

BILL ANALYSIS

Senate Research Center
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S.B. 1519
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DIGEST AND PURPOSE

Currently, Article 21.11-1 of the Insurance Code governs cancellation and suspension of agency contracts for independent agents, but this law does not apply to the termination or suspension of captive agents where the policies and the insurance business are owned by the insurer and not by the agent. As proposed, S.B. 1519 specifies the grounds under which an insurer may terminate for cause a contractual agreement with a captive agent who holds a general property and casualty agent license and the grounds under which an insurer is prohibited from canceling or terminating a contractual agreement with a captive agent or reducing or restricting a captive agent's authority to conduct business under the contract.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 21, Insurance Code, by adding Article 21.14A, as follows:

Art. 21.14A. PROCEDURES ON TERMINATION OF PROPERTY AND CASUALTY AGENT

Sec. 1. DEFINITION. Defines "agent."

Sec. 2. TERMINATION FOR CAUSE. (a) Authorizes an insurer to terminate a contractual agreement with an agent under certain conditions.

(b) Provides that the termination by an insurer of a contractual agreement with an agent for a cause described by Subsection (a) of this section is not a wrongful or unjustified termination for purposes of this article.

Sec. 3. PROHIBITED GROUNDS FOR TERMINATION. (a) Prohibits an insurer from canceling or terminating a contractual agreement with an agent or reducing or restricting an agent's authority to conduct business under the contract based on certain conditions.

(b) Prohibits an insurer, in order to avoid the prohibition provided by Subsection (a) of this section, from committing certain acts in a manner designed to impact a selected agent or the business produced by that agent.

(c) Provides that the termination by an insurer of a contractual agreement with an agent in violation of Subsection (a) of this section may be a wrongful or unjustified termination for purposes of this article.

SECTION 2. Effective date: September 1, 2003.