~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 4, 2009

**H. 3562**

Introduced by Reps. Brady and Sandifer

S. Printed 3/4/09--H.

Read the first time February 18, 2009.

**THE COMMITTEE ON**

**LABOR, COMMERCE AND INDUSTRY**

To whom was referred a Bill (H. 3562) to amend Section 38‑1‑20, as amended, Code of Laws of South Carolina, 1976, relating to definitions used in Title 38 pertaining to insurance, so, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

WILLIAM E. SANDIFER for Committee.

**A** **BILL**

TO AMEND SECTION 38‑1‑20, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DEFINITIONS USED IN TITLE 38 PERTAINING TO INSURANCE, SO AS TO ADD THE DEFINITIONS OF “GENERAL APPOINTMENT”, “LOCAL APPOINTMENT”, “SPECIAL APPOINTMENT”, “CROP INSURANCE”, AND “TRAVEL INSURANCE”, CORRECT ARCHAIC LANGUAGE, AND MAKE CONFORMING AMENDMENTS; TO AMEND SECTION 38‑39‑20, RELATING TO PREMIUM SERVICE COMPANIES, SO AS TO PROVIDE THAT THE FEE FOR LICENSURE TO ENGAGE IN SERVICING INSURANCE PREMIUMS IN THIS STATE IS DUE ON A BIENNIAL BASIS RATHER THAN ON AN ANNUAL BASIS; TO AMEND SECTION 38‑43‑80, AS AMENDED, RELATING TO LICENSE FEES FOR INSURANCE PRODUCERS AND AGENCIES, SO AS TO PROVIDE FOR A BIENNIAL PRODUCER LICENSE RENEWAL FEE OF TWENTY‑FIVE DOLLARS, INCREASE THE INITIAL PRODUCER LICENSE RENEWAL FEE FROM TWENTY DOLLARS TO TWENTY‑FIVE DOLLARS, AND PROVIDE FOR THE REQUIREMENTS RELATING TO THE PAYMENT OF APPOINTMENT FEES; TO AMEND SECTION 38‑43‑106, AS AMENDED, RELATING TO CONTINUING EDUCATION REQUIREMENTS FOR INSURANCE PRODUCERS, SO AS TO PROVIDE THAT THE BIENNIAL COMPLIANCE PERIOD IS BASED ON THE LICENSEE’S MONTH AND YEAR OF BIRTH; TO AMEND SECTION 38‑43‑110, AS AMENDED, RELATING TO THE DURATION OF AN INSURANCE PRODUCER’S LICENSE, SO AS TO PROVIDE THAT INDIVIDUAL LICENSES MUST BE RENEWED BIENNIALLY BASED ON THE LICENSEE’S MONTH AND YEAR OF BIRTH AND PROVIDE FOR THE REQUIREMENTS RELATING TO RENEWAL; TO AMEND SECTION 38‑43‑200, AS AMENDED, RELATING TO THE PROHIBITION ON SPLITTING COMMISSIONS WITH AN UNLICENSED PERSON BY AN INSURANCE PRODUCER, SO AS TO DELETE THE EXISTING PROVISIONS AND PROVIDE FOR THE REQUIREMENTS RELATING TO THE SPLITTING AND SHARING OF COMMISSIONS; TO AMEND SECTION 38‑45‑10, RELATING TO THE DEFINITIONS OF AN INSURANCE BROKER, SO AS TO PROVIDE FOR THE QUALIFYING DUTIES AND PROVIDE FOR EXCEPTIONS; AND TO AMEND SECTION 38‑45‑20, AS AMENDED, RELATING TO THE REQUIREMENTS FOR LICENSURE AS AN INSURANCE BROKER, SO AS TO DELETE THE REQUIREMENTS THAT A BROKER HOLD AT LEAST ONE APPOINTMENT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 38‑1‑20 of the 1976 Code, as last amended by Act 290 of 2004, is further amended to read:

“Section 38‑1‑20. ~~In~~ As used in this title, unless the context otherwise requires:

(1) ‘Accident and health insurance’ means insurance of human beings against death or personal injury by accident, and ~~every~~ each insurance of human beings against sickness, ailment, and any type of physical disability resulting from accident or disease, and prepaid dental service, but not including coverages required by the Workers’ Compensation Law of this State.

(2) ‘Accommodation bondsman’ means as defined in Section 38‑53‑10.

