

BILL ANALYSIS

C.S.H.B. 1757
By: Thompson
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Life insurance is an insurance product that requires significant outreach by agents in order to be sold, so it is important to have agents available in all communities. Research has shown that Hispanic Americans, African Americans, and Asian Americans, respectively, comprise approximately 14 percent, 13 percent, and 5 percent of the general population, yet each of these demographic groups comprise only 2 to 3 percent of all licensed insurance agents. It is in the state's interest to ensure that barriers do not exist for individuals who would like to become licensed agents.

C.S.H.B. 1757 requires the Texas Department of Insurance to collect demographic data on applicants for entry-level insurance agent's licenses in the event the pass rate for the license examination falls below 70 percent. The bill requires the department to collect demographic information, including race, gender, and national origin, from an individual taking a license examination and to compile an annual report indicating whether there was any disparity in the pass rate based on that information. The report must be delivered to the governor, the lieutenant governor, and the speaker of the house of representatives not later than December 1 of each year.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1757 amends the Insurance Code to require the commissioner of insurance, or, at the commissioner's discretion, a vendor under contract with the Texas Department of Insurance, to review a license examination for a limited or single lines insurance agent license if, during any 12-month period beginning on September 1 of a year, that examination shows an overall pass rate of less than 70 percent for first-time examinees. The bill requires the department to collect demographic information, including, race, gender, and national origin, from an individual taking the license examination, and to compile an annual report based on the commissioner's review. The bill requires the report to indicate if there was any disparity in the pass rate based on demographic information. The bill authorizes the commissioner to establish procedures as necessary, by rule, to collect the demographic information and to ensure that the annual review is conducted, and the resulting report is prepared impartially. The bill requires the commissioner to deliver the report to the governor, lieutenant governor, and speaker of the house of representatives not later than December 1 of each year. The bill establishes that the first 12-month period for which a license examination review may be required begins September 1, 2009. The bill requires the commissioner to deliver the initial report not later than December 1, 2010.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1757 differs from the original by requiring a vendor under contract with the Texas Department of Insurance, rather than the testing service as in the original, to review a license examination for a limited or single lines insurance agent license at the commissioner of insurance's discretion. The substitute adds a provision, not in the original, requiring the department to collect demographic information, including, race, gender, and national origin, from an individual taking the license examination. The substitute removes a provision from the original requiring a report that indicates a disparity to indicate the cause of the disparity and describe what corrective action, if any, will be taken to remedy the identified disparity.