
**Financial Institutions &
Insurance Committee**

HB 2405

Brief Description: Regulating the compensation paid by an insurer to an insurance broker.

Sponsors: Representatives Kirby and Roach; by request of Insurance Commissioner.

Brief Summary of Bill

- Allows agent/broker combinations in all lines of insurance to receive compensation from the insurer and the insured. Requires all agent/broker combinations who receive compensation from the insurer and the insured to provide disclosure to and receive consent from the insured.

Hearing Date: 1/10/06

Staff: Jon Hedegard (786-7127).

Background:

Insurance agents represent an insurance company in a transaction to buy insurance. Insurance brokers are paid by the insured to represent the insured. Under current law, an insurance agent may also be an insurance broker ("agent/broker"). If the agent/broker is selling property casualty insurance, the agent/broker may receive:

1. A commission paid by the insurer;
2. A fee paid by the insured; or
3. A combination of a commission and a fee (the fee may be offset or be partly or fully reimbursed to the insured).

If the compensation received by the agent/broker includes a fee paid by the insured, the agent/broker must:

1. Disclose in writing the full amount of the compensation;
2. The written disclosure must be signed by the insured; and
3. The agent/broker, and the written disclosure must be retained by agent/broker for a minimum of five years.

Summary of Bill:

The bill expands the application of the existing compensation and disclosure provisions of the law to agent/brokers from only property casualty insurance to all lines of insurance.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.