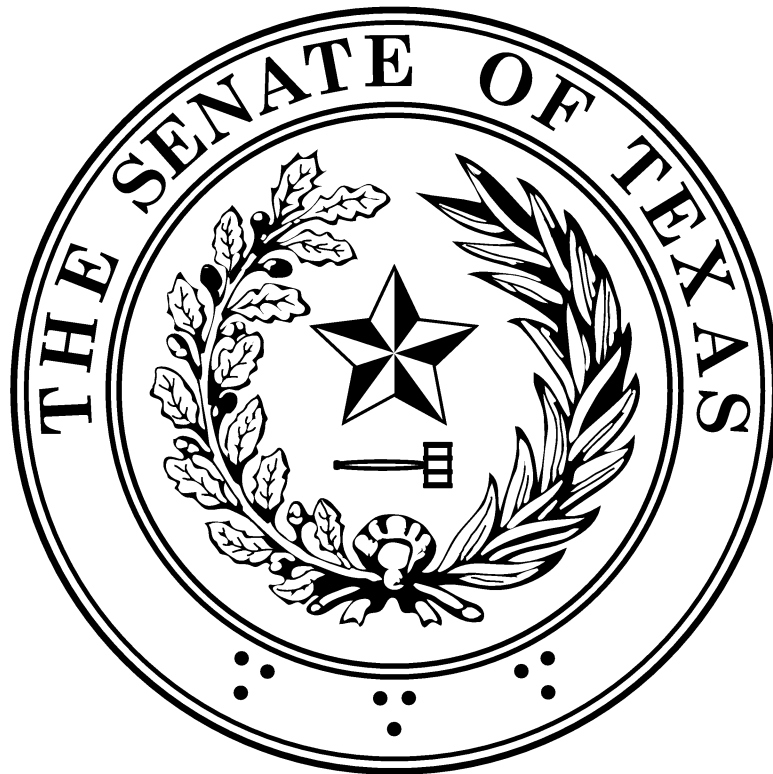


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**SENATE COMMITTEE  
ON  
BUSINESS AND COMMERCE**

**SUBCOMMITTEE ON THE  
TERMINATION OF CONTRACTUAL AGREEMENTS  
BETWEEN INSURERS AND INSURANCE AGENTS**



**INTERIM REPORT TO THE  
78TH TEXAS LEGISLATURE**

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Senator Troy Fraser  
Acting Chairman  
Senator John Carona  
Senator Mike Jackson

**The Texas Senate**  
**Business and Commerce Committee**

Senator Eddie Lucio  
Senator Frank Madla  
Senator Eliot Shapleigh  
Senator Leticia Van de Putte

October 25, 2002

The Honorable Bill Ratliff  
Lieutenant Governor of Texas  
The Capitol, Second Floor East  
Austin, Texas

Dear Governor Ratliff:

On behalf of the Senate Committee on Business and Commerce, I hereby submit the interim report prepared by the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents.

The Subcommittee report was prepared pursuant to Committee Charge #1 to study the termination of contractual agreements between insurers and insurance agents, and to assess the need for statutory guidelines regarding these agreements.

Respectfully submitted,

A handwritten signature in black ink that reads "Troy Fraser".

Troy Fraser  
Acting Chairman





JOHN J. CARONA  
STATE SENATOR

COMMITTEES:  
STATE AFFAIRS  
BUSINESS & COMMERCE  
SUBCOMMITTEE ON BORDER AFFAIRS  
HEALTH & HUMAN SERVICES,  
VICE CHAIRMAN

September 24, 2002

The Honorable Troy Fraser, Chairman  
Senate Committee on Business and Commerce  
Room 370, Sam Houston Building  
Austin, TX 78711

Dear Chairman Fraser:

The Senate Committee on Business and Commerce Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents is pleased to submit the following interim report for consideration by the full Senate Committee on Business and Commerce and the 78th Texas Legislature.

Respectfully submitted,

Handwritten signature of John Carona in black ink, written over a horizontal line.