(3) ‘Adjuster’ means an individual who determines the extent of insured losses and assists in settling or attempts to settle claims.

(4) ‘Admitted assets’ means assets of an insurer considered admitted under Section 38‑11‑100.

~~(4.5)~~(5) ‘Admitted insurer’ means an insurer licensed to do business in this State.

~~(5)~~(6) ‘Alien insurer’ means an insurer incorporated or organized under the laws of a country other than the United States of America, its states, commonwealths, territories, or insular possessions.

~~(6)~~(7) ‘Annuity’ means ~~every~~ each contract or agreement to make periodic payments, whether in fixed or variable dollar amounts, or both, at specified intervals.

~~(6.5)~~(8)(a) ‘Appointment’ means an individual designated by an official or authorized representative of an authorized insurer to act on its behalf as a producer.

(b) ‘General appointment’ means an appointment of a person who, as a representative of an insurer or insurers, is vested with authority to supervise producers and to exercise this management authority as is delegated to him by the principal. A producer appointed as a general also may perform the duties of a producer who holds a local or special appointment.

(c) ‘Local appointment’ means an appointment of a producer who has been authorized by an insurer to sell, solicit, or negotiate policies on an insurer’s behalf.

(d) ‘Special appointment’ means an individual designated by an insurer to supervise and assist other producers in the proper discharge of their duties under an insurer’s policy contract. A special appointment grants no authority to sell, solicit, or negotiate policies of insurance on behalf of an insurer.

~~(7)~~(9) ‘Bail bondsman’ means as defined in Section 38‑53‑10.

~~(8)~~(10) ‘By’ means on or before.

~~(9)~~(11) ‘Casualty insurance’ means ~~every~~ each insurance against legal liability of the insured for bodily injury to or death of ~~other persons~~ another person, including workers’ compensation insurance, and for damages to or loss or destruction of the property of ~~others~~ another person; medical payments insurance when written in conjunction with ~~any~~ insurance covering liability for the deaths or bodily injuries of ~~others~~ another person; guaranteeing the fidelity of ~~persons~~ a person holding ~~positions~~ a position of public or private trust; loss of or damage to property caused by burglary, theft, larceny, robbery, fraud, or ~~any~~ unlawful taking or secretion of property owned by or entrusted to the insured; loss of or damage to property of the insured resulting from the explosion of or damage to ~~any~~ a fired or unfired boiler or other pressure vessel, engine, turbine, compressor, pump, wheel, ~~any~~ or an apparatus generating, transmitting, or using electric power, and ~~any~~ machinery or equipment connected with any of ~~the foregoing~~ them; loss resulting from nonpayment of debts owed to merchants or ~~other persons~~ another person extending credit.

~~(10)~~(12) ‘Certificate of insurance’ means a memorandum copy, complete or abbreviated, of an insurance contract.

~~(11)~~(13) ‘Coinsurance’ means a stipulation or requirement that the insured undertakes to be his own insurer to the extent that he fails to maintain insurance of a given percentage of the value of the property against loss or damage.

~~(12)~~(14) ‘Commission’ means the part of the premium paid to the producer as compensation for his services.

~~(13)~~(15) ‘Company’ includes ~~any~~ a corporation, fraternal organization, burial association, other association, partnership, society, order, individual, or aggregation of individuals engaging or proposing or attempting to engage as principals in any kind of insurance or surety business, including the exchanging of reciprocal or interinsurance contracts between individuals, partnerships, and corporations.

(16) ‘Crop insurance’ includes insurance providing protection against damage to crops from unfavorable weather conditions, fire, lightning, flood, hail, insect infestation, disease, or other yield‑reducing conditions or perils provided by the private insurance market, or that is subsidized by the Federal Crop Insurance Corporation, including Multi‑Peril Crop Insurance.

~~(14)~~(17) ‘Department’ means the Department of Insurance of South Carolina.

~~(15)~~(18) ‘Designee or deputy director’ means the person or persons appointed by the director, serving at the will and pleasure of the director as his designee, to supervise and carry out the functions and duties of the department as provided by law. ~~Any~~ A duty or function of the director to manage and supervise the ~~Insurance~~ department may be conferred by the director’s authority upon his designee or deputy director.

