

**SUBJECT:** Credit insurance agent licensing

**COMMITTEE:** Insurance — committee substitute recommended

**VOTE:** 6 ayes — Smithee, Van de Putte, Bonnen, Burnam, G. Lewis, Wise  
0 nays  
3 absent — Averitt, Eiland, Olivo

**SENATE VOTE:** On final passage, April 23 — 31-0

**WITNESSES:** (*On House Companion, HB 2140*):  
For — Ray Price, Credit Insurance Companies  
Against — None

**BACKGROUND :** Credit insurance is typically sold as part of an installment loan for furniture or other items or with an auto or home loan. The insurance protects lenders in case a borrower dies or becomes unemployed by paying off the remainder of the loan. There are four types of credit insurance: credit life pays off a loan if a borrower dies; credit property covers installment loans for personal or consumer loans or installment sales agreements; credit accident and health pays a loan if a borrower is disabled in an accident; and credit unemployment pays off a loan if a borrower becomes unemployed.

**DIGEST:** CSSB 1292 would add a new section to the Insurance Code that would identify all four types of credit insurance and specify the licensing requirements for credit insurance agents.  
CSSB 1292 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS SAY:** CSSB 1292 would establish in statute the licensing requirements for insurance agents who sell one or more of the four types of credit insurance. Currently, separate parts of the insurance code govern licensing requirements for credit life and credit accident insurance agents, but there are no statutes governing credit property and credit unemployment

insurance. CSSB 1292 would address this problem by consolidating existing requirements in one part of the code, and adding definitions and requirements for the credit property and credit unemployment.

The licensing requirements outlined in the bill are the same as those currently required of credit life and credit accident and health agents. The bill would not make new demands on agents or their companies.

Because credit insurance agents usually represent one or two companies with a limited number of products, there is no need for credit insurance agents to meet examination or continuing education requirements. The licensing process ensures that TDI has a record of every credit insurance agent operating in Texas, which is an important tool for responding to consumer complaints and providing information to credit insurance agents.

OPPONENTS  
SAY:

CSSB 1292 should either establish stricter licensing requirements for credit insurance agents or identify the system outlined in the bill as a registration and certification process rather than a licensing process. To qualify for an license, most other insurance agents must meet basic examination and continuing education requirements to prove that they understand the products they are selling. Consumers assume that licensed agents have met these basic examination and continuing education requirements.

Credit insurance is often sold as part of the financing process when people are getting an installment loan to pay for a car, furniture, or other items. Buyers often know little or nothing about the credit insurance product, and must depend entirely on the agent to inform them about it. To many people, a license from TDI suggests that an agent has had to prove at least a basic knowledge of the product. Consumers could be misled into believing that the credit insurance license certifies that an agent has passed an examination or met some other standard for entry into the field.

NOTES:

The committee substitute made minor revisions to the definition of credit property insurance.