

HOUSE BILL ANALYSIS

ON

HB 2009

Brief Description: *Eliminating the termination of contracts with agents.*

BACKGROUND: An agent is a person authorized by an insurance company to represent the company, primarily in the solicitation of applications. If authorized to do so by the insurance company, the agent can bind the company. An independent agent represents an insurance company on an independent contractor basis, and not as an employee (a direct writer is an employee of the company). A general agent represents an insurance company in a specified territory, selling insurance and supervising other agents. A general agent often has more authority than an independent agent. Independent agents and general agents usually represent more than one insurance company.

When an insurance company terminates the contract of an independent agent, the company must give the agent at least 120 days notice unless the agent has abandoned the agency. Unless the contract provides otherwise, the independent agent cannot bind the company to new business. The insurance company must permit renewal of the independent agent's book of business for one year after the termination. When the independent agent terminates the relationship with the company, or both mutually agree to terminate the relationship, the policyholder must be given appropriate renewal notices. These provisions do not apply to a general agent.

SUMMARY: *The requirements that apply when the agency relationship between an independent agent and an insurance company is terminated also apply when the agency relationship between a general agent and an insurance company is terminated.*

Fiscal Note: *Not requested.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*

Rulemaking: *No specific authority.*