

**SUBJECT:** Registration requirements for insurance company employees

**COMMITTEE:** Insurance — favorable, without amendment

**VOTE:** 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise  
0 nays

**SENATE VOTE:** On final passage, March 26 — 31-0

**WITNESSES:** For — Robert C. Huxel, Texas Association of Insurance Agents; Waco Rainey, Concerned Insurance Texas Agents; Kenneth Tooley, Texas Association of Life Underwriters  
Against — Fred Bosse, USAA  
On — Will Davis, Texas Association of Life and Health Insurers; Rhonda Myron, Texas Department of Insurance

**BACKGROUND :** Full-time insurance company employees who sell insurance over the phone or electronically are not required to be licensed by the Texas Department of Insurance (TDI). Independent agents are required to hold one or more licenses, depending on the type of insurance sold. Licensing requirements generally include a continuing education requirement and application and renewal fees paid to TDI. TDI currently issues licenses for 44 different types of insurance agents.

**DIGEST:** SB 206 would require full-time insurance company employees who sell insurance via oral, written or electronic communication to register with the insurance commissioner and complete 15 hours of continuing education. As part of any oral, written or electronic communication, employees would have to disclose that they were registered with the commissioner.  
The insurance commissioner could suspend a registered employee and discipline the employer insurance carrier if the employee wilfully violated Texas insurance laws, committed fraudulent or dishonest acts, materially misrepresented the terms and conditions of any insurance policies or

contracts, rebated insurance premiums, or was convicted of a felony involving fraud or breach of fiduciary duty.

SB 206 also would direct the insurance commissioner to review and evaluate current agent licensing statutes and report findings to the Legislature no later than January 1, 1999. The commissioner would have to appoint an advisory committee of independent agents, captive agents, insurers, consumers, banks and others who could contribute to the evaluation. As part of the review of agent licensing statutes, the study would address new methods of marketing insurance, determine which provisions of agents licensing statutes should apply to all licenses, and examine ways to streamline the number of agent licenses required in Texas.

SB 206 would take effect September 1, 1997.

**SUPPORTERS  
SAY:**

SB 206 would ensure that anyone soliciting insurance in Texas by whatever means was registered with the state and had met basic continuing education requirements. Technology is transforming the way insurance is marketed to the public, and more companies are selling insurance over the phone or through the Internet. The people who sell these policies currently do not have to be licensed and are not subject to TDI disciplinary actions, even though they sell insurance, answer questions, compare policies, and otherwise conduct many of the same functions as independent agents. These employees should be subject to at least minimal oversight by TDI.

Even though only a limited number of companies currently sell insurance over the phone or the Internet, this is a growing trend that should be subject to more state oversight.

SB 206 would also direct TDI to review and streamline its agent licensing requirements. TDI currently administers 44 different agent licenses for a wide range of insurance products. The statutes governing agent licensing need to be reviewed as a whole to eliminate duplication and streamline an overly bureaucratic process.

OPPONENTS  
SAY:

SB 206 would cast too wide a net without really affecting the problem it was designed to solve. The bill obviously is intended to remedy problems with untrustworthy insurance companies. However, most of the companies that sell over the phone or via the Internet are based in other states, and their employees would not be subject to the bill's requirements. Instead, it would have a severe impact on a handful of native Texas companies that use these sales techniques, most notably USAA. These companies already are subject to strict regulation by TDI, even if their employees are not required to have licenses. USAA and other established insurance companies already provide continuing education for their employees; SB 206 would simply increase the administrative burden of complying with TDI regulations by stipulating that firms send the department a list of employees who sell insurance over the phone. Texas would do better to await the results of the study group rather than initiating unfounded registration requirements at this time.