

BILL ANALYSIS

Senate Research Center
79R14609 PB-F

C.S.S.B. 178
By: Brimer
Business and Commerce
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Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, Section 651.100, Insurance Code, limits the relationship between premium finance companies, servicers of premium finance agreements, and insurance agents. However, the extent to which those relationships are permitted is open to interpretation and a source of confusion.

C.S.S.B. 178 expressly prohibits incentive- or production-based calculations of profit distribution, either in whole or in part. In addition, the bill prohibits the sharing of fees related to the premium finance agreement.

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 Section 651.001, Insurance Code, by adding Subdivisions (2-a) and (8-a), to define "insurance agent" and "premium finance agreement servicer."

SECTION 2. Amends the heading to Subchapter C, Chapter 651, Insurance Code, to read as follows:

SUBCHAPTER C. REGULATION OF INSURANCE PREMIUM FINANCE COMPANIES AND OTHERS

SECTION 3. Amends Section 651.110, Insurance Code, as follows:

Sec. 651.110. New heading. **LIMITATIONS ON CERTAIN INDUCEMENTS OR SHARING OF PROFITS AND FEES.** Specifies those persons, partnerships, and entities to whom this section applies. Prohibits a person, partnership, or entity described by Subsection (a) from engaging in certain activities. Specifies that a contractual agreement under Subsection (c) must be in writing and is not valid until commissioner of insurance, rather than Department of Insurance, approval is received. Specifies that Subsection (a-1) does not prohibit an insurance agent from being the sole owner or sole shareholder of an insurance premium finance company and receiving profits and fees of that company if certain conditions are met. Makes conforming and nonsubstantive changes.

SECTION 4. Makes application of this act prospective.

SECTION 5. Effective date: upon passage or September 1, 2005.