



1997 SENATE BILL 328

October 22, 1997 - Introduced by Senator CHVALA, cosponsored by Representatives COGGS, L. YOUNG, MORRIS-TATUM, TURNER, JOHNSRUD, R. YOUNG, HANSON, ZIEGELBAUER, SCHNEIDER, UNDERHEIM, PLOUFF and MUSSER. Referred to Committee on Insurance, Tourism and Rural Affairs.

- 1 **AN ACT** *to create* 628.115 and 628.15 of the statutes; **relating to:** prohibitions
2 against certain practices of insurers with respect to insurance agents.

Analysis by the Legislative Reference Bureau

This bill places certain restrictions on the actions of insurers with respect to insurance agents. Insurers may not cancel the contract of an insurance agent who writes property or casualty insurance, or reduce or restrict such an agent's authority to underwrite property or casualty insurance, if the insurer's action is based solely on the amount of claims paid or incurred on business written by the agent and if the agent submitted to the insurer for underwriting approval all applications for property or casualty insurance, the applications were substantially complete and the agent did not alter or omit any information provided by the applicants. The bill prohibits an insurer from requiring an insurance agent to sell a certain level of life insurance or health insurance (called disability insurance in the statutes) on behalf of the insurer in order to sell property or casualty insurance on behalf of the insurer. An insurer is also prohibited from reducing or restricting an insurance agent's authority to underwrite property or casualty insurance on the basis of the insurance agent's sale of life or health insurance on behalf of the insurer. Finally, an insurer is prohibited from terminating the appointment of an insurance agent solely because the agent contacted a state agency about a problem or complaint that the agent or

an insured had with respect to the insurer. Current law contains no similar restrictions or prohibitions.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 628.115 of the statutes is created to read:

2 **628.115 Prohibition against termination of appointment for**
3 **contacting state agency. (1)** In this section, “state agency” has the meaning given
4 in s. 20.001 (1).

5 **(2)** An insurer may not terminate the appointment of, or otherwise penalize,
6 an insurance agent solely because the insurance agent contacted a state agency
7 about a problem or complaint that the insurance agent or an insured had with
8 respect to the insurer.

9 **SECTION 2.** 628.15 of the statutes is created to read:

10 **628.15 Cancellation of agency contracts, underwriting restrictions**
11 **and conditions on sale of property insurance. (1) DEFINITIONS.** In this section:

12 (a) “Agency contract” means a written agreement between an insurer and an
13 insurance agent under which the insurance agent agrees to solicit, negotiate and
14 place insurance or annuities on behalf of the insurer, whether acting exclusively on
15 behalf of the insurer or otherwise, for a fee, commission or other form of
16 compensation.

17 (b) “Disability insurance policy” has the meaning given in s. 632.895 (1) (a).

18 (c) “Loss ratio experience” means the total dollar amount of premiums paid
19 during a given period of time divided by the total dollar amount of claims paid, or the
20 total dollar amount of claims incurred, during that same period of time.

1 **(2) PROHIBITING CANCELLATION OF AGENCY CONTRACTS AND UNDERWRITING**
2 RESTRICTIONS. An insurer may not cancel an agency contract of an insurance agent
3 who writes property or casualty insurance or, without the insurance agent's prior
4 written approval, reduce or restrict the authority of an insurance agent who has an
5 agency contract with the insurer to underwrite property or casualty insurance, if all
6 of the following apply:

7 (a) The insurer's action is based solely on the loss ratio experience on property
8 or casualty insurance written by the insurance agent on behalf of the insurer.

9 (b) With respect to the property or casualty insurance written by the insurance
10 agent on behalf of the insurer, the insurer required the insurance agent to submit all
11 applications to the insurer for underwriting approval, all material information on
12 the applications was substantially complete and the insurance agent did not omit or
13 alter any information provided by the applicants.

14 **(3) PROHIBITING CERTAIN CONDITIONS ON THE SALE OR UNDERWRITING OF PROPERTY**
15 INSURANCE. (a) An insurer may not require an insurance agent to sell a specified
16 number of life or disability insurance policies on behalf of the insurer or a specified
17 dollar amount of insurance under life or disability insurance policies on behalf of the
18 insurer as a condition of selling property or casualty insurance on behalf of the
19 insurer.

20 (b) An insurer may not reduce or restrict the authority of an insurance agent
21 to underwrite property or casualty insurance on behalf of the insurer on the basis of
22 the insurance agent's sale of life or disability insurance policies on behalf of the
23 insurer.

24 **SECTION 3. Initial applicability.**