Senator John Carona, Chair

Handwritten signature of Troy Fraser in black ink, written over a horizontal line.

Senator Troy Fraser

Handwritten signature of Eddie Lucio, Jr. in black ink, written over a horizontal line.

Senator Eddie Lucio

Senator Mike Jackson

Handwritten signature of Leticia Van de Putte in black ink, written over a horizontal line.

Senator Leticia Van de Putte

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**Subcommittee on the Termination of Contractual Agreements  
Between Insurers and Insurance Agents  
Executive Summary**

The Senate Committee on Business and Commerce Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents was created on October 8, 2001, to review and provide recommendations regarding the Senate Committee on Business and Commerce's Interim Charge Number 1. The Subcommittee charge reads as follows:

- Study the termination of contractual agreements between insurers and insurance agents. The Committee should assess the need for statutory guidelines regarding these agreements.

In order to fully research and address this charge, the Subcommittee held a hearing in Austin on December 4, 2001.

Based upon the testimony taken and the research conducted, the Subcommittee makes the following recommendation:

1. It is the recommendation of the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents that no action be taken on this issue during the 78<sup>th</sup> Session of the Texas Legislature.

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## Background

In the 77<sup>th</sup> Session of the Texas Legislature, Senator Mike Jackson and Representative Jim Dunnam filed companion bills relating to review of the termination of agreements with certain insurance agents; providing an administrative penalty. These bills, Senate Bill 1673 and House Bill 1384 (attached), sought to establish the circumstances under which an insurer may and may not terminate an employment relationship with a captive agent and to require the commissioner of insurance to appoint a review board to review involuntary agent terminations. Though not defined in current law or in SB 1673 or HB 1384, a captive agent is an insurance agent that has contracted to represent only one company or group of affiliated companies.<sup>1</sup> Considered among captive agents as “just cause” termination legislation, neither SB 1673 nor HB 1384 was finally passed by both Houses of the Texas Legislature. The fact that there was a great deal of interest in these bills prompted Lieutenant Governor Ratliff to instruct the Senate Committee on Business and Commerce to study the issue and make legislative recommendations as appropriate.

On December 4, 2001, the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents held a public hearing at which the Commissioner of Insurance, insurers, insurance agents, and members of the public testified regarding the employment contracts of captive agents. This report is the product of that hearing and subsequent research.

## Findings

The common law principle of employment at will has been in effect in the State of Texas since 1888. At that time, the Texas Supreme Court ruled that absent an express agreement to the contrary, either the employer or the employee may terminate their relationship at any time, for any reason.<sup>2</sup> Additionally, employment law in the state has long provided that “absent a specific contract term, statutory prohibition, or public policy consideration to the contrary, employment relationships are terminable at will by either party.”<sup>3</sup>

In the case of captive agents, agents enter into employment agreements with insurers prior to commencing business. Oral and written testimony submitted by agents at the December 4<sup>th</sup> hearing indicated that they felt these contracts were unfair. One witness testified that he felt as though the appointment agreement was a “take it or leave it situation” and that he was “in a corner” with regards to whether or not he should sign the contract.<sup>4</sup>

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<sup>1</sup>Commissioner Jose Montemayor, Texas Department of Insurance, Testimony before the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents, December 4, 2001.

<sup>2</sup>East Line & R.R.R. Co. v. Scott, 10 S.W. 99, 102 (1888).

<sup>3</sup>Chacko v. Texas A&M University, 960 F.Supp. 1180, 1193 (S.D.Tex. 1997).

<sup>4</sup>Mr. Jerry Beauchamp, Testimony before the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents, December 4, 2001.

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However, as other agents testifying that day indicated, each captive agent voluntarily entered into a contractual agreement with the insurer and found the contract to be “uncomplicated and straight forward.”<sup>5</sup> Texas courts have long held that “contracts, when freely and voluntarily entered into, shall be held sacred.”<sup>6</sup> It certainly cannot be said that captive agents working exclusively for one company or group of affiliated companies do not freely enter into their contractual agreements with insurers; they are not forced to enter into these contracts. What’s more, being a captive agent is not the only way for a person to sell insurance in the State of Texas.

