit life insurance" in Tenn. Code Ann. § 56-2-201(3)(B). If the narrower definition applies, then a limited insurance representative licensed to sell credit life insurance may only sell insurance on the life of the debtor for a period of ten years or less in connection with a specific loan or other credit transaction of fifteen years or less. If the broader definition applies, then such limited insurance representative may sell any insurance under which the life of a borrower of money or a purchaser of goods is insured in connection with a specified loan or credit transaction, regardless of the duration of the coverage or the length of the loan or credit transaction in connection with which the insurance is sold.

By its terms, Tenn. Code Ann. § 56-7-904 limits the definition of credit life insurance in that statute to Tenn. Code Ann. §§ 56-7-903 — 56-7-912. If the General Assembly had intended the definition to apply in other statutory contexts, including Tenn. Code Ann. § 56-6-138(2) regarding sales by a limited insurance representative, we think it would not have confined the definition in this manner. Accordingly, we think that the terms "credit life" and "credit accident and health insurance" as used in Tenn. Code Ann. § 56-6-138(2) are not confined to policies that fall within the scope of Tenn. Code Ann. § 56-7-904(4).

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