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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL**  
**No. 1200** Session of  
1977

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INTRODUCED BY HANKINS, DUFFIELD, NOLAN, HESS, MELLOW AND  
ANDREWS, NOVEMBER 14, 1977

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REFERRED TO INSURANCE, NOVEMBER 14, 1977

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AN ACT

1 Establishing certain procedures relating to the termination of  
2 insurance agency contracts or accounts and providing  
3 penalties.

4 The General Assembly of the Commonwealth of Pennsylvania  
5 hereby enacts as follows:

6 Section 1. Definitions.

7 The following words and phrases when used in this act shall  
8 have, unless the context clearly indicates otherwise, the  
9 meanings given to them in this section:

10 "Agent." An insurance agent authorized to transact the  
11 business of automobile insurance in the Commonwealth.

12 "Insurer." An insurance company, association or exchange  
13 authorized to transact the business of automobile insurance in  
14 the Commonwealth.

15 Section 2. Cancellation of contract.

16 (a) Notice.--After an agency contract has been in effect for  
17 a period of five years, no insurer shall terminate its contract  
18 with an agent without first providing such agent and the

1 Insurance Commissioner with written notification at least 90  
2 days prior to the date of termination.

3 (b) Reason for action.--Such notification shall set forth  
4 the insurer's reason for the action.

5 (c) Privileged information.--Any information, document,  
6 record or statement so furnished or disclosed to the department  
7 shall be absolutely privileged and shall not be admissible as  
8 evidence in or as basis for any action against the appointing  
9 insurer or against any representative of the foregoing.

10 (d) Administrative review.--Any agent may within 30 days of  
11 receipt of notice of termination, request in writing to the  
12 Insurance Commissioner that he review the action of the insurer  
13 for the purpose of determining that said termination was in  
14 compliance with the provisions of this section.

15 (e) Restriction on termination.--No insurer shall terminate  
16 its contract with an agent due to the adverse experience of a  
17 single year.

18 Section 3. Continuation of business.

19 (a) Policies.--Where an insurer notifies an agent that its  
20 contract shall be terminated, the insurer shall offer to  
21 continue such agent's policies and any amendments thereto,  
22 through such agent for a period of 12 months from the effective  
23 date of termination, subject to the insurer's current  
24 underwriting standards.

25 (b) Commissions.--The terminated agent shall be entitled to  
26 receive commissions on account of all business continued or  
27 written pursuant to this subsection at the insurer's prevailing  
28 commission rate for such business.

29 (c) Application of section.--The provisions of the section  
30 do not apply to business owned by the insurer and not by the

1 agent, provided such insurer offers to continue such policies  
2 through another of its agents.

3 Section 4. Certain agreements permitted.

4 (a) Construction of act.--Nothing contained in this act  
5 shall be deemed or construed to prohibit an amendment or  
6 addendum subsequent to the inception date of the original agency  
7 agreement providing in such subsequent amendment or addendum  
8 that the original agency agreement may be terminated at a sooner  
9 time than is required by this act provided the agent agrees in  
10 writing to such sooner termination.

11 (b) Certain terminations excepted.--This section shall not  
12 apply to:

13 (1) an agent whose license has been revoked by the  
14 Insurance Commissioner or whose contract has been terminated  
15 for insolvency abandonment, gross and willful misconduct or  
16 failure to pay over to the insurer moneys due to the insurer  
17 after his receipt of a written demand thereof; or

18 (2) an agent who has demonstrated gross incompetence  
19 which would normally be cause for agency contract termination.

20 Section 5. Penalties.

21 (a) Summary offense.--Any person, agent or insurer who  
22 willfully violates any provision of this act shall, upon  
23 conviction thereof, at a summary proceeding, be sentenced to pay  
24 a fine not exceeding \$500, plus costs. Conviction under this  
25 subsection shall not bar administrative action by the Insurance  
26 Commissioner under this section.

27 (b) Administrative action.--Upon satisfactory evidence of a  
28 violation of this act by any person, agent or insurer, the  
29 Insurance Commissioner may, in his discretion, pursue any one or  
30 more of the following courses of action:

1           (1) Suspend or revoke the license of such offending  
2 person, agent or insurer.

3           (2) Refuse, for a period not to exceed one year  
4 thereafter, to issue a new license to or to renew a license  
5 of, such person, agent or insurer.

6           (3) Impose a civil penalty of not more than \$500 for  
7 each and every act in violation of this act.

8       (c) Review and appeal.--Any adjudication of the Insurance  
9 Commissioner under subsection (b) shall be subject to review and  
10 appeal in accordance with the act of June 4, 1945 (P.L.1388,  
11 No.442), known as the "Administrative Agency Law."

12 Section 6. Effective date.

13 This act shall take effect immediately.