Independent insurance agents are those who represent several different insurance companies. Independent agents must hold property and casualty licenses; the Commissioner of Insurance indicated at the December hearing that there are approximately 55,000 licensed property and casualty agents in the state. The Independent Insurance Agents of Texas trade association indicates that there are 5,700 licensed independent insurance agents in the State of Texas. There are an additional 12,500 staff working with these independent agents, many of whom hold insurance service representative licenses in accordance with Article 21.14(8)(a), Texas Insurance Code. With over ten percent of all property and casualty agents in Texas being independent agents, it is clearly misleading for captive agents to argue that they feel they have no choice but to sign appointment agreements offered to them by single companies or groups of affiliated companies. If they believe the contracts they have entered into are unfair, they are free to renegotiate those contracts with the insurer. Additionally, should they feel that legal action is warranted, they are free to go to the courts to resolve the conflict. As mentioned above, however, courts are disinclined to involve themselves in contractual disputes.

Senate Bill 1673, House Bill 1384, and captive agents who appeared at the hearing sought to involve the Legislature in the particulars of their private contracts with insurers. Texas courts have long held that there is, perhaps, “no higher public policy of the state than to uphold contracts validly entered into and legally permissible in subject matter.”<sup>7</sup> These contracts concern a legally permissible subject matter — that of the appointment of captive agents to represent insurers to the insurance-seeking public. It would be violative of the long-held policy of the Texas Legislature for this subcommittee to recommend legislative action seeking to codify the terms of appointment contracts. The Legislature has certainly taken no such steps to protect other professions. That being said, it is the recommendation of the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents that no action be taken on this issue during the 78<sup>th</sup> Session of the Texas Legislature.

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<sup>5</sup>Mr. James H. Leach, Testimony before the Subcommittee on the Termination of Contractual Agreements Between Insurers and Insurance Agents, December 4, 2001.

<sup>6</sup>Crutchfield v. Associates Inv. Co., 376 S.W.2d 956, 957 (Tex.Civ.App.-Dallas 1964).

<sup>7</sup>Mid-Continent Supply Co. v. Conway, 240 S.W.2d 796, 804 (Tex.Civ.App.-Texarkana 1951).

# **Appendix A**

## **Minutes**

## **MINUTES**

### **SENATE COMMITTEE ON BUSINESS & COMMERCE**

Subcommittee on Interim Charge #1

Tuesday, December 4, 2001

9:30 a.m.

Senate Chamber

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Pursuant to a notice posted in accordance with Senate Rule 11.18, a public hearing of the Senate Committee on Business & Commerce, Subcommittee on Interim Charge #1, was held on Tuesday, December 4, 2001, in the Senate Chamber at Austin, Texas.

\*\*\*\*\*

#### **MEMBERS PRESENT:**

Senator John Carona, Chairman

Senator Troy Fraser

Senator Mike Jackson

Senator Eddie Lucio, Jr.

#### **MEMBERS ABSENT:**

Senator Leticia Van de Putte

\*\*\*\*\*

Senator John Carona, Chairman of the Subcommittee on Interim Charge #1 (the Termination of Contractual Agreements Between Insurers and Insurance Agents), called the meeting to order at 9:40 a.m. There being a quorum present, the following business was transacted:

Chairman Carona made opening remarks and stated that Interim Charge #1 was the result of a bill carried by Senator Jackson during the legislative session. The bill caught the attention of a number of people, which led the Senate leadership to believe that the issue was worthy of further study.

The Chairman then called the first invited witness, Jose Montemayor, Commissioner, Texas Department of Insurance, who presented a briefing on the issue.

Following Commissioner Montemayor's testimony and response to members' questions, Chairman Carona called Panel 1 - Insurance Agents. The panelists were:

Jerry Beauchamp, San Antonio, Texas,

Jim Boldin, Austin, Texas,

Raymond Gonzalez, San Antonio, Texas, and

Dave Howell, New Braunfels, Texas.



