

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1381  
**SPONSOR(S):** Richter  
**TIED BILLS:**

Branch Insurance Agencies

**IDEN./SIM. BILLS:** SB 2702

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<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1) <u>Committee on Insurance</u>	<u>9 Y, 0 N</u>	<u>Davis</u>	<u>Overton</u>
2) <u>Jobs &amp; Entrepreneurship Council</u>	<u></u>	<u>Davis</u>	<u>Thorn</u>
3) <u></u>	<u></u>	<u></u>	<u></u>
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5) <u></u>	<u></u>	<u></u>	<u></u>

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**SUMMARY ANALYSIS**

This bill addresses the issue of agent coverage of branch insurance agencies. Currently, each insurance branch location must be in the full-time charge of a licensed general lines agent or life or health agent who is appointed to represent one or more insurers. Any entity that has established one or more branch places of business must have at least one licensed general lines agent who is appointed to represent one or more insurers at each agency location, including the headquarters. This requirement applies equally to a business whose primary business function is related to insurance and to one whose primary business function is not related to insurance.

The bill allows the licensed agent in charge of a financial institution, registered securities dealer, or licensed funeral establishment, or an agency affiliated with such an entity, or a branch of such an agency, that is licensed or registered as an insurance agency, to be the agent in charge of branch locations. However, this allowance is subject to certain requirements. A licensed agent may serve as the agent in charge of branch locations as long as no insurance activities requiring licensure as an insurance agent occur at any location when the agent is not physically present, and no unlicensed employee at the location engages in any insurance activities requiring licensure as an insurance agent.

The Division of Agent and Agency Services estimates that it will incur non-recurring expenses for changes to its computer system and for a mailing to all current licensed/registered insurance agencies.

This bill becomes effective on July 1, 2007.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

**Provide limited government**--- The bill reduces the obligation of financial institutions, securities dealers, funeral establishments, their affiliated agencies, and agency branches to have a licensed agent at each of their branch locations.

#### B. EFFECT OF PROPOSED CHANGES:

##### BACKGROUND

Effective October 1, 2006, section 626.112(7), Florida Statutes, requires that entities that act in their own name or under a trade name as an insurance agency obtain an insurance agency license for each place of business at which activity occurs that can only be performed by a licensed insurance agent.

A business establishment that primarily performs tasks that are unrelated to insurance is also subject to this requirement if it engages in any activity that may be performed only by a licensed insurance agent. Examples of such business establishments are financial institutions, securities dealers, and funeral establishments. Among other transactions, financial institutions transact life insurance and annuities, securities dealers transact investment products such as life insurance and annuities, and funeral homes transact pre-need policies.

Additionally, financial institutions, securities dealers, and funeral establishments are not exempt from the branch insurance agency provisions under section 626.747, Florida Statutes. This statute requires that each branch insurance agency be in the active full-time charge of a licensed general lines agent or life or health agent who is appointed to represent one or more insurers.<sup>1</sup> This statute is incumbent upon any agent or agency, firm, corporation, or association which has established one or more branches. As a result, for example, each bank branch that transacts insurance must have its own general lines agent at all times, even though the bank's primary function is not transacting insurance.

##### PROPOSED CHANGES

The bill adds a new subsection (b) to section 626.747, Florida Statutes, which exempts financial institutions, securities dealers, and funeral establishments, affiliated agencies, and agency branches from the requirement that each branch location have its own full-time general lines agent. The result of this bill is to allow the licensed agent in charge of:

- a financial institution as defined in 655.005(1)(h),
- a securities dealer registered pursuant to section 517.12,
- or a funeral establishment licensed pursuant to chapter 497,
- or an affiliated agency,
- or a branch of such an agency,

to serve as the agent in charge of branch locations, so long as (1) no insurance activities that would require a licensed insurance agent take place when the agent is not physically present at the branch location, and (2) no unlicensed employee at the branch location engages in unlicensed activity.

#### C. SECTION DIRECTORY:

**Section 1:** Amends section 626.747, Florida Statutes; provides that the licensed agent in charge of a financial institution, registered securities dealer, or licensed funeral establishment may also be the agent in charge of branch locations, subject to certain requirements.

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<sup>1</sup> Section 626.747(1)(a), F.S.

**Section 2:** Provides an effective date of July 1, 2007.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The Division of Agent and Agency Services estimates the following non-recurring expenditures:

(1) Cost to make changes to the division's computer systems:

Online application (AALF/MyProfile) -	\$44,000
Licensing database (ALIS) -	<u>\$88,000</u>
Total cost to change systems -	\$132,000

(2) Cost to mail letters to all currently licensed/registered agencies to determine if they are a financial institution, securities dealer, or funeral establishment - \$17,940

**Total Expenditures-** \$149,940

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill will reduce the economic impact of having to place an agent at each location, or alternatively, having to discontinue offering insurance products at certain locations that may be less productive than others.

### D. FISCAL COMMENTS:

None.

## III. COMMENTS

### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require counties or municipalities to spend funds or to take any action requiring the expenditure of funds; reduce the authority that municipalities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR:

Prior to 2005, Florida was the only state that did not require insurance agencies to be licensed. During 2005 Legislative Session, the Legislature passed SB 1912 to bring Florida in line with the other states. The bill and its subsequent interpretations did not account for the ways financial institutions, securities brokers, and funeral homes offer various insurance products to their customers. This bill is a remedy to these unintended consequences while still keeping with the intent of the law. More specifically, the bill allows financial institutions and securities brokers to continue to offer insurance products to their customers at multiple locations as they were currently allowed prior to implementation of the new law. The bill also allows funeral directors who offer pre-need policies to their customers at multiple funeral home locations, which they were previously allowed to do. Financial Institutions, Securities Brokers and funeral homes will still be required to obtain an agency license. Thank you for your consideration of this matter.

#### IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 22, 2007, the Committee on Insurance adopted one amendment:

**Amendment 1** provides that a licensed insurance agent in charge of an insurance agency that is not affiliated with a financial institution, securities dealer, or funeral establishment may also be the agent in charge of branch insurance locations. Activities that require licensure may not take place when the agent is not physically present. Additionally, no unlicensed individuals may conduct activities that require a license.

The staff analysis was updated to reflect adoption of the amendments.