~~(16)~~(19) ‘Director’ means the person who is appointed by the Governor upon the advice and consent of the Senate and who is responsible for the operation and management of the department ~~of Insurance~~. The director has the authority to appoint or designate the person or persons who shall serve at the pleasure of the director to carry out the objectives or duties of the department as provided by law. Furthermore, the director may bestow upon his designee or deputy director ~~any~~ a duty or function required of him by law to manage and supervise the ~~Insurance~~ department.

~~(17)~~(20) ‘Domestic insurer’ means an insurer incorporated or organized under the laws of this State.

~~(17.5)~~(21) ‘Eligible surplus lines insurer’ means a nonadmitted insurer with which a ~~resident~~ licensed broker may place surplus lines insurance.

(22) ‘Exempt commercial policies’ means policies for commercial insureds as may be provided for in regulation issued by the director. Exempt commercial policies include all property and casualty coverages except for insurance related to credit transactions written through financial institutions.

~~(18)~~(23) ‘Foreign insurer’ means an insurer incorporated or organized under the laws of the United States or of any jurisdiction within the United States other than this State.

~~(18.5)~~(24) ‘Home state’ means the District of Columbia and ~~any~~ a state or territory of the United States in which an insurance producer maintains his ~~or her~~ principal place of residence or principal place of business and is licensed to act as an insurance producer.

~~(19)~~(25) ‘Insurance’ means a contract ~~whereby~~ where one undertakes to indemnify another or pay a specified amount upon determinable contingencies. The term ‘insurance’ includes annuities.

~~(19.5)~~(26) ‘Insurance agency’ means a corporation, association, partnership, limited liability company, limited liability partnership, or other legal entity in which more than one person has a financial interest.

~~(20)~~ ~~‘Insurance producer’ means a person who represents an insurance company and is required to be licensed in accordance with Section 38‑43‑10.~~

~~(21)~~(27) ‘Insurance broker’ means an individual licensed by the department to represent citizens of this State in placing their insurance. An insurance broker may place that insurance either with an eligible surplus lines insurer or with a licensed insurance producer in an insurance carrier licensed in this State.

~~(22)~~(28) ‘Insurance company’ means an ‘insurer’.

~~(23)~~(29) ‘Insurance premium service company’ means a person engaged in the business of entering into insurance premium service agreements.

(30) ‘Insurance producer’ or ‘producer’ means a person who represents an insurance company and is required to be licensed pursuant to Section 38‑43‑10.

~~(24)~~(31) ‘Insurance rate’ means the price of insurance ~~per~~ for each unit of exposure.

(32) ‘Insurance‑support organization’ means a person who regularly engages, in whole or in part, in the practice of assembling or collecting information about natural persons for the primary purpose of providing the information to an insurer or agent for insurance transactions, including: (i) the furnishing of consumer reports or investigative consumer reports to an insurer or agent for use in connection with an insurance transaction; or (ii) the collection of personal information from insurers, agents, or other insurance‑support organizations for the purpose of detecting or preventing fraud, material misrepresentation, or material nondisclosure in connection with insurance underwriting or insurance claim activity. However, the following are not considered insurance‑support organizations for purposes of this chapter: agents, governmental institutions, insurers, modeling organizations, consumer reporting agencies, medical care institutions, and medical professionals.

~~(25)~~(33) ‘Insurer’ includes ~~any~~ a corporation, fraternal organization, burial association, other association, partnership, society, order, individual, or aggregation of individuals engaging or proposing or attempting to engage as principals in any kind of insurance or surety business, including the exchanging of reciprocal or interinsurance contracts between individuals, partnerships, and corporations.

~~(26)~~ ~~Reserved.~~

~~(26.5)~~(34) ‘License’ means a document issued by the state’s director ~~of Insurance~~ or his designee authorizing a person to act as an insurance producer for the lines of authority specified in the document. The license itself does not create any authority, actual, apparent or inherent, in the holder to represent or commit an insurance carrier.

~~(27)~~(35) ‘Life insurance’ means a contract of insurance upon the lives of human beings. The following contracts are ~~deemed~~ considered to be contracts of life insurance within the meaning of this definition:

(a) a contract providing acceleration of life benefits, beginning on the contract’s original effective date, in advance of the time they otherwise would be payable for long‑term care as defined in Section 38‑72‑40;

(b) a contract providing acceleration of life benefits, beginning on the contract’s original effective date, in advance of the time they otherwise would be payable for a life‑threatening illness or a terminal illness as specified in the contract.

