

SUBJECT: Specialty licenses for insurance agents

COMMITTEE: Insurance — committee substitute recommended

VOTE: 8 ayes — Smithee, Eiland, Burnam, G. Lewis, J. Moreno, Olivo, Seaman, Thompson

0 nays

1 absent — Wise

SENATE VOTE: On final passage, April 22 — voice vote

WITNESSES: None

BACKGROUND: The 75th Legislature enacted SB 206 by Madla, requiring the insurance commissioner to review and evaluate insurance agent licensing statutes to address new methods of marketing insurance, determine which provisions of licensing statutes should apply to all licenses, and examine ways to streamline the number of licenses required in Texas. The commissioner issued a report based in part on the findings of an advisory committee of representatives from the insurance industry.

The commissioner's report recommended creating specialty licenses for businesses that offer point-of-sale insurance products, such as rental car insurance, credit insurance, travel insurance, and insurance sold by self-service storage facilities. Currently, licenses are not required to sell these insurance products, though some licensed agents do sell them.

Life insurance counselors are licensed by the state and must have been licensed insurance agents for three years before becoming counselors. Insurance adjusters supervise the handling of claims and investigate reported losses for insurers. The Insurance Code requires adjusters to be licensed and to maintain a place of business in Texas. Agricultural insurance agents insure growing crops. The Insurance Code requires licenses for agricultural insurance agents.

**DIGEST:** CSSB 957 would create a specialty insurance agent license. Applicants for the license would have to be appointed by a licensed insurer to act as an agent. Employees of specialty license holders would be authorized to act as agents if they were properly trained, supervised by the license holder, and not compensated based primarily on the amount of insurance they sold.

Specialty license holders could sell insurance only if brochures or other written materials describing the insurance products and the consumer's rights regarding the sale of the products were displayed prominently and were readily available to prospective consumers.

Specialty license applicants would not have to take a written examination or meet continuing education requirements. The Texas Department of Insurance could take disciplinary action against an insurer or specialty license holder who violated Insurance Code provisions.

Premiums collected for point-of-sale insurance products would not be treated as money accepted in a fiduciary capacity if the insurer did not require the funds to be segregated and if the consumer was not billed for the coverage separately from other charges for the associated consumer transaction.

Insurance agents with general licenses would not need specialty licenses to sell point-of-sale insurance products, but those agents would have to comply with the other rules regarding the sale of those insurance products.

The specialty insurance agent license would be issued to:

- rental car companies that sell insurance only in connection with the rental of vehicles and vehicle equipment when the rental period is less than 30 days;
- retailers, automobile dealers, banks, savings and loans, credit unions, finance companies, production credit associations, manufactured home retailers, and mobile home retailers who sell credit insurance;
- travel agencies and public carriers who sell travel insurance, including travel life insurance that does not exceed \$100,000; and
- self-service storage facilities that sell insurance in connection with the rental of storage space.

The insurance commissioner could adopt rules necessary to implement the specialty license and to meet the minimum requirements of federal law and regulations.

**Life and health insurance counselor license.** The life insurance counselor license would be expanded to create a life and health insurance counselor license, which would allow a license holder to counsel clients about life, accident, or health insurance or any health-benefit plan. Licensed counselors no longer would have to have three years experience as a licensed insurance agent, although continuing education would be required. Other changes to the counselor license would amend current law to comply with the changes to all insurance licenses proposed in SB 956 by Madla.

**Adjuster licenses.** Licensed adjusters no longer would have to maintain a place of business in Texas. The other changes to the current adjuster license law would be made to comply with proposed license law changes.

**Agricultural insurance agent licenses.** CSSB 957 would amend the agricultural insurance agent license law to comply with proposed license law changes, including a written examination and requirements for continuing education. The bill would waive written examination and continuing education requirements for licensed agricultural insurance agents who had passed Federal Crop Insurance Corp. examinations and complied with that organization's continuing education requirements.

This bill would take effect September 1, 1999. People with current agent licenses would be issued specialty licenses if they were eligible. Specialty insurance licenses would not be required until January 1, 2000, for people not currently required to be licensed. A written examination would not be required until March 1, 2002, for agricultural insurance agents who renewed their licenses before March 1, 2000.

**SUPPORTERS  
SAY:**

The changes proposed by CSSB 957 are necessary to keep pace with the changing insurance market. Point-of-sale insurance products should be regulated to protect consumers and licensed insurers, who already require strict standards for the businesses that sell their insurance.

SB 957  
House Research Organization  
page 4

Financial advisors who are licensed life insurance counselors do not want to have the potential conflict of interest that now comes from requiring three years experience as a licensed insurance agent. CSSB 957 would address this concern and would allow licensed counselors to advise their clients about more types of insurance.

OPPONENTS SAY:  
No apparent opposition.

NOTES: The committee substitute modified the Senate-passed version of the bill by increasing the amount of travel life insurance that could be written from \$50,000 to \$100,000. It also added rental equipment to the section on insurance offered by rental car companies.

SB 956 by Madla, proposing changes to all insurance licenses, also was placed on the General State Calendar for today.