**SENATE COMMITTEE ON BUSINESS & COMMERCE**

Subcommittee on Interim Charge #1

Minutes

Tuesday, December 4, 2001

page 2

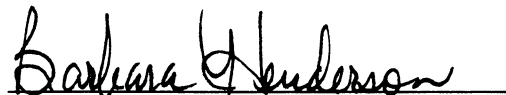
Upon completion of testimony by Panel 1, the Chairman called Panel 2 - Insurers. The panelists presenting testimony and responding to members' questions were:

John Hintz, State Farm Insurance Companies, Austin, Texas,  
Bob Huxel, Farmers Insurance Group, Austin, Texas, and  
Jay Thompson, Association of Fire & Casualty Companies in Texas, Austin, Texas.

Chairman Carona then called for public testimony to commence. Witnesses testifying, and registering but not wishing to testify, are shown on the attached list.

There being no further business, at 12:20 p.m. Chairman Carona moved that the Subcommittee stand recessed subject to the call of the chairman. Without objection, it was so ordered.

  
\_\_\_\_\_  
Senator John Carona, Chairman

  
\_\_\_\_\_  
Barbara Henderson, Clerk

## WITNESS LIST

Business & Commerce  
December 4, 2001 - 9:30 AM

### Termination of Insurance Agent Contracts

ON: Alejos, George Real Estate Broker (Self), San Antonio, TX  
Ayala, Daniel Allstate Agent (Ayala Insurance Agency, Inc.), San Antonio, TX  
Beauchamp, Jerry (National Association of State Farm Agents, Inc.), San Antonio, TX  
Boldin, Jim Insurance Agent (Self), Austin, TX  
Carnahan, Jerry Insurance Agent (Self), San Antonio, TX  
Gary, Benton Insurance Agent (Self), San Antonio, TX  
Gilliam, Rick Insurance Agent (Self), Kerrville, TX  
Gonzalez, Jr., Raymond Insurance Agent (National Association of Professional Allstate Agents), San Antonio, TX  
Hintz, John Vice President - Agency (State Farm Insurance Companies), Austin, TX  
Howell, Dave Insurance Agent (Self), New Braunfels, TX  
Huxel, Bob (Farmers Insurance Group), Austin, TX  
Kreps, David Insurance Agent (Self), San Antonio, TX  
Leach, James Insurance Agent (Self), El Campo, TX  
Merlinsky, Joseph Insurance Agent (Self), Houston, TX  
Montemayor, Jose Commissioner of Insurance (Texas Department of Insurance), Austin, TX  
Moore, Charles Insurance Agent (Self), San Antonio, TX  
Munoz, Jesse (Self), San Antonio, TX  
Murguia, Carlos Vice President (Image of Texas Civil Rights Organization), San Antonio, TX  
Rodriguez, Henry District XV Director (LULAC), San Antonio, TX  
Sloan, Clyde Retired Insurance Agent (CITA), Houston, TX  
Smith, David William Insurance Agent (National Association of Professional Allstate Agents), Kingwood, TX  
Swift, David Insurance Agent (Coalition of Exclusive Agents), San Antonio, TX  
Thompson, Jay (AFACT), Austin, TX  
Traver, Doug Insurance Agent (Self), Fredericksburg, TX  
Zepeda, Johnny Legal Assistant (National Image, Inc.), San Antonio, TX

### Registering, but not testifying:

ON: Ayala, Ralph L. Former Allstate Agent (Self), San Antonio, TX  
Lenard, Steve Farmers Insurance Agent (Self), Sugarland, TX  
Munoz, Juanita Cantu (Self), San Antonio, TX

Perry, Robert Insurance Agent (CITA), Houston, TX  
Thiele, William Insurance Agent (CITA), Katy, TX

## **Appendix B**

S.B. 1673 (77R), by Jackson  
H.B. 1384 (77R), by Dunnam

A BILL TO BE ENTITLED

AN ACT

relating to review of the termination of agreements with certain insurance agents; providing an administrative penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 21, Insurance Code, is amended by adding Article 21.14A to read as follows:

Art. 21.14A. PROCEDURES AND REVIEW ON TERMINATION OF LOCAL RECORDING AGENT OR SOLICITOR

Sec. 1. DEFINITIONS. In this article:

(1) "Agent" means a local recording agent or a solicitor as those terms are defined by Section 2, Article 21.14, of this code.

