

Reported Recommending
Ind. Postponed
Passed House
Failed to Pass House
Passed Senate
Failed to Pass Senate

House File 238

February 10, 1947.
Insurance.

By SCHWENGEL, HEDIN, NICHOLAS,
LYNES, SLOANE, NELSEN of
Woodbury, NIELSEN, LONG,
STEINBERG, KRUSE, GANNA-
WAY, BRYSON, and OLSON.

A BILL FOR

An Act relating to the qualifications and licensing of life insurance agents.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. (a) The term "life insurance agent" means
2 any authorized or acknowledged agent of an insurer, and any
3 sub-agent of such agent, who acts as such in the solicita-
4 tion of, negotiation for, or procurement or making of a
5 life insurance or annuity contract; except that the term
6 "life insurance agent" shall not include any regular salaried
7 officer or employee of a licensed insurer, or of a licensed
8 life insurance agent, who does not solicit or accept from
9 the public applications for any such contract. A regular
10 salaried officer or employee of an insurer authorized to do
11 business in this state shall not be deemed to be a "life
12 insurance agent" by reason of rendering assistance to, or
13 on behalf of a licensed life insurance agent, provided that
14 such salaried officer or employee devotes substantially
15 all of his time to activities other than the solicitation

16 of applications for life insurance or annuity contracts and
17 receives no commission or other compensation directly de-
18 pendent upon the amount of business obtained.

19 (b) The term "sub-agent" means any person (except
20 as provided in paragraph 1 (a)) who acts for or on behalf of
21 a licensed life insurance agent in the solicitation of,
22 negotiation for, or procurement or making of a life insurance
23 or annuity contract, whether or not he is designated by such
24 agent as a sub-agent or a solicitor or by any other title,
25 including the members of a partnership and the officers,
26 directors, or stockholders of a corporation named in the
27 license issued to a partnership or corporation as hereafter
28 provided. Each sub-agent shall be deemed to be a life insurance
29 agent, as defined above, and wherever, in succeeding sections
30 of this act, the term "life insurance agent" is used, it shall
31 include sub-agents, whether or not they are specifically
32 mentioned. Each such person shall individually file an appli-
33 cation for license and submit to a written examination as
34 hereafter provided for applicants for a life insurance agent's
35 license.

36 (c) Any person, partnership or corporation may be
37 licensed as a life insurance agent upon compliance with the
38 provisions of this law; provided, however, that the articles
39 of partnership or incorporation shall authorize the partner-
40 ship or corporation applying for such license specifically
41 to engage in such business. The application for a license

42 by, and the license issued to a partnership or corporation
43 shall name the members of such partnership or the officers,
44 directors, or stockholders of such corporation who are
45 authorized to act as agents thereunder, and no such license
46 shall be issued unless and until the persons named in the
47 application therefor have qualified for individual licenses
48 as hereafter provided.

1 Sec. 2. (a) No person, partnership or corporation
2 shall, within this state, solicit, procure, receive or for-
3 ward applications for life insurance or annuities, or issue
4 or deliver policies for, or in any manner secure, help, or aid
5 in the placing of any contract of life insurance or annuity for
6 any person other than himself, directly or indirectly, with any
7 insurer not authorized to do business in this state.

8 (b) Any person, partnership or corporation shall be liable,
9 personally, for the full amount of any loss sustained on any
10 contract of life insurance or annuity made by or through him or
11 it, directly or indirectly, with any insurer not authorized to
12 do business in this state and, in addition, for any premium
13 taxes which may become due under any law of this state by reason
14 of such contract.

1 Sec. 3. (a) No person, partnership, or corporation shall
2 act as a life insurance agent within this state until he shall
3 have procured a license as required by the laws of this state.