~~(27.5)~~(36) ‘Limited line credit insurance’ includes credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage guaranty, guaranteed automobile protection insurance, and ~~any other~~ another form of insurance offered in connection with an extension of credit that is limited to partially or wholly extinguishing that credit obligation that the director or his designee determines should be designated a form of limited line credit insurance.

~~(27.5A)~~(37) ‘Limited line credit insurance producer’ means a person who sells, solicits, or negotiates ~~credit life or credit accident and health, credit property and any other form of insurance offered in connection with an extension of credit that is limited to partially or wholly extinguishing that credit obligation that the director or his designee determines should be designated a form of limited line credit insurance~~ one or more forms of limited line credit insurance coverage to individuals through a master, corporate, group, or individual policy.

~~(27.5B)~~(38) ‘Limited line insurance’ includes crop ~~hail, automobile, physical damage, mortgage guaranty or mortgage redemption or both, title~~, travel ~~accident and baggage~~ surety, Federal Crop Insurance Program, and any other form of insurance that the director ~~of Insurance deems~~ considers necessary in order to ensure compliance with the reciprocal provisions of this chapter.

~~(27.5C)~~(39) ‘Limited line insurance producer’ means a person authorized by the director ~~of Insurance~~ or his designee to sell, solicit, or negotiate~~, crop hail, automobile physical damage, mortgage guaranty or mortgage redemption or both, title, travel accident and baggage, Federal Crop Insurance Program, and any other form of insurance that the Director of Insurance deems necessary in order to ensure compliance with the reciprocal provisions of this chapter~~ limited line insurance.

~~(28)~~(40) ‘Marine insurance’ means ~~every~~ each insurance against loss or destruction of or damage to aircraft, vessels, or watercraft and their cargoes; insurance covering the risks or perils of navigation, transit, or transportation of all forms of property, including the liability of ~~any~~ a carrier for hire for the loss of property of shippers delivered for transporting; marine builder’s risks; bridges, tunnels, piers, wharves, docks and slips, dry docks, marine railways, and other aids to navigation and transportation, precious stones, precious metals, and jewelry, whether in the course of transportation or otherwise; coverage of personal property by all risk forms known as the ‘Personal Property Floater’; and coverage of mobile machinery and equipment.

(41) ‘Modeling organization’ means a corporation, unincorporated association, partnership, or individual, whether located within or outside this State, that prepares a catastrophe model that is used by an insurer in a rate filing. A catastrophe model is a computer program that estimates losses from a potential upcoming disaster. Catastrophe modeling combines data on property exposures with information on hazards, such as storms or earthquakes, to generate estimates of potential losses.

~~(28.3)~~(42) ‘Negotiate’ means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning ~~any of the~~ substantive benefits, terms, or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.

~~(28.5)~~(43) ‘Nonadmitted insurer’ means an insurer not licensed to do an insurance business in this State.

~~(29)~~(44) ‘Person’ means a corporation, ~~an~~ agency, partnership, association, voluntary organization, individual, or ~~any other~~ another entity, organization, or aggregation of individuals.

~~(30)~~(45) ‘Policy’ means a contract of insurance.

~~(31)~~(46) ‘Premium’ means payment given in consideration of a contract of insurance.

~~(32)~~(47) ‘Premium service agreement’ means an agreement by which an insured or prospective insured promises to pay to an insurance premium service company the amount advanced or to be advanced under the agreement to an insurer or to an insurance producer or insurance broker in payment of premiums on an insurance contract together with a service charge as authorized by Chapter 39 of this title.

~~(32.5)~~(48) ‘Probation’ means allowing a licensed person the director has found to have violated South Carolina, any United States territory, or ~~any other~~ another state’s laws to continue selling, soliciting, or negotiating insurance on behalf of an insurer. ~~No~~ A person convicted of a felony or those crimes listed in 18 U.S.C. 1033 or 1034 ~~shall~~ does not qualify for probation.

~~(33)~~(49) ‘Professional bondsman’ means as defined in Section 38‑53‑10.

