

**PUBLIC CHAPTER NO. 1192****SENATE BILL NO. 4203****By Kyle, Tate, Marrero****Substituted for: House Bill No. 4203****By Gilmore, Odom**

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 6, Part 1, relative to agents, solicitors and administrators.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-6-107(b), is hereby amended by deleting the existing language in its entirety and substituting instead the following language:

(b)(1) For licenses issued or renewed on or after January 1, 2007, such licenses shall remain in effect for twenty-four (24) months from the last day of the licensee's birth month.

(2) Business entity licenses will expire biennially on March 1.

SECTION 2. Tennessee Code Annotated, Section 56-6-107(c), is hereby amended by deleting the existing language in its entirety and substituting instead the following language:

(c) At the end of the twenty-four (24) months, the insurance producer license may be renewed, subject to the limitations set forth in § 56-6-112, by paying the applicable fee set forth in § 56-6-121, and submitting the renewal form prescribed by the commissioner. In addition to the foregoing, and subject to the exception found in § 56-6-118, an insurance producer license will not be renewed unless the insurance producer has completed all continuing education requirements, as established by rule. However, the continuing education requirements shall not apply to the following:

(1) An insurance producer who has been continuously licensed since January 1, 1994; and

(2) An insurance producer that is a business entity.

SECTION 3. Tennessee Code Annotated, Section 56-6-118(a), is amended by inserting the following language after the first sentence of the subsection:

Notwithstanding any other provision of this part, after a public hearing the commissioner may waive any of the limitations or requirements imposed by § 56-6-108 if the applicant's home state awards nonresident licenses to residents of this state on the same basis.

SECTION 4. Tennessee Code Annotated, Section 56-6-112(a), is hereby amended by deleting the language "subsection (e)" and substituting instead the language "§ 56-2-305"; by deleting the word "or" in subsection (12); replacing the period (".") in subsection (13) with a semicolon (";"); and by adding the following as new subsections (14) and (15):

(14) Selling, soliciting or negotiating insurance for a company that is not authorized to transact the business of insurance in this state; and

(15) Violating the unfair trade practices as enumerated in § 56-6-125.

SECTION 5. Tennessee Code Annotated, Section 56-6-112, is hereby amended by deleting the existing language in subsection (e) in its entirety and renumbering the remaining subsections accordingly.

SECTION 6. Tennessee Code Annotated, Section 56-6-113, is hereby amended by deleting subsection (d) in its entirety and by adding the following language as new subsections (d) and (e):

(d) An insurer or insurance producer may pay or assign commissions, service fees, brokerages or other valuable consideration to an insurance agency or to persons who do not sell, solicit or negotiate insurance in this state, unless the payment would violate Section 56-8-104(4) or (7).

(e) An unlicensed person may make a referral to a licensed producer provided that the person does not discuss the specific insurance policy terms and conditions. Except as prohibited by federal law, the unlicensed person may be compensated for the referral. However, an unlicensed person who is neither employed by nor affiliated with the insurance producer may be compensated only if the compensation is a fixed dollar amount, not to exceed twenty-five dollars (\$25) or such lesser amount as the commissioner may establish by rule, for each referral. An unlicensed person who is either employed by or affiliated with the insurance producer may be compensated only if the compensation is a fixed nominal dollar amount. In either event, the referral compensation shall not depend on whether the referred customer purchases an insurance product from the licensed producer.

SECTION 7. Tennessee Code Annotated, Section 56-6-114, is hereby amended by deleting the existing language in its entirety and substituting instead the following language:

Section 56-6-114. Sale of Unauthorized Insurance.

(a) A person shall be personally liable for any premiums paid for or valid claims made on all contracts of insurance unlawfully sold within this state by or through such person directly or indirectly, for or on behalf of an insurance company not authorized to do business in this state.

(b) A person who sells insurance in this state for an insurance company not authorized to do business in this state commits a fraudulent insurance act as defined by Section 56-53-102.

SECTION 8. Tennessee Code Annotated, Section 56-6-125, is amended by deleting the existing language in its entirety and substituting instead the following language:

Section 56-6-125. Unfair Trade Practices.

(a) It is an unfair trade practice for an insurance producer to:

(1) Hold himself or herself out, directly or indirectly, to the public as a "financial planner", "investment adviser", "consultant", "financial counselor", "risk manager" or any other specialist engaged in the business of giving financial planning, risk management or advice relating to investments, insurance, real estate, tax matters or trust and estate matters when such person is in fact engaged only in the sale of insurance policies. This provision does not preclude persons who hold some form of formal recognized financial planning, risk management or consultant certification or designation from using this certification or designation when they are only selling insurance.

(2) Engage in the business of financial planning without disclosing to the client prior to the execution of the agreement provided for in subsection (3), or solicitation of the sale of a product or service that:

(A) He or she is also an insurance salesperson;  
and

(B) That a commission for the sale of an insurance product will be received in addition to a fee for financial planning, if such is the case. The disclosure requirement under this subsection may be met by including it in any disclosure required by federal or state securities law.

(3) Charge fees for the sale, solicitation or negotiation of insurance not authorized by a written agreement with an insurer, and, where applicable, incorporated in the insurer's rate filing. An insurance producer may charge fees for services not connected with the sale, solicitation and negotiation of insurance by the insurance producer if such fees are based upon a qualified written agreement, signed by the party to be charged in advance of the performance of the services under the agreement. A copy of the qualifying agreement must be provided to the party to be charged at the time the agreement is signed by the party. The agreement shall be considered as qualifying if it includes:

(A) The services for which the fee is to be charged;

(B) The amount of the fee to be charged or how it will be determined or calculated; and

(C) A disclosure stating that the client is under no obligation to purchase any insurance product through the insurance producer or consultant. The insurance producer shall retain a copy of the agreement for not less than three (3) years after completion of services, and a copy shall be available to the commissioner upon request.

(b) Notwithstanding the foregoing, nothing in this section shall be construed as permitting persons to charge an additional fee for services that are customarily associated with the sale, solicitation, negotiation or servicing of insurance policies.

SECTION 9. Tennessee Code Annotated, Section 56-6-107, is amended by adding the following as a new subsection (i):

(i) In the commissioner's discretion, the commissioner shall have the authority to waive any continuing education requirements imposed by this section.

SECTION 10. For the purpose of promulgating rules and regulations, this act shall take effect upon becoming a law, the public welfare requiring it. Section 2 will become effective on January 1, 2009, and for all other purposes, this act shall take effect July 1, 2008, the public welfare requiring it.

**PASSED: May 20, 2008**



RON RAMSEY  
SPEAKER OF THE SENATE



JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 19th day of June 2008**



PHIL BREDESEN, GOVERNOR