(2) "Review board" means a board of review established under this article.

Sec. 2. TERMINATION FOR CAUSE. (a) An insurer may terminate a contractual agreement with an agent because:

(1) the agent is insolvent;

(2) the agent breaches a fiduciary duty or trust;

(3) the agent fails to perform duties in accordance with the contractual agreement;

(4) the agent commits gross and wilful misconduct;

(5) the agent fails to pay to the insurer money owed to the insurer after receipt by the agent of a written demand for the money from the insurer; or

(6) the department revokes the agent's license.

(b) The termination by an insurer of a contractual agreement with an agent for a cause described by Subsection (a) of this section is not a wrongful or unjustified termination for purposes of this article.

Sec. 3. PROHIBITED GROUNDS FOR TERMINATION. (a) An insurer may not cancel or terminate a contractual agreement with an agent or reduce or restrict an agent's authority to conduct business under the contract:

(1) based on the loss experience for the agent's customers and former customers if:

(A) the agent followed underwriting guidelines current at the time coverage for the customers was written;

(B) the insurer required the agent to submit the application for insurance for underwriting approval by the insurer;

(C) all material information on the application was fully completed;

(D) the information provided by the applicant for insurance was not altered or omitted on the

application by the agent; and

(E) the policy was subject to approval  
by the insurer; or

(2) because of the predominant geographic location of  
the agent's customers.

(b) An insurer may not, in order to avoid the prohibition  
provided by Subsection (a) of this section, commit any of the  
following acts in a manner designed to impact a selected agent or  
the business produced by that agent:

(1) condition the acceptance of any type of property  
or casualty insurance on the sale of other types of insurance:

(A) to the same customers of the agent;  
or

(B) as a percentage of the agent's total  
sales;

(2) restrict or limit the number of policies an agent  
may sell unless all agents of that insurer are subject to  
analogous restrictions or limitations;

(3) restrict or limit the types of insurance coverage  
or amounts of insurance an agent may sell unless all agents of  
that insurer are subject to analogous restrictions or  
limitations; or

(4) reduce an agent's level of compensation or  
commission unless all agents of that insurer are subject to

similar reductions.

(c) The termination by an insurer of a contractual agreement with an agent in violation of Subsection (a) of this section may be a wrongful or unjustified termination for purposes of this article.

Sec. 4. MANDATORY REVIEW BY INSURER. (a) Each insurer who enters into a contractual agreement with an agent to use the services of the agent shall establish a termination review process in accordance with this section for an agent involuntarily terminated by the insurer.

(b) Before terminating an agent's contractual agreement, the insurer must:

(1) send to the agent and the commissioner by certified mail written notice of the proposed termination;

(2) notify the agent of the agent's right to a hearing before a review board; and

(3) conduct a review under the termination review process established in accordance with this section.

(c) Not later than the 15th day after the date on which the notice required under Subsection (b)(1) of this section is mailed, the insurer shall notify the agent in writing of the reasons for the proposed termination.

(d) The agent in writing may decline a review under this section. The insurer shall provide a copy of the declination to



the commissioner.

(e) The insurer and the agent by mutual agreement may terminate a review conducted under this section at any time. The insurer shall notify the commissioner in writing of the termination of a review under this subsection.

(f) A review by an insurer must be conducted not later than the 15th day after the date on which the agent receives notice of the reasons for the proposed termination and before the date on which the termination takes effect.

Sec. 5. REVIEW BOARD. (a) A review board to conduct a review of a proposed termination of an agent shall be established as provided by this section.