4 (b) No insurer or licensed life insurance agent doing
5 business in this state, shall pay directly or indirectly any

6 commission, or other valuable consideration to any person, part-
7 nership, or corporation for services as a life insurance agent
8 within this state, unless such person, partnership, or corpora-
9 tion shall hold a currently valid license to act as a life
10 insurance agent as required by the laws of this state; nor shall
11 any person, partnership, or corporation, other than a duly
12 licensed life insurance agent, accept any such commission or
13 other valuable consideration; provided, however, that the pro-
14 visions of this section shall not prevent the payment or receipt
15 of renewal or other deferred commissions to or by any person,
16 partnership or corporation solely because such person, partner-
17 ship or corporation has ceased to hold a license to act as a life
18 insurance agent.

1 Sec. 4. (a) Each applicant for a license to act as a life
2 insurance agent within this state shall file with the commissioner
3 of insurance his written application on forms furnished by the
4 commissioner. The application shall be signed and duly sworn
5 to by the applicant. The prescribed form shall require the
6 applicant to state his full name; residence; age; occupation and
7 place of business for five years preceding date of the application;
8 whether applicant has ever held a license to solicit life, or any
9 other insurance in any state; whether he has been refused, or has
10 had suspended or revoked a license to solicit life, or any other
11 insurance in any state; what insurance experience, if any, he
12 has had; what instruction in life insurance and in the insurance
13 laws of this state he has had or expects to have; whether any

14 insurer or general agent claims applicant is indebted under an
15 agency contract or otherwise, and if so, the name of the claimant,
16 the nature of the claim and the applicant's defense thereto;
17 whether applicant has had an agency contract canceled and, if so,
18 when, by what company or general agent and the reasons therefor;
19 whether applicant will devote all or part of his efforts to
20 acting as a life insurance agent, and, if part only, how much
21 time he will devote to such work, and in what other business or
22 businesses he is engaged or employed; whether, if applicant is
23 a married woman, her husband has ever applied for or held a
24 license to solicit life, or any other insurance in any state and
25 whether such license has been refused, suspended, or revoked;
26 such other information as the commissioner of insurance in his
27 discretion may require.

28 (b) The application shall be accompanied by a certificate
29 on forms furnished by the commissioner of insurance and signed
30 by an officer or properly authorized representative of the
31 insurer stating that the insurer has investigated the character
32 and background of the applicant and is satisfied that he is
33 trustworthy and qualified to act as its agent and to hold him-
34 self out in good faith to the general public as a life insurance
35 agent and that the insurer desires that the applicant be licensed
36 as a life insurance agent to represent it in this state.

37 (c) The application, when filed, shall be accomplished by
38 the annual fee in the amount of one dollar (\$1.00) and, in the
39 case of applicants required to take an examination as hereafter

40 prescribed, by an examination fee in the amount of five dollars
41 (\$5.00). In the event an applicant fails to qualify for, or is
42 refused a license, the annual fee shall be returned to him; the
43 examination fee shall not be returned for any reason.

1 Sec. 5. (a) Each applicant for a license to act as a life
2 insurance agent within this state shall submit to a personal
3 written examination to determine his competence with respect to
4 life insurance and annuity contracts and his familiarity with the
5 pertinent provisions of the laws of this state, and shall pass
6 the same to the satisfaction of the commissioner of insurance;
7 except that no such written examination shall be required of:

8 (1) An applicant for a renewal license, unless the commis-
9 sioner of insurance determines that such examination is necessary
10 to establish the competency or trustworthiness of such individual;
11 or unless a license had not been issued to such applicant within
12 two years preceding the date of filing his application;

13 (2) An applicant who is a ticket selling agent or other
14 representative of a public carrier and who shall act under a
15 restricted license only as an agent with respect to accident
16 insurance tickets covering risks of travel;

17 (3) In the discretion of the commissioner of insurance, an
18 applicant whose license to do business or act as a life insurance
19 agent in this state was suspended less than one year prior to the
20 date of application.