~~(34)~~(50) ‘Property insurance’ means ~~every~~ each insurance against direct or indirect loss of or damage to ~~any~~ a property resulting from fire, smoke, weather disturbances, climatic conditions, earthquake, volcanic eruption, rising waters, insects, blight, animals, war damage, riot, civil commotion, destruction by order of civil authority to prevent spread of conflagration or for other reason, water damage, vandalism, glass breakage, explosion of ~~any~~ a water ~~systems~~ system, collision, theft of automobiles, and personal effects ~~therein~~ in them (but no other forms of theft insurance), loss of or damage to domestic or wild animals, and any other perils to property which in the discretion of the director or his designee form proper subjects of property insurance, if not specified in items (1), (7), ~~(9), (27), (28), (37)~~ (11), (35), (40), (54), or ~~(39)~~ (59) of this section.

~~(35)~~(51) ‘Runner’ means as defined in Section 38‑53‑10.

~~(35.3)~~(52) ‘Sell’ means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company.

~~(35.5)~~(53) ‘Solicit’ means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company.

~~(36)~~ ~~‘Surety bondsman’ means as defined in Section 38‑53‑10.~~

~~(37)~~(54) ‘Surety’ ~~insurance’ means becoming surety on, or guaranteeing the performance of, any lawful contract except an insurance contract; becoming surety on, or guaranteeing the performance of, any bonds and undertaking required or permitted in any judicial proceeding or required or permitted by any government or any agency or instrumentality of any government~~ includes insurance or a bond that covers obligations to pay the debts, or answer for the default, of another, including faithlessness in a position of public or private trust.

(55) ‘Surety bondsman’ means as defined in Section 38‑53‑10.

~~(37.5)~~(56) ‘Surplus lines insurance’ means insurance in this State of risks located or to be performed in this State, permitted to be placed through a ~~resident~~ licensed broker with a nonadmitted insurer eligible to accept the insurance, other than reinsurance, wet marine and transportation insurance, insurance independently procured, and life and health insurance and annuities. Excess and stop‑loss insurance coverage upon group life, accident, and health insurance or upon a self‑insured’s life, accident, and health benefits program may be approved as surplus lines insurance.

~~(38)~~(57) ‘Surplus to policyholders’ is the excess of total admitted assets over the liabilities of an insurer which is the sum of all capital and surplus accounts minus any impairment ~~thereof~~ of them.

~~(38.5)~~(58) ‘Terminate’ means the cancellation of the relationship between an insurance producer and the insurer or the termination of a producer’s authority to transact insurance.

~~(39)~~(59) ‘Title insurance’ means insurance of the owners of real property and other persons lawfully interested ~~therein~~ in the title insurance against loss by reason of defective titles and undisclosed liens and encumbrances affecting the property.

~~(40)~~ ~~‘Exempt commercial policies’ means policies for commercial insureds as may be provided for in regulation issued by the director. Exempt commercial policies include all property and casualty coverages except for insurance related to credit transactions written through financial institutions.~~

(60) ‘Travel insurance’ includes insurance coverage for trip cancellation, trip interruption, baggage, life, sickness and accident, disability, and personal effects when limited to a specific trip and sold in connection with transportation provided by a common carrier.

~~(41)~~(61) ‘Uniform agency application’ means the current version of the National Association of Insurance Commissioners Uniform Business Entity Application for resident and nonresident business entities.

~~(42)~~(62) ‘Uniform application’ means the current version of the National Association of Insurance Commissioners Uniform Application for resident and nonresident producer licensing.

~~(43)~~ ~~‘Insurance‑support organization’ means a person who regularly engages, in whole or in part, in the practice of assembling or collecting information about natural persons for the primary purpose of providing the information to an insurer or agent for insurance transactions, including: (i) the furnishing of consumer reports or investigative consumer reports to an insurer or agent for use in connection with an insurance transaction; or (ii) the collection of personal information from insurers, agents, or other insurance‑support organizations for the purpose of detecting or preventing fraud, material misrepresentation, or material nondisclosure in connection with insurance underwriting or insurance claim activity. However, the following are not considered insurance‑support organizations for purposes of this chapter: agents, governmental institutions, insurers, modeling organizations, consumer reporting agencies, medical care institutions, and medical professionals.~~

~~(44)~~ ~~‘Modeling organization’ means a corporation, an unincorporated association, a partnership, or an individual, whether located within or outside this State, that prepares catastrophe models that are used by insurers in rate filings. Catastrophe models are computer programs that estimate losses from potential upcoming disasters. Catastrophe modeling combines data on property exposures with information on hazards, such as storms or earthquakes, to generate estimates of potential losses.~~”

SECTION 2. Section 38‑39‑20(b) of the 1976 Code is amended to read:

“(b) The ~~annual~~ biennial license fee is ~~five hundred~~ one thousand dollars payable to the department by March ~~first to the department, to be deposited by the department in the state treasury~~ 1, 2010, and biennially after that time. These funds are to be deposited in the general fund of the State.”

