

By: Hughes

H.B. No. 3139

A BILL TO BE ENTITLED

AN ACT

relating to regulation of rebates offered by premium finance companies and certain related persons or entities.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The heading to Subchapter C, Chapter 651, Insurance Code, as effective April 1, 2005, is amended to read as follows:

SUBCHAPTER C. REGULATION OF INSURANCE PREMIUM

FINANCE COMPANIES AND OTHERS

SECTION 2. Section 651.110, Insurance Code, as effective April 1, 2005, is amended to read as follows:

Sec. 651.110. LIMITATIONS ON CERTAIN REBATES [~~REBATE OF FINANCE CHARGE~~]. (a) This section applies to:

(1) an [An] insurance premium finance company;

(2) a person or entity that services premium finance agreements; or

(3) [or] an affiliate, employee, agent, or other representative of an insurance premium finance company or a person or entity that services premium finance agreements.

(a-1) A person or entity described by Subsection (a) may not:

(1) pay, allow, or offer to pay or allow in any manner to an insurance agent or broker or an employee of an insurance agent or broker or to any other person any consideration or compensation

1 that relates in any way to premium financing provided to an insured
2 whose coverage has been placed by the insurance agent or broker,
3 without regard to whether the consideration or compensation is paid
4 or allowed, from the charge for financing specified in the premium
5 finance agreement or from another source; or

6 (2) give or offer to give any valuable consideration
7 or inducement of any kind directly or indirectly to an insurance
8 agent or broker or an employee of an insurance agent or broker.

9 (b) Subsection (a-1)(2) [~~(a)(2)~~] does not prohibit the
10 giving or offering of an article of merchandise that has a value of
11 \$1 or less on which there is an advertisement of the insurance
12 premium finance company.

13 (c) Subsection (a-1) [~~(a)~~] does not prohibit a person or
14 entity described by Subsection (a) [~~an insurance premium finance~~
15 ~~company~~] from making a payment under a contractual agreement with a
16 validly organized and operating association of insurance agents or
17 a subsidiary of the association if no part of a payment received
18 under the agreement:

19 (1) is distributed to an insurance agent or broker or
20 an employee of an insurance agent or broker; or

21 (2) inures directly to the benefit of a member of the
22 association or an employee of the member.

23 (d) A contractual agreement under Subsection (c):

24 (1) must be in writing; and

25 (2) is not valid until commissioner [~~department~~]
26 approval is received.

27 SECTION 3. (a) The change in law made by this Act applies

1 only to an act committed or a transaction that occurs on or after
2 the effective date of this Act.

3 (b) An act committed or a transaction that occurs before
4 the effective date of this Act is covered by the law in effect on the
5 date that the act was committed or the transaction occurred, and the
6 former law is continued in effect for that purpose.

7 SECTION 4. This Act takes effect September 1, 2005.