

SUBJECT: Authorizing insurance agent special service fees

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Duncan, Averitt, Counts, De La Garza, Driver, Dutton,  
G. Lewis, Shields

0 nays

0 absent

WITNESSES: For — Bob Huxel, Texas Association of Insurance Agents

Against — None

DIGEST: CSHB 1422 would amend the Insurance Code to allow local recording agents to charge a reasonable fee for special services rendered to a client. An agent could not charge the fee without first notifying the client of the fee requirement and obtaining the client's written consent. Services could include charges for special postal, printing, electronic mail, telephone transmission and similar costs.

The bill would take immediate effect if approved by two-thirds of the membership of each house.

SUPPORTERS SAY: CSHB 1422 would allow local agents, the persons and firms authorized by an insurance carrier to solicit and write insurance, to recoup special or unanticipated costs not included in routine business fees, charges or commissions. Insurance agents who go that "extra mile" to help clients meet deadlines or deal with other special circumstances should be allowed to charge for those services and the extra time and effort involved.

Limiting special fees to actual costs might not adequately compensate agents for time spent in performing the service or providing the convenience of offering the service. Reimbursement for special services may improve overall consumer satisfaction by encouraging agents to offer more needed services.

Clients would be protected from excessive charges or from paying for unwanted services by the written consent provision and by the provision that allows agents to only charge reasonable fees.

Agents were authorized by law to charge for special services prior to September 1993, but the authorization was repealed during the Texas Department of Insurance (TDI) sunset review. The authorization had been implemented under TDI rules some felt were overly restrictive. CSHB 1422 would avoid the problems that arose prior to last session because it would not grant any additional rulemaking authority to TDI.

OPPONENTS  
SAY:

CSHB 1422 is too open-ended and could result in insurance consumers being charged excessively or for unneeded services. Clients could be charged for services that should be considered routine and absorbed by the agent or compensated by the insurance company.

At the very least CSHB 1422 should be limited to include only services explicitly specified in law (such as motor vehicle record copying fees, which are now allowed), by allowing agents to recover only the actual service cost or by defining the term "reasonable fee."

NOTES:

The committee substitute changed the original version of HB 1422 by removing the stipulation that the special service fee was not anticipated in any commission paid to the agent by an insurance company, by requiring written consent from the client prior to incurring the expense, by substituting "similar costs" for "analogous costs" that the agent incurs on behalf of the client and by reordering the amended subsections.