SECTION 3. Section 38‑43‑80 of the 1976 Code, as last amended by Act 326 of 2008, is further amended to read:

“Section 38‑43‑80. (A) ~~As used in this section, ‘biennial appointment fee’ means a fee paid by the insurer on a biennial basis by September thirtieth of an even‑numbered year. If an appointment fee is not paid by December thirtieth of an even‑numbered year, the appointment must be canceled.~~

~~(B)~~(1) Unless otherwise changed by order of the director, the following fees are applicable to producer licenses, agency licenses, and insurer appointments:

(a) ~~individual~~ initial producer license fee: ~~twenty~~ twenty‑five dollars; biennial ~~appointment~~ producer license renewal fee: ~~forty~~ twenty‑fivedollars;

(b) local appointment initial and biennial fee: forty dollars; special ~~producer~~ appointment initial and biennial ~~license and appointment~~ fee: one hundred dollars; general ~~producer~~ appointment initial and biennial ~~appointment~~ fee: one hundred dollars;

(c) agency ~~license‑initial~~ initial and biennial license fee: forty dollars~~; limited lines biennial license and appointment fee: forty dollars~~.

(2) However, the license and appointment fee applicable to a producer of a common carrier who sells only transportation ticket policies on accident and health insurance or baggage insurance on personal effects is twenty dollars.

(B) The fees provided for in subsection (A)(1)(b) are subject to the following requirements on each appointment basis:

(1) initial fees are due and payable in advance of the appointment;

(2) fees are due on a biennial basis and must be paid to the department by September thirtieth of an even‑numbered year;

(3) if a fee is not paid by September thirtieth of an even‑numbered year, the appointment must be canceled; and

(4) an appointment must be reactivated if by December first of the even‑numbered year the appointment fee and a two hundred fifty‑dollar penalty has been paid to the department.

(C) ~~At the time of licensure, the license fee for each applicable line of insurance~~ Fees must be paid in advance ~~by the producer~~. The department shall promulgate regulations specifying the time and manner of payment of ~~these~~ fees. If payment is rejected by the bank, the producer has thirty days from the rejection date to pay the license fee. If payment is not made to the department within this period, the license must be canceled. To reinstate the license, the producer is required to pay a license fee plus any charges resulting from rejection by the bank.

(D) ~~The~~ Fees provided for in subsection ~~(B)~~(A)(1)(a) and (B)(4) are to be retained by the department as other funds for purposes of implementing and administering individual licensing requirements and the provisions of this title. ~~All other~~ License and appointment fees must be deposited into the general fund of this State.

(E) A fee provided for in this section may be paid by credit card.”

SECTION 4. Section 38‑43‑106(B)(1) of the 1976 Code, as last amended by Act 326 of 2008, is further amended to read:

“(1) The director or his designee shall administer these continuing education requirements and shall approve courses of instruction which qualify for these purposes. However, the director may enter into reciprocal agreements with the insurance commissioners of other states regarding the approval of continuing education courses, sponsors, instructors, or proctors if, in his judgment, the arrangements or agreements are in the best interest of the State and if the proposed courses, sponsors, instructors, or proctors submitted meet the minimum statutory requirements of this State for approval. However, the director or his designee may not enter into or continue a reciprocal agreement unless the other state has requirements similar to this State in approving courses, sponsors, instructors, or proctors. In administering this program, the department, in its discretion, may promulgate regulations ~~whereby~~ producers provide to a continuing education administrator established within the department ~~of Insurance~~ proof of compliance with continuing education requirements as a condition of license renewal or, in the alternative, contract with an outside service provider to provide recordkeeping services as the continuing education administrator. The costs of the continuing education administrator must be paid from the continuing insurance education fees paid by producers in the manner provided by this section, except that course approval responsibilities may not be designated to the continuing education administrator. The continuing education administrator shall compile and maintain, in conjunction with insurers and producers, records reflecting the continuing insurance education status of all licensed or qualified producers subject to the requirements of this section. The continuing education administrator shall furnish to the insurer, as specified by regulation, a report of the continuing insurance education status of all of its producers. All licensed producers shall provide evidence of their continuing insurance education status to the continuing education administrator by ~~May first of the biennially compliance year unless granted an extension~~ the last day of the individual’s month of birth. An individual born in an odd‑numbered year shall comply every odd‑numbered year. An individual born in an even‑numbered year shall comply every even‑numbered year.”

