

- SUBJECT:** Authorizing provisional permits for life agent license applicants
- COMMITTEE:** Insurance — favorable, without amendment
- VOTE:** 9 ayes — Phillips, Muñoz, R. Anderson, Gooden, Oliverson, Paul, Sanford, Turner, Vo
- 0 nays
- WITNESSES:** For — Jennifer Cawley, Texas Association of Life and Health Insurers; (*Registered, but did not testify:* Jay Thompson, American National Insurance Company, Prudential Financial, Texas Association of Life and Health Insurers; Lee Loftis, Independent Insurance Agents of Texas; Tim Von Kennel, National Association of Insurance and Financial Advisors-Texas; Amanda Martin, Texas Association of Business; Lee Manross, Texas Association of Health Underwriters; Kandice Sanaie, UnitedHealthcare; Miles Mathews, Voya Financial Services)
- Against — None
- On — (*Registered, but did not testify:* Matthew Angus, Bryant Clayton, and Cristina Self, Comptroller; Joe Matetich, Office of Public Insurance Counsel; Elijio Salas, Texas Department of Insurance)
- BACKGROUND:** **Life agent license.** Under Insurance Code, sec. 4054.301, the holder of a life agent license ("life-only license") may write insurance coverage on human lives, annuity contracts or variable life contracts, insurance in excess of \$25,000 on a single life, weekly premium life insurance on a debit basis, or any other kind of insurance required by the commissioner.
- Provisional permit.** Insurance Code, ch. 4001, subch. H allows the Texas Department of Insurance to issue provisional permits to certain applicants for insurance agent licenses. These permits allow the applicant to act as an agent for 90 days or until the applicant's application for license is approved or denied. The department may issue provisional permits for the following licenses: general property and casualty; county mutual; general

life, accident, and health; funeral prearrangement life insurance; and life insurance not exceeding \$25,000.

To apply for a provisional permit, the applicant must complete an application for license and submit all related fees. The appointing agent or organization must submit certification that:

- the applicant has completed the required training and passed the required examinations;
- the applicant has undergone a background check and has not indicated any criminal convictions or administrative actions that would disqualify the applicant; and
- the appointing agent or organization will supervise the applicant's work while acting under permit.

DIGEST: HB 1073 would authorize the Texas Department of Insurance to issue provisional permits to applicants for a life agent license.

The bill would take effect September 1, 2017.

SUPPORTERS SAY: HB 1073 would reduce the time qualified applicants for life-only licenses had to wait to begin working by providing them with permits as soon as they met the requirements. It would extend the provisional permit system created by the 84th Legislature in 2015 through the enactment of HB 2145 by Smithee without placing an unnecessary burden on the Texas Department of Insurance.

The bill would also would provide a more fair approach to provisional permits. Because some insurance companies offer only life insurance, not allowing their agents to participate in the provisional permit system puts them at an unfair disadvantage. Texas already offers provisional permits for other types of qualified insurance agents, including general agents who sell life insurance along with other types of insurance. This bill would treat life agents the same as their peers.

This bill also would improve efficiency for the insurance industry.

Because insurance agents are paid by sales commission, an extended waiting period can cause some to leave the industry before insurance companies see a return on their training costs and other expenses associated with turnover. Extending the provisional permitting system to life-only agents would allow insurance companies to keep more of these new employees.

The bill would not allow unqualified people to practice as agents. Applicants for provisional permits must already have passed their licensing examination and criminal background check, and their work would be supervised by a licensed insurance carrier.

OPPONENTS
SAY:

HB 1073, by temporarily allowing unlicensed people to work as life insurance agents, could increase risk to consumers and to the insurance companies that would be liable for the actions of the permit holder.

NOTES:

An identical companion bill, SB 520 by Creighton, was referred to the Senate Committee on Business and Commerce on February 6.