21 (b) The commissioner of insurance may establish rules and
22 regulations with respect to the scope, type and conduct of such

23 written examinations and the times and places within this state
24 where they shall be held; provided, that applicants shall be
25 permitted to take such examinations at least once in each week
26 at the principal office of the commissioner of insurance.

27 (c) No person who shall have taken and failed to pass two
28 examinations given pursuant to this section shall be entitled to
29 take any further examination until after the expiration of six
30 (6) months from the date of the last examination in which he
31 failed. If such person shall thereafter fail to pass two more
32 such examinations he shall not be eligible to take any further
33 examination until after the expiration of one year from the date
34 of his last unsuccessful examination. An examination fee shall
35 be paid for each and every examination.

36 (d) The commissioner of insurance is authorized in his
37 discretion to appoint an advisory board to make recommendations
38 to him with respect to the scope, type, and conduct of written
39 examinations and the times and places within the state where
40 they shall be held. This advisory board, if appointed, shall
41 consist of individuals experienced in the life insurance business,
42 and may include life insurance company officers and employees,
43 general agents and managers, and licensed life insurance agents.
44 The members of the board shall serve without pay but, upon the
45 authorization of the commissioner of insurance, shall be reim-
46 bursed for their reasonable expenses in attending meetings of
47 the advisory board.

1 Sec. 6. If the commissioner of insurance is satisfied

2 that the applicant is trustworthy and competent and the
3 applicant, if required, has passed his written examination, a
4 license shall be issued forthwith, limited to the insurer and
5 kind of insurance for which the agent is to be appointed. If
6 the applicant has not passed his written examination, or for any
7 of the reasons set forth in section twelve (12) below, the
8 commissioner of insurance shall notify the applicant and the
9 insurer in writing that a license will not be issued to him.

1 Sec. 7. (a) A person not resident in this state may be
2 licensed as a life insurance agent upon compliance with the
3 provisions of this Act, provided that the state in which such
4 person resides will accord the same privilege to a citizen of
5 this state.

6 (b) The commissioner of insurance is further authorized to
7 enter into reciprocal agreements with the appropriate official
8 of any other state waiving the written examination of any appli-
9 cant resident in such other state, provided:

10 (1) That a written examination is required of applicants
11 for a life insurance agent's license in such other state;

12 (2) That the appropriate official of such other state
13 certificate that the applicant holds a currently valid license as
14 a life insurance agent in such other state and either passed
15 such written examination or was the holder of a life insurance
16 agent's license prior to the time such written examination was
17 required;

18 (3) That the applicant has no place of business within this

19 state nor is an officer, director, stockholder, or partner in any
20 corporation or partnership doing business in this state as a
21 life insurance agent;

22 (4) That in such other state, a resident of this state is
23 privileged to procure a life insurance agent's license upon the
24 foregoing conditions and without discrimination as to fees or
25 otherwise in favor of the residents of such other state.

1 Sec. 8. (a) Any life insurance agent licensed in this
2 state may apply to the commissioner, at any time while his
3 license is in force, for an additional license or licenses
4 authorizing him to act as a life insurance agent for an
5 additional insurer or insurers. Such application shall set
6 forth each insurer which the applicant is then licensed to re-
7 present; a certificate from the insurer to be named in each
8 additional license applied for that it desires to appoint the
9 applicant as its agent; and such other information as the
10 commissioner of insurance may require. Upon receipt of each
11 such application, the commissioner of insurance may issue such
12 additional license without examination of, or further investi-
13 gation concerning the applicant. Any life insurer may file a
14 request with the commissioner for notification that any life
15 agent authorized to represent it has been appointed to re-
16 present another life insurer. Pursuant to such request for
17 notice, the commissioner shall notify such insurer of the ap-
18 pointment of life agents as life agents for other insurers.

