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BILL ANALYSIS

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Senate Fiscal Agency

• Lansing, Michigan 48909

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AUG 31 1989

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Senate Bill 383 (as enrolled)

Sponsor: Senator Michael J. O'Brien

Senate Committee: Commerce and Technology

House Committee: Insurance

PUBLIC ACT 68 of 1989

Date Completed: 6-29-89

RATIONALE

Insurance agents are licensed by the State through the Insurance Bureau, but a license's validity depends upon an agent's 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 agent has no valid or active appointment from any insurance company, and the licensee must surrender the license. Reportedly, the Insurance Bureau has experienced problems administering this provision, and believes that the responsibilities of the Bureau and the agent in cases of lapsed appointments should be clarified.

In addition, several sections of the Code prohibit insurers from giving away anything of value, or offering rebates, as an inducement to purchase a policy. Reportedly, at least one company would like to give small items, such as inexpensive watches, to applicants, but is concerned that this practice might violate the Code.

CONTENT

The bill would amend the Insurance Code to revise the point at which an insurance agent's license must be terminated for lack of authority to act as an agent, and to provide that as of January 1, 1986, the Code's provisions prohibiting rebates and special inducements could not be

construed to prohibit a life insurer or life insurance agent from giving each applicant for a life insurance policy merchandise having an invoice value of up to \$5.

The bill would delete a current provision requiring that the Insurance Commissioner demand and a licensed insurance agent surrender his or her license when the Commissioner's records show that the agent is without authority from any insurer to act as an agent. Instead, the bill specifies that if the Commissioner's records indicated that an agent had no valid or active appointment from an admitted insurer, the Commissioner would be required to notify the agent of the absence of a valid or active appointment. The agent then would have 60 days from the date the notice was sent to secure a valid appointment and have notice of the appointment filed with the Commissioner. If the Commissioner did not receive notice of appointment within the 60-day period, the agent's licensing authority would be considered terminated for failure to comply with the licensing requirements of the Code. (The bill does not define "admitted insurer" and the Code specifically provides for "admission to do business" in Michigan only for foreign insurers.)

MCL 500.1206 et al.

S.B. 383 (6-29-89)

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS

Supporting Argument

By assigning the Insurance Bureau the responsibility of notifying agents of invalid or inactive appointments and insurance agents the responsibility of obtaining a valid appointment, the bill would ensure that agents had adequate notice and time in which to obtain an appointment, and clarify the Insurance Bureau's authority to terminate their license if they do not.

Opposing Argument

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. This potentially could lead to insurers' granting rebates on policies, which the Code specifically prohibits.

Response: The practice of giving small gifts is permitted in other states. The bill specifies that the gifts would be given to each applicant, regardless of whether he or she purchased insurance, and would require that the gifts be under \$5 in value.

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