

ENGROSSED HOUSE
BILL NO. 2628

By: Calvey of the House

and

Pruitt of the Senate

An Act relating to insurance; requiring insurers that issue homeowner insurance policies to provide summary of policy; providing requirements for summary; amending 36 O.S. 1991, Section 1425, as last amended by Section 69, Chapter 418, O.S.L. 1997 (36 O.S. Supp. 1999, Section 1425), which relates to licensing of agents; modifying application requirements; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3639.3 of Title 36, unless there is created a duplication in numbering, reads as follows:

Every insurer that issues or renews a homeowner's insurance policy in this state shall deliver a clear summary of the provisions of the policy at the time the policy is delivered. The summary:

1. Shall be written on the eighth-grade reading comprehension level;
2. Shall explain in basic words, which can be easily found in dictionaries of general usage, the effect of the policy; and
3. Shall not contain any words which have a special meaning not commonly known to the citizens of this state, unless such words are clearly defined.

SECTION 2. AMENDATORY 36 O.S. 1991, Section 1425, as last amended by Section 69, Chapter 418, O.S.L. 1997 (36 O.S. Supp. 1999, Section 1425), is amended to read as follows:

Section 1425. A. The Commissioner shall not issue, continue, or permit to continue any license of an insurance agent, surplus lines insurance broker, limited insurance representative, or customer service representative except in compliance with the provisions of this section.

B. 1. Application shall be made to the Commissioner by the applicant on a form prescribed and with the information required by the Commissioner.

2. The application for an insurance agent, managing general agent, or limited insurance representative license shall be accompanied by a written appointment. The appointment shall be made by an officer or attorney-in-fact of the insurer designating the applicant as an insurance agent, managing general agent, or limited insurance representative for such lines of insurance as the applicant will be authorized to write for said insurer. All appointments for any licensee shall be submitted on behalf of the appointing insurer on a form prescribed by the Commissioner and shall remain in force until expressly terminated in writing by the insurer or as provided in subsection E of this section. The Commissioner shall collect from each company a biennial appointment fee.

3. In connection with the licensure of an applicant, the applicant shall submit ~~either a letter from the appointing insurer verifying acceptance of responsibility for the actions of the applicant in the scope of that person's appointment, or submit and maintain an errors and omissions policy acceptable to the Commissioner, or, if errors and omissions coverage is provided by the insurer for agents by utilizing a blanket errors and omissions policy for coverage, a copy of the policy providing the errors and omissions coverage shall be on file with the Commissioner. The insurer providing coverage shall maintain an accurate list of all agents covered by such policy~~ with the Commissioner and, upon

approval of the application, maintain in force while licensed, evidence satisfactory to the Commissioner of an errors and omissions policy covering the individual applicant in an amount of not less than One Hundred Thousand Dollars (\$100,000.00) total liability limit per occurrence, subject to not less than One Hundred Thousand Dollars (\$100,000.00) annual aggregate for all claims made during the policy period, or covering the applicant under a blanket liability policy insuring other insurance agents or brokers in an amount of not less than Five Hundred Thousand Dollars (\$500,000.00) total liability limit per occurrence, subject to not less than Five Hundred Thousand Dollars (\$500,000.00) annual aggregate for all claims made during the policy period. A blanket liability policy may also include other coverage on an excess basis over One Hundred Thousand Dollars (\$100,000.00) primary coverage. An errors and omissions policy required pursuant to this paragraph shall be issued by an insurance company authorized to do business in this state. Self-retention shall be permitted on such policies covering insurance agents.

4. Application for a customer service representative license or license renewal shall be accompanied by a written appointment, which shall remain in effect until expressly terminated in writing, signed by the insurance agent or broker who will supervise the customer service representative, on forms prescribed by the Commissioner.

5. Any insurer approved to offer workers' compensation equivalent insurance pursuant to the provisions of Section 65 of Title 85 of the Oklahoma Statutes may appoint property and casualty agents. All agents appointed for workers' compensation equivalent insurance products must be licensed as property and casualty agents by the Oklahoma Insurance Department.

C. Every individual applicant for licensing as an insurance agent, managing general agent, limited insurance representative, or customer service representative pursuant to the provisions of the

Insurance Agents Licensing Act shall be eighteen (18) years of age or older.

D. 1. Except as provided in paragraph 2 of this subsection, an applicant shall not be a full-time employee of the government of the United States or of the executive or administrative branches of the government of this state or any county or municipality in this state.

2. a. The provisions of this subsection shall not apply to applicants for life or accident and health insurance agents' licenses or limited representatives.

b. The provisions of this subsection shall not apply to persons who hold an elective office except the office of Insurance Commissioner.

c. For the purpose of this subsection, a teacher shall not be considered a full-time employee of the executive or administrative branches of the government of the state or of any county or municipality in the state.