19 (b) Any life insurance agent licensed in this state may

20 place excess or rejected risks with any insurer lawfully doing
21 business in this state other than an insurer such agent is
22 licensed to represent; provided, however, that such life
23 insurance agent shall procure an additional license to re-
24 present such other insurer before receiving commissions or other
25 compensation for his services.

1 Sec. 9. (a) Each license issued to a life insurance agent
2 shall expire one (1) year following the date of issue, unless
3 prior thereto it is revoked or suspended by the commissioner of
4 insurance or the authority of the agent to act for the insurer
5 is terminated.

6 (b) In the absence of a contrary ruling by the commissioner,
7 license renewals may be issued from year to year upon request of
8 the insurer, without further action on the part of the agent.

9 (c) Each request for renewal of license shall show whether
10 the agent devotes all or part of his efforts to acting as a life
11 insurance agent, and, if part only, how much time he devotes to
12 such work and in what other business or businesses he is engaged
13 or employed.

14 (d) Upon the filing of a request for renewal of license and
15 payment of the required fees prior to its date of expiration, the
16 current license shall continue in force until the renewal license
17 is issued by the commissioner or until the commissioner has re-
18 fused for cause to issue such renewal license, as provided in
19 section twelve (12) below, and has given notice of such refusal
20 in writing to the insurer and the agent.

1 Sec. 10. The commissioner of insurance, if he is satisfied
2 with the honesty and trustworthiness of the applicant, may issue
3 a temporary life insurance agent's license without requiring the
4 applicant to pass a written examination, as follows:

5 (a) To the executor or administrator of the estate of a
6 deceased person who at the time of his death was a licensed life
7 insurance agent.

8 (b) To a surviving next of kin of such a deceased person,
9 if no administrator or executor has been appointed and qualified,
10 but any license issued under this sub-paragraph shall be revoked
11 upon issuance of a license to an executor or administrator under
12 sub-paragraph (a) above:

13 (c) No license issued under this section shall be
14 effective for more than ninety (90) days. The commissioner,
15 in his discretion, may renew such license once upon proper
16 application and for good cause.

1 Sec. 11. (a) Every insurer shall, upon termination of
2 the appointment of any life insurance agent, immediately file
3 with the commissioner of insurance a statement of the facts
4 relative to the termination of the appointment and the date
5 and cause thereof. The commissioner shall thereupon terminate
6 the license of such agent to represent such insurer in this state.

7 (b) Any information, document, record or statement required
8 to be made or disclosed to the commissioner of insurance pursuant
9 to this section shall be deemed a privileged communication and
10 shall not be used as evidence in any court action or proceeding.

1 Sec. 12. (a) A license may be refused, or a license duly
2 issued may be suspended or revoked or the renewal thereof re-
3 fused by the commissioner of insurance if, after notice and
4 hearing as hereafter provided, he finds that the applicant for,
5 or holder of such license:

6 (1) Has wilfully violated any provision of the insurance
7 laws of this state; or

8 (2) Has intentionally made a material misstatement in the
9 application for such license; or

10 (3) Has obtained, or attempted to obtain, such license
11 by fraud or misrepresentation; or

12 (4) Has misappropriated or converted to his own use or
13 illegally withheld money belonging to an insurer or an insured
14 or beneficiary; or

15 (5) Has otherwise demonstrated lack of trustworthiness
16 of competence to act as a life insurance agent; or

17 (6) Has been guilty of fraudulent or dishonest practices; or

18 (7) Has materially misrepresented the terms and conditions
19 of life insurance policies or contracts; or

20 (8) Has made or issued, or caused to be made or issued,
21 any statement misrepresenting or making incomplete comparisons
22 regarding the terms or conditions of any life insurance or annuity
23 contract legally issued by any insurer, for the purpose of in-
24 ducing or attempting to induce the owner of such contract to
25 forfeit or surrender such contract or allow it to lapse for the
26 purpose of replacing such contract with another; or

27 (9) Has obtained, or attempted to obtain such license,
28 not for the purpose of holding himself out to the general public
29 as a life insurance agent, but primarily for the purpose of
30 soliciting, negotiating or procuring life insurance or annuity
31 contracts covering himself or members of his family, or the
32 officers, directors, stockholders, partners, employees, or
33 debtors of a partnership, association, or corporation of which
34 he or a member of his family is an officer, director, stockholder,
35 partner, or employee.

