

HOUSE BILL REPORT

ESB 6591

As Reported by House Committee On:

Insurance, Financial Services & Consumer Protection

Title: An act relating to insurance producers.

Brief Description: Regulating insurance producers.

Sponsors: Senators Benton and Berkey; by request of Insurance Commissioner.

Brief History:

Committee Activity:

Insurance, Financial Services & Consumer Protection: 2/26/08 [DP].

Brief Summary of Engrossed Bill

- Replaces the terms "agent," "broker," and "solicitor," with "title insurance agent," and "insurance producer."

HOUSE COMMITTEE ON INSURANCE, FINANCIAL SERVICES & CONSUMER PROTECTION

Majority Report: Do pass. Signed by 8 members: Representatives Kirby, Chair; Kelley, Vice Chair; Roach, Ranking Minority Member; Loomis, Rodne, Santos, Simpson and Smith.

Staff: Jon Hedegard (786-7127).

Background:

The Office of the Insurance Commissioner (OIC) licenses and regulates insurance agents, brokers, and solicitors. An insurance agent is appointed by an insurer to solicit applications for insurance on behalf of the insurer. If authorized to do so, an agent may enter into insurance contracts and collect premiums on insurance. An insurance broker is a person who, on behalf of an insured, for a fee, solicits, negotiates, or procures insurance for insureds. A solicitor is authorized by an agent or broker to solicit applications and collect premiums for an agent or broker.

In 2007 the Legislature passed Substitute Senate Bill 5715 and altered the regulatory framework for insurance agents and brokers. Substitute Senate Bill 5715 was based largely on

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the National Association of Insurance Commissioner's Producer Licensing Model Act. Among the modifications to the oversight of agents and brokers are changes to the categories of licenses, background checks, fees, and commissions. Another change was the replacement of the terms "agent," "broker," and "solicitor," with the term "insurance producer." "Title insurance agents" were not included in the scope of the term "producer." An insurance producer is a person required to be licensed under the laws of the state to sell, solicit, or negotiate insurance. A title insurance agent is a business entity licensed under the laws of this state and appointed by an authorized title insurance company to sell, solicit, or negotiate insurance on behalf of the title insurance company.

The effective date of Substitute Senate Bill 5715 is delayed until July 1, 2009.

Summary of Bill:

The words "agent," "broker," and "solicitor" are generally replaced with "producer" or "insurance producer." "Title insurance agent" is added where the change from "agent" to "producer" eliminated a title insurance agent from the scope of the provision.

Specific insurance policy forms do not have to be filed for approval of the Insurance Commissioner if the only change in an approved form is a language change consistent with this act. An insurer must change terminology on forms by the time the insurer uses up the stock of existing forms or January 1, 2010, whichever is earlier.

Gender-specific references are changed to gender-neutral phrases. Other grammatical changes are made.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on July 1, 2009.

Staff Summary of Public Testimony:

This bill follows the major reforms to insurance agent and broker licensing in last year's legislation. This effort moves Washington to a more uniform standard and into greater compliance with federal reciprocity requirements. Next year, there may be additional legislation to continue the efforts to create greater uniformity and allow for more reciprocity. This is a technical bill. The OIC worked on this with stakeholders on the issue. Substantive changes were not allowed in this bill.

Persons Testifying: John Hamje, Office of the Insurance Commissioner; and Bill Stauffacher, Independent Insurance Agents and Brokers of Washington.

Persons Signed In To Testify But Not Testifying: None.