

## **BILL ANALYSIS**

Senate Research Center  
79R18353 PB-F

C.S.H.B. 2941  
By: Eiland (Brimer)  
Business & Commerce  
5/20/2005  
Committee Report (Substituted)

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

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

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 4005.004, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 4005, Insurance Code, as follows:

Sec. 4005.004. DISCLOSURE OF COMPENSATION. (a) Defines "affiliate," "agent," "compensation from an insurer or other third party," "compensation from a customer," "customer," and "documented acknowledgement."

(b) Provides that if an agent, or any affiliate of an agent, receives compensation from a customer for the placement or renewal of an insurance product, other than a service fee described under Section 4005.003 (Fees), the agent or the affiliate is prohibited from accepting or receiving any compensation from an insurer or other third party for that placement or renewal unless the agent has certain acknowledgement and certain description of the method and factors, before the customer's purchase of insurance.

(c) Provides that this section does not apply to a licensed agent who acts only as an intermediary between an insurer and the customer's agent, including a managing general agent, and certain other agents.

(d) Authorizes an agent to satisfy any requirements imposed by this section through an affiliate.

(e) Authorizes the commissioner of insurance to adopt rules as necessary to implement this section, including rules authorizing additional methods of demonstrating documented acknowledgement.

SECTION 2. Amends Section 4005.054, Insurance Code, to prohibit a person who holds a license under this code and receives a commission or other consideration for services as an agent from receiving an additional fee for those services provided to the same client except for a fee for which disclosure is made as required under Section 4005.003 or Section 4005.004.

SECTION 3. (a) Requires the Texas Department of Insurance to conduct a study regarding whether the commissions paid to insurance agents for sales of insurance policies for coverage under the Texas Health Insurance Risk Pool established under Chapter 1506 (Texas Health Insurance Risk Pool), Insurance Code, are sufficient to ensure that consumers who are eligible for coverage under that pool are made aware of the existence of the pool and the benefits of purchasing insurance policies issued by the pool.

(b) Requires the Texas Department of Insurance to report the results of the study to the legislature not later than December 1, 2006.

SECTION 4. Effective date: September 1, 2005.