SECTION 5. Section 38‑43‑110 of the 1976 Code, as last amended by Act 326 of 2008, is further amended to read:

“Section 38‑43‑110. (A) A producer’s license ~~is for an indefinite term and~~ continues on a biennial basis ~~on the last day of the licensee’s month of birth~~ unless revoked or suspended ~~as long as the requirements of Section 38‑43‑106 are met~~ subject to the following requirements:

(1) an individual producer license must be renewed by the last day of the licensee’s month of birth based on the producer’s year of birth as provided for in regulation;

(2) an individual producer license may not be renewed unless the continuing education requirements of Section 38‑43‑106 are met; and

(3) an individual producer license may not be renewed unless the biennial license renewal fee is paid as provided in Section 38‑43‑80.

(B) ~~If the biennial appointment fee for a producer is not paid as provided in Section 38‑43‑80, the appointment must be canceled.~~

~~(C)~~ A producer who allows his license to lapse for failure to comply with Section 38‑43‑106 ~~may~~, within six months from the compliance deadline, may reinstate the same license if continuing education requirements have been met ~~by November first of the compliance period~~ and a penalty fee set forth by regulation is paid.

~~(D)~~(C) A licensed insurance producer who is unable to comply with license renewal procedures due to active military service or some other extenuating circumstance (e.g., a long‑term medical disability) may request a waiver of those procedures. The producer also may request a waiver of any examination requirement or any other fine or sanction imposed for failure to comply with renewal procedures.”

SECTION 6. Section 38‑43‑200 of the 1976 Code, as last amended by Act 291 of 2004, is further amended to read:

“Section 38‑43‑200. (A) ~~A licensed producer representing an insurer may not pay, directly or indirectly, any commission, brokerage, or other valuable consideration on account of any policy of insurance on any risk in this State to any nonresident or resident not duly licensed to act as producer or broker for the type of insurance involved.~~

~~(B) Notwithstanding the provisions of subsection (A), producers licensed under this title may write insurance at the request of other licensed producers or licensed brokers or licensed nonresident brokers and allow the licensed producers or licensed brokers or licensed nonresident brokers not exceeding one‑half of the commissions which they receive on the business written.~~

~~(C) The limitations contained in subsection (B) with respect to the amount of commission which may be allowed other licensed producers or licensed brokers or licensed nonresident brokers do not apply where the insurance written is life insurance or accident and health insurance.~~

~~(D) This section does not prohibit the payment of a fee to a trade or professional association exempt from income tax under Section 501(c) of the Internal Revenue Code.~~

~~(E) Nothing in this section should be construed to prohibit any licensed insurance producer from rebating any portion of his commission collected on automobile insurance premiums to the insured upon that automobile insurance policy.~~

~~(F) An insurance company or insurance producer may not pay a commission, service fee, brokerage, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this State if that person is required to be licensed in accordance with Section 38‑43‑20 and is not licensed pursuant to that section.~~

~~(G) A person may not accept a commission, service fee, brokerage or other valuable consideration for selling, soliciting, or negotiating insurance in this State if that person is required to be licensed under this chapter and is not licensed pursuant to it.~~

~~(H) Renewal or other deferred commissions may be paid to a person for selling, soliciting, or negotiating insurance in this State if the person was required to be licensed under this chapter at the time of the sale, solicitation, or negotiation and was licensed pursuant to it at that time.~~ An insurance company or insurance producer may not pay a commission, service fee, brokerage or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this State if that person is required to be licensed pursuant to the provisions of this chapter and is not licensed.

(B) A person may not accept a commission, service fee, brokerage or other valuable consideration for selling, soliciting, or negotiating insurance in this State if that person is required to be licensed pursuant to the provisions of this chapter and is not licensed.

(C) A renewal or other deferred commission may be paid to a person for selling, soliciting, or negotiating insurance in this State if the person was required to be licensed pursuant to the provisions of this chapter at the time of the sale, solicitation, or negotiation and was licensed at that time.

