

House Research Act Summary

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TOPIC: Insurance Agent Licensing

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Overview

This act 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 act responds to that federal initiative.

Article 1 Insurance Producers

- 1 **Purpose and Scope.** Provides that this act governs licensing of insurance "producers" (agents). Specifies how it applies to surplus lines agents and brokers.
- 2 **Definitions.** Defines the term used in this act. 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 This recodifies an existing law repealed in this act, with no substantive changes.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 act.

6-18

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.