

# HOUSE RESEARCH

## Bill Summary

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### Overview

This bill enacts the model law of the National Association of Insurance Commissioners (NAIC) relating to insurance agent ("producer") licensing. The federal Gramm-Leach-Bliley Act gave states a deadline for passage of laws permitting less burdensome licensing of insurance agents residing in other states on a reciprocal basis. This bill responds to that federal initiative.

### Section

#### Article 1

#### Insurance Producers

- 1 **Purpose and Scope.** Provides that this bill governs licensing of insurance "producers" (agents). Specifies how it applies to surplus lines agents and brokers.
- 2 **Definitions.** Defines the term used in this bill. The term "insurance producer" is used to refer to what is usually called an insurance agent.
- 3 **License required.** Requires that a person be licensed as an insurance producer in a line of insurance before selling that type of insurance
- 4 **Criminal penalty.** Makes it a misdemeanor to sell insurance without a license. This recodifies an existing law repealed in this bill, with no substantive changes.
- 5 **Exceptions to licensing.** Lists ten types of activities that do not require a producer license.
- 6 **Fraternal benefit society representatives.** States how this article applies to persons selling coverage issued by fraternal benefit societies.
- 7 **Examinations.** Requires passing a written exam to get a producer license, except to sell certain "limited lines" and producers licensed in another state. Requires enrollment in a prescribed series of courses before taking the exam.
- 8 **Application for license.** Describes the procedure for applying for a resident producer license.
- 9 **License.** Describes the right to receive a license, the lines of insurance that may be covered by

the license, and renewal provisions.

- 10 **Nonresident licensing.** Grants nonresidents the right to get a nonresident license without taking courses or an examination, if the state of which the person is a resident reciprocates for residents of this state.
- 11 **Individuals licensed in another state; exemption from examination.** Permits persons previously licensed in another state to get a resident license here without a new education and examination requirement under certain conditions.
- 12 **Assumed names.** Requires producers using assumed names to provide the commissioner proof of filing it according to legal requirements.
- 13 **Temporary licensing.** Permits the commissioner to grant temporary producer licenses in emergency or hardship situations.
- 14 **License denial, nonrenewal, or revocation.** Specifies the situations in which a licensed producer may be penalized by the commissioner, including loss of license or fines. Specifies the hearing procedures.
- 15 **Tax clearance certificate.** Prohibits the commissioner from issuing or renewing a producer license if the commissioner of revenue notifies the commissioner that the producer owes delinquent taxes to the state.
- 16 **Surrender of license.** Requires the commissioner to notify the producer and all of the producer's appointing insurers when the commissioner has taken an action against the license.
- 17 **Required acts.** Regulates activities of agents regarding personal solicitations, fees, commissions, determining suitability, handling premiums, privacy, and oral agreements to alter policies.
- 18 **Liability for placing insurance in unauthorized company.** Specifies liability for illegally placing insurance with a company not authorized to do business in this state.
- 19 **Commissions.** Prohibits paying or receiving commissions if the recipient is not licensed.
- 20 **Appointments.** Provides that a producer is always the agent of the appointing insurance company and not of the insured. Specifies how insurance companies may appoint a producer as the company's agent.
- 21 **Limitation on appointments.** Prohibits insurance companies from appointing producers known to the company to have engaged in actions that would subject the producer to discipline.
- 22 **Notification to commissioner on termination.** Requires insurance companies to notify the commissioner upon the termination of the company's relationship with a producer. Provides immunity from liability for defamation and provides for privacy of related data if the termination involves prohibited practices of the agent.
- 23 **Use and sharing of licensing and investigative data.** Permits the commissioner to share data on producers with other insurance regulators.
- 24 **Reciprocity.** Provides reciprocity of licensing with reciprocating states.
- 25 **Reporting of actions.** Requires producers to report disciplinary actions in other states and criminal prosecutions.
- 26 **Fees.** Specifies fees for initial licenses and renewals.
- 27 **Continuing education requirements.** Specifies the continuing education requirements for producers.
- 28 **Repealers.** Repeals the existing agent licensure laws replaced in this act.
- 29 **Effective date.** Provides July 1, 2002, effective date for all sections of this article.

## Article 2

### Corrective, Conforming, and Other Provisions

-3,13, These sections all make technical changes to conform to article 1 of this bill.

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4 **Fees.**

**Subd. 1. Fees other than examination fees.** Eliminates a differential filing fee for agent appointments filed by domestic insurers as compared to out-of-state insurers.

**Subd. 2. Retaliatory provisions.** Provides that agent appointment filing fees are not subject to retaliation against insurers from states that discriminate against Minnesota insurers on that type of filing fee.

5 **Agent contract terminations.** Defines the type of insurance covered by this section.

19 **Effective date.** Makes all sections of this article effective July 1, 2002.