

SENATE BILL REPORT

SB 6071

AS OF JANUARY 31, 1992

Brief Description: Permitting certain transactions by insurance agent-brokers.

SPONSORS: Senators von Reichbauer, Pelz and Johnson

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Tom Fender (786-7414)

Hearing Dates: January 21, 1992

BACKGROUND:

Current Washington law distinguishes between insurance agents and insurance brokers. An agent is one who works on behalf of an insurance company and a broker is one who works on behalf of the insurance customer. Individuals may function as both agents and brokers, provided they respect the agency principal relationship involved.

Generally, insurance carriers appoint agents to offer the line of insurance products they have available. Agents under these circumstances provide these products to their customers and are paid a commission by the insurance carrier for such services. Brokers, on the other hand, work directly for the insurance customer and "shop" for a product that fits their customers' needs.

Considering the mix of insurance products required by both businesses and individuals alike, an agent may therefor function interchangeably as both an agent and broker. State law, however, prohibits an agent from being both an agent and broker to the same insurer.

A problem arises in that certain specialized insurance products are only made available to brokers. This appears to bar an insurance agent for that carrier from making that product available to one of his or her customers.

Some interest has been expressed in clarifying this ambiguity and allowing an agent to act as a broker when an insurance product is offered to brokers only. The term "agent-broker," however, is not defined within the insurance code.

SUMMARY:

Agents shall be allowed to act as brokers when an insurance transaction is one wherein the insurance product is offered only to brokers.

EFFECT OF PROPOSED SUBSTITUTE:

The operative language is limited and clarified to allow broker transactions by agents when they do not represent a conflict of interest.

Appropriation: none

Revenue: none

Fiscal Note: none requested