

SUBJECT: Giving promotional items during the sale of insurance

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Smithee, Eiland, G. Bonnen, Creighton, Morrison, Muñoz, Sheets, Taylor, C. Turner

0 nays

WITNESSES: For — Jennifer Cawley, Texas Association of Life and Health Insurers (*Registered, but did not testify*: Fred Bosse, American Insurance Association; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; Bo Gilbert, USAA; Paul Martin, National Association Of Mutual Insurance Companies; Miles Mathews, Guardian Life Insurance Company; Kandice Sanaie, Texas Association Of Business; Joe Woods, Property Casualty Insurers Association of America)

Against — None

On — (*Registered, but did not testify*: Doug Danzeiser, Texas Department of Insurance)

BACKGROUND: The Insurance Code contains several sections that prohibit the giving of certain inducements and rebates during the offer or sale of annuities and life, health, automotive, fire, and casualty insurance.

DIGEST: HB 1905 would allow insurers to give consumers certain items during the offer or sale of annuities and life, health, automotive, fire, and casualty insurance. These could include promotional items, educational items, or other items commonly given to consumers as a courtesy, if the items were valued at \$25 or less.

HB 1905 would take effect September 1, 2013.

SUPPORTERS SAY: HB 1905 would align practices in the insurance industry with those in other industries by allowing insurance agents to give their clients promotional items of little value. Giving baseball hats, coffee mugs, and other low-value items promotes business and often provides useful information, such as agent contact information. The current statute was

designed to prohibit the giving of cash rebates to customers during the offer and sale of insurance products, and nothing in HB 1905 would allow such rebates.

Many larger insurance companies do business in a number of states, and Texas' inducement and rebate standards are out of line with rebate and inducement standards in several other states. There has been not been a rash of abuse in other states where small gifts are given.

The value of such items is small compared to the cost of the insurance product that is being offered for sale. Therefore, the promotional items are not a true inducement and should be excluded from the broad inducement and rebate prohibition.

Some insurance companies interpret current law as too restrictive, prohibiting the direct donation to individuals of items such as blankets and personal hygiene kits during times of natural disasters. HB 1905 would ensure that an insurance company could make such donations, as long as the donation's value did not exceed \$25.

OPPONENTS
SAY:

HB 1905 would reverse the state's longstanding policy of banning gifts during the offer or sale of insurance products. It would remove a clear barrier that protects the consumer from being enticed into purchasing insurance products. The decision to buy an insurance product should be based solely on the product offered and the product's price. Giving gifts during the offer or sale of the insurance product clouds clear monetary transactions.

NOTES:

The identical companion bill, SB 840 by Hancock, passed unanimously out of the Senate on March 21. It was referred to the House Insurance Committee on April 8.