



**House
Legislative
Analysis
Section**

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AGENTS WITHOUT APPOINTMENT

Senate Bill 383 as passed by the Senate
First Analysis (5-25-89)

RECEIVED

JUN 08 1989

Sponsor: Sen. Michael J. O'Brien
Senate Committee: Commerce & Technology
House Committee: Insurance

THE APPARENT PROBLEM:

Insurance agents are licensed by the state through the Insurance Bureau, but a license's validity depends upon an agent receiving an appointment from an insurance company allowing him or her to sell the company's products. The Insurance Code requires the insurance commissioner to demand the surrender of an agent's license if the licensee has no valid or active appointment from an admitted insurance company and the licensee must surrender the license. Because of problems administering this provision, the Insurance Bureau has requested legislation that would clarify this section of the code.

THE CONTENT OF THE BILL:

The bill would amend the Insurance Code to provide for the termination of an agent's license when he or she has no valid or active appointment from an admitted insurance company. Under the bill, when the insurance commissioner's records indicated that an agent no longer had a valid or active appointment, the commissioner would notify the agent of that fact, and the agent would have 60 days to secure a valid appointment and have notice of that appointment filed with the commissioner. If notice was not received within the 60-day period, the agent's license would be considered terminated.

The bill would also permit a life insurance company or life insurance agent to give each applicant for a policy an article of merchandise having an invoice value of \$5 or less. This would not be considered a violation of the code's provisions regarding rebates and special or illegal inducements, which, generally speaking prohibit the giving of anything of value to a customer as an inducement to purchase insurance. (The provision would be retroactive to January 1, 1986.)

MCL 500.1206 and 500. 2024

FISCAL IMPLICATIONS:

The Department of Licensing and Regulation has said the bill has no revenue or budgetary implications for the state. (5-23-89)

ARGUMENTS:

For:

The bill provides a clearer guide than current law to regulators and agents regarding what happens when an insurance agent no longer has any appointments from insurance companies and how long the agent should be given to obtain an appointment. (Without an appointment from a company, an agent cannot sell a company's products.) The bill says that an agent's license would be automatically terminated 60 days after a notice from the insurance commissioner unless a new appointment was obtained.

Against:

It appears inconsistent to allow the giving of small gifts to insurance applicants when the Insurance Code prohibits the giving of anything of value as an inducement to purchase insurance.

Response: The practice of giving small gifts is permitted in other states. The bill requires that the gifts be given to all applicants, whether they purchase insurance or not, and requires that they be under \$5 in value.

POSITIONS:

The Insurance Bureau supports the new agent termination provisions and requested they be introduced. (5-23-89)