(D) An insurer or insurance producer may pay or assign commissions, service fees, brokerages, or other valuable consideration to an insurance agency or to a person who does not sale, solicit, or negotiate insurance in this State, unless the payment violates another provision of Title 38. A payment made by an insurer or insurance producer pursuant to the provisions of this subsection must not exceed twenty‑five dollars for each transaction or an aggregate of two hundred fifty dollars in a calendar year. A payment made pursuant to the provisions of this subsection must not be based on completion of the sale of the insurance policy.

(E) Nothing in this section may be construed to prohibit a licensed insurance producer from rebating a portion of his commission collected on automobile insurance premiums to the insured upon that automobile insurance policy.

(F) This section does not prohibit the payment of a fee to a trade or professional association exempt from income tax under Section 501(c) of the Internal Revenue Code.”

SECTION 7. Section 38‑45‑10 of the 1976 Code is amended to read:

“Section 38‑45‑10. ~~‘Insurance broker’ as used in this chapter means an individual licensed by the director or his designee to represent citizens of this State in placing their insurance.~~

(A)(1) An ‘insurance broker’, as used in this chapter, means a property and casualty insurance producer licensed by the director or his designee who:

(a) sells, solicits, or negotiates insurance on behalf of an insured;

(b) takes or transmits other than for himself an application for insurance or a policy of insurance to or from an insured;

(c) advertises or otherwise gives notice that he receives or transmits a surplus lines application or policies;

(d) receives or delivers a policy of surplus lines insurance for an insured on behalf of a surplus lines insurer;

(e) receives, collects, or transmits a premium of surplus lines insurance; or

(f) performs another act in the making of a surplus lines insurance contract for or with an insured.

(2) However, an insurance broker’s license is not required of a broker’s office employee acting within the confines of the broker’s office, under the direction and supervision of the licensed broker and within the scope of the broker’s license, in the acceptance of request for insurance and payment of premiums and the performance of clerical, stenographic, and similar office duties.

(B) An insurance broker may place that insurance either with an eligible surplus lines insurer or with a licensed insurance ~~agent in~~ producer appointed by an insurance carrier licensed in this State.”

SECTION 8. Section 38‑45‑20 of the 1976 Code, as last amended by Act 326 of 2008, is further amended to read:

“Section 38‑45‑20. A resident property and casualty‑licensed insurance producer may be licensed as an insurance broker by the director or his designee if the following requirements are met:

(1) licensure of the resident as an insurance producer ~~and having at least one appointment~~ for the same lines of insurance for which he proposes to apply as a broker of this State;

(2) successfully passed the South Carolina broker licensing examination;

(3) payment of a biennial license fee of two hundred dollars which is earned fully when received, not refundable;

(4) filing of a bond with the department in a form approved by the Attorney General in favor of South Carolina of ten thousand dollars executed by a corporate surety licensed to transact surety insurance in this State and personally countersigned by a licensed resident agent of the surety. The bond must be conditioned to pay a person insured or seeking insurance through the broker who sustains loss as a result of:

(a) the broker’s violation of or failure to comply with an insurance law or regulation of this State;

(b) the broker’s failure to transmit properly a payment received by him, cash or credit, for transmission to an insurer or an insured; or

(c) an act of fraud committed by the broker in connection with an insurance transaction. Instead of a bond, the broker may file with the department certificates of deposit of ten thousand dollars of building and loan associations or federal savings and loan associations located within the State in which deposits are guaranteed by the Federal Savings and Loan Insurance Corporation, not to exceed the amount of insurance, or of banks located within the State in which deposits are guaranteed by the Federal Deposit Insurance Corporation, not to exceed the amount of insurance. An aggrieved person may institute an action in the county of his residence against the broker or his surety, or both, to recover on the bond or against the broker to recover from the certificates of deposit, and a copy of the summons and complaint in the action must be served on the director, who is not required to be made a party to the action;

(5) payment to the department, within thirty days after March thirty‑first, June thirtieth, September thirtieth, and December thirty‑first each year, of a broker’s premium tax of four percent upon premiums for policies of insurers not licensed in this State. In computing total premiums, return premiums on risks and dividends paid or credited to policyholders are excluded. Such credit must be refunded to the policyholder.”

SECTION 9. This act takes effect upon approval by the Governor.

‑‑‑‑XX‑‑‑‑