(b) The review board is composed of three members selected from a list of 10 individuals compiled by the commissioner. One member of the review board shall be selected by the affected agent, one by the insurer, and one by the commissioner. To be included on the list, an individual:

(1) must serve as an arbitrator or mediator for the alternative dispute resolution system established under Chapter 152, Civil Practice and Remedies Code, by the county in which the agent conducted the majority of the agent's business as an agent;  
or

(2) if an alternative dispute resolution system has not been established by that county, must serve as an arbitrator

or mediator for the alternative dispute resolution system in a county adjoining that county.

(c) If the appointment system established under Subsection (b) of this section is impractical for a particular county, the commissioner by rule shall determine the manner in which individuals are selected for a list for that county.

(d) In compiling the list of prospective review board members, the commissioner shall ensure that the individuals are impartial. If, after the list is compiled, it is determined that an individual on the list has a conflict of interest with respect to the matter subject to review, the commissioner shall strike that individual from the list and substitute another.

(e) The expenses of the review board shall be shared equally by the agent and the insurer.

Sec. 6. NOTICE; HEARING. (a) An agent whose contractual agreement with an insurer is proposed to be involuntarily terminated may request that the commissioner set a hearing before a review board.

(b) On receipt of a request for a hearing by an agent, the commissioner shall set a hearing date. The hearing must be conducted not later than the 30th day after the date on which the request is received by the commissioner, or at a later date approved by both the agent and the insurer.

(c) The commissioner shall notify the agent and the insurer

of the date, time, and place of the hearing.

(d) The members of the review board shall select one member to serve as moderator. The moderator shall convene and adjourn the proceeding of the review board.

(e) The review board shall provide the parties to the hearing with an opportunity to present evidence and arguments in support of their respective positions.

(f) The insurer and the agent are immune from civil liability for a disclosure made at the hearing. This immunity does not apply to a disclosure made in bad faith or with knowledge of the disclosure's falseness.

Sec. 7. REVIEW BOARD DETERMINATION. On completion of the hearing, the review board shall determine if the termination of the agent's agreement is wrongful or unjustified and shall report its findings in writing to the agent, the insurer, and the commissioner.

Sec. 8. AWARD TO AGENT. (a) If, after a determination by the review board in which at least two members of the review board agree that an involuntary termination of the affected agent is wrongful or unjustified, the insurer terminates the contractual agreement with the agent, the commissioner shall, by order, award the agent:

(1) the greater of:

(A) three times the agent's gross

compensation from the insurer for the calendar year preceding the year in which the termination hearing is held; or

(B) three times the agent's gross compensation from the insurer for the 12 months preceding the date on which the termination hearing begins; and

(2) any contingency compensation the agent would have otherwise received from the insurer during the three years after the date of the termination.

(b) If the agent is an exclusive agent, the agent is entitled to receive, in addition to the amount received under Subsection (a) of this section, any benefits that the agent would have received if the agent had voluntarily terminated the contractual agreement, including regular termination benefits, insurance, and extended termination benefits of the type provided by the insurer to an agent who retires, resigns, or otherwise voluntarily terminates a contractual agreement.

(c) The amount awarded under Subsections (a) and (b) of this section may not be less than the amount the agent was owed by the insurer under the contractual agreement on the day before the date of the termination.

Sec. 9. EMPLOYMENT BY OTHER INSURER. If an agent is terminated by an insurer and that insurer was serving under an exclusive or captive agent agreement with the insurer, the agent may accept an appointment to act as agent for another insurer if

the agent notifies the commissioner and the insurer in writing that the agent desires to do so. Acceptance of an appointment under this section does not affect an order of the commissioner issued under this article.

Sec. 10. APPEAL. (a) An order of the commissioner under this article may be appealed to a court of competent jurisdiction by either party for a trial de novo.

(b) An appeal under this section must be brought in a county in which the agent conducted business as an agent for the affected insurer.

(c) If the insurer brings an appeal in which the agent is the prevailing party, the agent is entitled to attorney's fees and court costs.

