

BILL ANALYSIS

C.S.H.B. 2941
By: Eiland
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current law, there are potential conflicts of interest where a producer is compensated by both client and insurer. HB 2941 seeks to establish clear guidelines for those covered by its provisions.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of the Texas Department of Insurance in SECTION 1 (Subchapter A, Chapter 4005.004 of the Insurance Code) of this bill.

ANALYSIS

SECTION 1: Section 4005.004 states that an agent can only receive compensation from a customer for initial placement or renewal of insurance if, prior to the purchase, the agent has obtained documentation that the customer acknowledges that the compensation will be given to the agent and has given the method for calculating the compensation. This does not apply to an agent acting as an intermediary between the insurer and the customer's agent, reinsurance or surplus lines agents, or an agent whose sole compensation is from commissions, salaries, and other remuneration. Provides definitions. Grants authority for the Commissioner of Insurance to adopt rules to implement this program.

SECTION 2: Section 4005.054 requires that fees described in Sections 550.001 and 4005.003 are subject to the disclosure provisions.

SECTION 3: Effective date

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute includes an agent acting as an intermediary between the insurer and the customer's agent, and surplus lines agents and surplus lines agents to the list of exemptions in Section 4005.004. The substitute removes language pertaining to "servicing of insurance". Under Section 4005.004(6)(b) states that these provisions apply if the fee exceeds an amount set by the commissioner.