E. All applications shall be accompanied by the applicable fees. An appointment may be deemed by the Commissioner to have terminated upon failure by the insurer to pay the prescribed renewal fee. The Commissioner may also by order impose a civil penalty equal to double the amount of the unpaid renewal fee.

The Insurance Commissioner shall collect in advance the following fees and licenses:

1. For filing appointment of Insurance Commissioner as agent for service of process..... \$ 10.00

2. Miscellaneous:

a. Certificate and Clearance of Commissioner, under seal\$ 3.00

b. Agent's study manual:

Life, Accident & Healthnot to exceed

- \$ 40.00
- Property and Casualtynot to exceed
- \$ 40.00
- c. For filing organizational documents of an entity
applying for a license as an agency\$ 20.00
- 3. Examination for license:
 - For each examination covering laws and one or more
lines of insurance \$ 50.00
- 4. Licenses:
 - a. Agent's biennial license, regardless of number of
companies represented\$ 60.00
 - b. Agent's biennial license for sale or solicitation of
separate accounts or agreements, as provided for in
Section 6061 of this title.....\$ 60.00
 - c. Limited insurance representative biennial
license.....\$ 40.00
 - d. Temporary license as agent.....\$ 20.00
 - e. Managing general agent's biennial
license.....\$ 60.00
 - f. Surplus lines broker's biennial license \$100.00
 - g. Insurance vending machine, each machine, biennial
fee.....\$100.00
 - h. Insurance consultant's biennial license, resident or
nonresident.....\$100.00
 - i. Customer service representative biennial
license.....\$ 40.00
- 5. Biennial fee for each appointed agent, managing general
agent, or limited insurance representative by insurer, each
license of each agent or representative.....\$ 40.00
- 6. Renewal fee for all licenses shall be the same as the
current initial license fee.

7. The fee for a duplicate license shall be one-half (1/2) the fee of an original license.

8. The renewal of a license shall require a fee of double the current original license fee if the application for renewal is late, or incomplete on the renewal deadline.

F. 1. The fees and monies received by the Insurance Commissioner pursuant to the provisions of paragraphs 1, 2, 7 and 8 of subsection E of this section shall be deposited with the State Treasurer, who shall place the same to the credit of the State Insurance Commissioner Revolving Fund for the purpose of fulfilling and accomplishing the conditions and purposes of the Insurance Agents Licensing Act, including the use of postal mail facilities for the Department.

2. The fees and monies received by the Insurance Commissioner pursuant to the provisions of paragraphs 3 through 6 of subsection E of this section shall be paid into the State Treasury to the credit of the General Revenue Fund of the state.

G. There is hereby created in the State Treasury the State Insurance Commissioner Revolving Fund which shall be a continuing fund not subject to fiscal year limitations. The revolving fund shall consist of fees and monies received by the Insurance Commissioner as required by law to be deposited in said fund and any other funds not dedicated in the Oklahoma Insurance Code. The revolving fund shall be used to fund the general operations of the Insurance Commissioner's Office for the purpose of fulfilling and accomplishing the conditions and purposes of the Insurance Agents Licensing Act. All expenditures from said revolving fund shall be on claims approved by the Insurance Commissioner and filed with the Director of State Finance for payment.

H. All fees, fines, monies, and license fees authorized by the provisions of this section and not dedicated by the provisions of subsection F of this section to the State Insurance Commissioner

Revolving Fund shall be paid into the State Treasury to the credit of the General Revenue Fund of this state.

I. 1. Prior to issuance of a license as an insurance consultant or surplus lines insurance broker, the applicant shall file with the Commissioner and thereafter, for as long as the license remains in effect, shall keep in force a bond in an amount of not less than Five Thousand Dollars (\$5,000.00) and not more than Forty Thousand Dollars (\$40,000.00) with an authorized corporate surety approved by the Commissioner. The exact amount of the bond shall be determined pursuant to the rules of the Commissioner and shall be based upon the actual or reasonably estimated premium for policies issued in connection with the services of the licensee. The surety shall notify the Commissioner of any changes in the bond of any licensee. The aggregate liability of the surety for any and all claims on a bond required by the provisions of this subsection shall in no event exceed the amount of the bond. No such bond shall be terminated unless at least thirty (30) days' prior written notice of the termination is given by the surety to the licensee and the Commissioner. Upon termination of the license for which the bond was in effect, the licensee shall notify the surety within ten (10) working days.

2. All surety protection required by the provisions of this section is to inure to the benefit of any party aggrieved by the acts of a consultant or broker arising pursuant to conduct as a licensed insurance consultant or surplus lines insurance broker.

SECTION 3. This act shall become effective November 1, 2000.

Passed the House of Representatives the 1st day of March, 2000.

Speaker of the House of
Representatives

Passed the Senate the ____ day of _____, 2000.

President of the Senate