Sec. 11. DETERMINATION FOR INSURER. The agent shall deliver to the insurer all equipment, records, and supplies in the possession of the agent that belong to the insurer not later than the 30th day after the date the review board determination or the court order becomes final if:

(1) the review board rules in favor of the insurer, the agent is terminated, and the commissioner's order is not appealed; or

(2) a court enters a final order in favor of the insurer.

Sec. 12. ADMINISTRATIVE PENALTY. (a) An insurer or agent

that violates an order of the commissioner under this article or that attempts to coerce or intimidate a member of the review board violates this article and is subject to an administrative penalty under Chapter 84.

(b) The review board may recommend that the commissioner impose an administrative penalty under this article.

Sec. 13. DEPARTMENT ADMINISTRATIVE COSTS. The commissioner by rule shall set a fee in an amount reasonable and necessary to cover the costs incurred by the department in administering this article. The fee may not exceed \$10 and shall be collected from each local recording agent and solicitor who holds a local recording agent license or solicitor license under Article 21.14 of this code. The fee imposed under this section shall be collected at the same time and in the same manner as the license fees imposed under Article 21.14 of this code.

Sec. 14. RULES. The commissioner may adopt rules as necessary to implement this article.

SECTION 2. This Act takes effect September 1, 2001.

A BILL TO BE ENTITLED

AN ACT

relating to the termination of agreements with certain insurance agents.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 21, Insurance Code, is amended by adding Article 21.14A to read as follows:

Art. 21.14A. PROCEDURES AND REVIEW ON TERMINATION OF LOCAL RECORDING AGENT OR SOLICITOR

Sec. 1. DEFINITION. In this article, "agent" means a captive agent who is licensed as a local recording agent or a solicitor as those terms are defined by Section 2, Article 21.14, of this code.

Sec. 2. TERMINATION FOR CAUSE. (a) An insurer may terminate a contractual agreement with an agent because:

- (1) the agent is insolvent;
- (2) the agent breaches a fiduciary duty or trust;
- (3) the agent fails to perform duties in accordance with the contractual agreement;
- (4) the agent commits gross and wilful misconduct;
- (5) the agent fails to pay to the insurer money owed to the insurer after receipt by the agent of a written

demand for the money from the insurer; or

(6) the department revokes the agent's license.

(b) The termination by an insurer of a contractual agreement with an agent for a cause described by Subsection (a) of this section is not a wrongful or unjustified termination for purposes of this article.

Sec. 3. PROHIBITED GROUNDS FOR TERMINATION. (a) An insurer may not cancel or terminate a contractual agreement with an agent or reduce or restrict an agent's authority to conduct business under the contract:

(1) based on the loss experience for the agent's customers and former customers if:

(A) the agent followed underwriting guidelines current at the time coverage for the customers was written;

(B) the insurer required the agent to submit the application for insurance for underwriting approval by the insurer;

(C) all material information on the application was fully completed;

(D) the information provided by the applicant for insurance was not altered or omitted on the application by the agent; and

(E) the policy was subject to approval by



the insurer; or

(2) because of the predominant geographic location of the agent's customers.

(b) An insurer may not, in order to avoid the prohibition provided by Subsection (a) of this section, commit any of the following acts in a manner designed to impact a selected agent or the business produced by that agent:

(1) condition the acceptance of any type of property or casualty insurance on the sale of other types of insurance:

(A) to the same customers of the agent; or

(B) as a percentage of the agent's total sales;

(2) restrict or limit the number of policies an agent may sell unless all agents of that insurer are subject to analogous restrictions or limitations;

(3) restrict or limit the types of insurance coverage or amounts of insurance an agent may sell unless all agents of that insurer are subject to analogous restrictions or limitations; or

(4) reduce an agent's level of compensation or commission unless all agents of that insurer are subject to similar reductions.

(c) The termination by an insurer of a contractual

agreement with an agent in violation of Subsection (a) of this section may be a wrongful or unjustified termination for purposes of this article.

SECTION 2. This Act takes effect September 1, 2001.