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**Business & Financial Services Committee**

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**HB 1185**

**Brief Description:** Addressing business practices that involve offering free or reduced-priced goods or services to the public not contingent on the purchase, continuation, or termination of insurance or the receipt of a quote for insurance, relative to the insurance code's prohibition on offering rebates or inducements to purchase insurance.

**Sponsors:** Representatives Haler, Kirby and Stanford.

**Brief Summary of Bill**

- Establishes that the Insurance Code's prohibition on offering rebates or inducements to purchase insurance does not prohibit certain business practices by insurers, insurance producers, and title insurance agents that involve offering free or reduced-priced goods or services to the public when the receipt of the goods or services is not contingent on the person's purchase, continuation, or termination of insurance or receipt of a quote for insurance, and other conditions are met.
- Requires an insurer, insurance producer, or title insurance agent offering goods or services to the public for free or for a reduced price in accordance with the act to make a conspicuous disclosure to the recipient of the free or reduced-price goods or services.

**Hearing Date:** 1/25/17

**Staff:** Peter Clodfelter (786-7127).

**Background:**

Insurers, insurance producers, and title insurance agents are limited in what non-contractual benefits they may offer insureds or prospective insureds. Except to the extent provided for in a filing with the Office of the Insurance Commissioner, no insurer, insurance producer, or title insurance agent may, directly or indirectly, offer or pay to any insured, potential insured, or an employee of an insured, any rebate, discount, or reduction of premium, or any other valuable

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consideration or inducement whatsoever that is not expressly provided for in the insurance policy. Additionally, insurers, insurance producers, and title insurance agents are prohibited from providing or offering, as inducements to insureds or prospective insureds, any shares of stock or other securities or any kind of contract or agreement providing for or promising profits or special returns or dividends.

There are various exceptions to the above prohibitions, including the following:

- advertising or promotional programs conducted by insurers or insurance producers (but not title insurers or title insurance agents) in which prizes, goods, gift cards, or merchandise, not exceeding \$100 in value per person in the aggregate in any 12 month period are given to all insureds or prospective insureds under similar qualifying circumstances;
- certain health wellness programs conducted by a health carrier or disability insurer;
- commissions paid to an insurance producer or title insurance agent for insurance placed on their own property or risk;
- the allowance by a marine insurer, or marine insurance producer, to any insured, in connection with marine insurance, of such discount as is sanctioned by custom among marine insurers as being additional to the insurance producer's commission; and
- certain sales or purchases of securities.

#### **Summary of Bill:**

It is established that the prohibition on inducements or rebates to purchase insurance does not prohibit an insurer, insurance producer, or title insurance agent from offering, making available, or providing goods or services to a person, whether or not the goods or services are related to an insurance contract, for free or for less than fair market value if the following conditions are met:

- the goods or services are available on the same terms to the general public;
- the receipt of the goods or services is not contingent on the person's purchase, continuation, or termination of insurance or receipt of a quote for insurance; and
- the insurer, insurance producer, or title insurance agent does not retroactively charge the person for the goods or services.

Additionally, an insurer, insurance producer, or title insurance agent that offers or provides goods or services to a person for free or for less than fair market value must conspicuously disclose to the person before the person purchases insurance, receives a quote for insurance, or designates an insurance producer or title insurance agent as the person's broker of record, that receipt of the goods or services is not contingent on the purchase, continuation, or termination of insurance or the receipt of a quote for insurance. The disclosure may be made orally or in writing.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.