

Finance Committee

HB 2224

Brief Description: *Licensing specialty producers of certain lines of insurance.*

Sponsors: *Representatives Benson and Hatfield.*

Brief Summary of Bill

- *Requires that those who market credit-related insurance products be licensed as "specialty producers".*
- *Allows specialty producers to receive commissions or other compensation.*
- *Exempts specialty producers from professional education and examination requirements, and from most of the regulations imposed on other insurance marketers.*
- *Allows employees and/or representatives of specialty producers to engage in marketing activities without being licensed, provided certain conditions are satisfied.*

Hearing Date:

Staff: *Thamas Osborn (786-7129).*

Background:

The Office of the Insurance Commissioner (OIC) regulates the licensing of agents, brokers, solicitors, and adjusters within the insurance industry. Such insurance professionals must be licensed in accordance with specific statutory criteria, and may not engage in insurance marketing activities without the requisite license. In addition to the submission of an application, a prospective licensee must pass an examination designed to test his or her qualifications and competence.

Though subject to specific conditions, persons engaged in the marketing of "credit-related insurance" may be exempt from the licensing requirements imposed on other insurance professionals. Credit-related insurance includes life, disability and casualty insurance designed to insure debtors against loss or damage stemming from an inability to pay an obligation originating from an extension of credit. Such insurance may be marketed by unlicensed persons, provided the person does not receive a commission or other compensation.

Summary of Bill:

A "specialty producer" is added to the categories of insurance professionals (e.g., agents, brokers, etc.) that must be licensed by the OIC in order to market insurance products. A specialty producer is one who is limited to marketing the various forms of "credit-related insurance" approved by the OIC. Obtaining the requisite license entitles a specialty producer to receive commissions or other compensation related to the marketing of such insurance.

Licensing requires the completion of an application process, but does not require the completion of insurance education courses or a written examination. This distinguishes specialty producers from other insurance professionals, who are required to complete a written examination or complete courses. Furthermore, with the exception of those regulations expressly stated in the bill, specialty producers are not subject to the regulatory framework imposed upon other insurance professionals.

An employee or representative of a specialty producer need not be licensed before engaging in the marketing of credit-related insurance, provided the employee or representative 1) is operating with the permission and under the supervision of the licensee, 2) has been instructed by the licensee regarding mandatory disclosures to consumers, and 3) does not receive compensation that is based primarily on the amount of insurance sold.

Appropriation: *None.*

Fiscal Note: *Requested on April 16, 2001.*

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