36 (b) Before any license shall be refused, except for failure
37 to pass a required written examination, or suspended or revoked,
38 or the renewal thereof refused hereunder, the commissioner of
39 insurance shall give notice of his intention so to do, by reg-
40 istered mail, to the applicant for, or holder of such license
41 and the insurer whom he represents or who desires that he be
42 licensed, and shall set a date not less than twenty (20) days
43 from the date of mailing such notice when the applicant or
44 licensee and a duly authorized representative of the insurer
45 may appear to be heard and produce evidence. In the conduct
46 of such hearing, the commissioner of insurance or any regularly
47 salaried employee specially designated by him for such purpose
48 shall have power to administer oaths, to require the appearance
49 of, and examine any person under oath, and to require the pro-
50 duction of books, records or papers relevant to the inquiry upon
51 his own initiative or upon the request of the applicant or
52 licensee. Upon termination of such hearing, findings shall be

53 reduced to writing, and upon approval by the commissioner of
54 insurance, shall be filed in his office and notice of the findings
55 sent by registered mail to the applicant or licensee and the
56 insurer concerned.

57 (c) No licensee whose license has been revoked hereunder
58 shall be entitled to file another application for a license as
59 a life insurance agent within one (1) year from the effective
60 date of such revocation or, if judicial review of such revocation
61 is sought, within one (1) year from the date of final order
62 or decree affirming such revocation. Such application, when
63 filed, may be refused by the commissioner of insurance unless the
64 applicant shows good cause why the revocation of his license shall
65 not be deemed a bar to the issuance of a new license.

1 Sec. 13. Any person aggrieved by an act of the commissioner
2 of insurance under the provisions of this Act may appeal therefrom
3 within thirty days after receipt of notice thereof to any court
4 of competent jurisdiction. Thereafter, such proceeding shall
5 proceed as in the case of any other civil cause.

1 Sec. 14. Every licensed life insurance agent shall inform
2 the commissioner of insurance promptly in writing of a change of
3 his principal business address.

1 Sec. 15. Any person, partnership, association, or corporation
2 violating any of the provisions of this Act, shall, in addition
3 to any other penalty specifically provided, be guilty of a mis-
4 deamur and, upon conviction, shall be fined not more than five
5 hundred dollars (\$500.00) or imprisoned not more than six (6)

6 months, or both, each such violation being a separate offense hereunder. In addition, if such offender holds a license as a life insurance agent, such license may be suspended or revoked as hereinafter provided.

1 Sec. 16. The commissioner of insurance is authorized to
2 establish and from time to time to amend reasonable rules and
3 regulations concerning all matters included in this Act.

1 Sec. 17. All laws or parts of laws in conflict herewith are
2 hereby repealed.

1 Sec. 18. Should any provision or section of this Act be
2 held to be unconstitutional or otherwise invalid for any reason,
3 such holding shall not be construed as affecting the validity of
4 any remaining portion of such section or of this Act.

EXPLANATION OF H. F. 238

The purpose of this bill is to raise the standards of the underwriting profession within the field of life insurance selling. Similar legislation to this has already passed in fourteen states and is under consideration in twenty-two other states.

This bill is not an attempt to keep anyone out of the insurance business, but only to raise the standards of those who do go into the life insurance business. It has the endorsement of the Life Underwriters Association of Iowa. It does not create a new board because it will be handled by the present Insurance Department. And there will be no extra expense by enacting this into law.

This bill is known as the Life Insurance Agents Qualification bill. It does not affect the status of life insurance men now in the business.