

INSURANCE PRODUCER EDUCATION REVISIONS

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House Bill 4325 as enacted
Public Act 67 of 2017
Sponsor: Rep. Tom Barrett
Committee: Insurance
Complete to 7-20-17

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY:

House Bill 4325 would amend the Insurance Code to make revisions regarding the education of insurance producers (agents) in Michigan. According to the bill's sponsor, the most notable revision is the inclusion of a credit carryover system that allows insurance producers (e.g., agents) to carry over (use in future years) continuing education (CE) hours in excess of the required number, subject to certain limitations.

The bill would also change the standard for valuation of certain individual annuity and pure endowment contracts.

FISCAL IMPACT:

House Bill 4325 would have a negative fiscal impact on the Department of Insurance and Financial Services. The department estimates that at least \$40,000 would need to be expended for IT upgrades, which would be necessary for compliance with the provisions of the bill. The other effects of the bill would not result in significant fiscal impacts for the department. The bill would not have a fiscal impact on other units of state or local government.

THE APPARENT PROBLEM:

According to testimony from the bill's supporters, most neighboring states allow insurance agents to carry over some portion of continuing education hours to future years; Michigan currently does not. This results in inflexible scheduling demands on agents, and may incentivize agents to take the minimum number of hours required.

THE CONTENT OF THE BILL:

House Bill 4325 would amend the Insurance Code (MCL 500.835a, 500.1204a, and 500.1204c) to:

- Require the use of the 1983 “Table a” mortality table, rather than the 2012 mortality table, for individual annuity and pure endowment contracts if the contract is based on life contingencies and is issued to fund period benefits arising from specific types of settlements.

- Allow insurance producers to carry over CE hours into future years, subject to limitations.
- Give specific authority to the director of the Department of Insurance and Financial Services (DIFS) to authorize and penalize insurance education instructors if they violate certain provisions.
- Repeal Section 1204b of the Insurance Code, which provides for the creation of an Insurance Agent Education Advisory Council within the Department of Labor and Economic Growth.
- Allow the DIFS director or a designee to access any classroom while a producer program of study is in progress to monitor classroom instruction.

The term "insurance producer" in this section of the Code means a life-health agent or property-casualty agent.

Carryover of Continuing Education Credits

After one year after the effective date of the bill, for a review date of an applicable two-year CE period, the bill would allow for carryover of CE hours, subject to the following limitations:

- If an individual completes more than 24 hours of CE in an applicable two-year period, the individual could apply each hour more than 24 to the next two-year period, with a limit of 12 hours applied to the next period.
- An individual could not apply any hours in ethics courses to the next two-year period.
- An individual could not apply any hours in repeated courses within a two-year period to the next two-year period.

Instructors in the Registered Insurance Agent Program of Study

Currently, instructors in the insurance agent program of study must meet qualifications and criteria set by the DIFS director. The bill would retain that provision, and would provide the director with specific authority in authorizing instructors in both the registered insurance producer program of study and continuing education program of study.

The director would be able to refuse to approve an insurance education instructor, and would be able to suspend, place on probation, or revoke the approval of an approved insurance instructor, or any combination of those actions, if one or more of the following conditions apply:

1. The instructor “violates an insurance law or violates a rule, subpoena, or order of the director or of another state’s insurance commissioner.”
2. The instructor “uses fraudulent, coercive, or dishonest practices or demonstrates incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or outside this state.”
3. The “instructor’s insurance producer license or its equivalent is revoked in conjunction with a disciplinary action in any state, province, district, or territory.”

Repeal of the Insurance Agent Education Advisory Council

The bill would repeal the statute creating the Insurance Agent Education Advisory Council, a council made up of representatives from state and national insurance associations,

insurers, licensed insurance agents, the general public, and the insurance education field. The members serve without compensation. The Council is tasked with reviewing and making recommendations regarding the registered insurance agent program of study, reviewing and making recommendations regarding continuing education programs of study, and making recommendations with respect to educational requirements of insurance agents.

BACKGROUND INFORMATION:

The Insurance Code requires an insurance producer's accrued hours of study to be reviewed for license renewal every two years. Current statute requires that before the review date, an insurance producer wishing to renew a license must attend or instruct at least 24 hours of CE classes approved by the DIFS director, or complete 24 hours of home study or online training classes, provided there is evidence of successful completion of coursework approved by the director. At least three hours of the CE requirement must be in classes or coursework in ethics in insurance.

ARGUMENTS:

For:

According to testimony from the bill's sponsor, insurance producers are often small-business owners, and the carryover provision allows them greater flexibility in running their businesses. Additionally, some insurance providers are busiest at certain times of the year (e.g., open enrollment for health care), and this bill would give them the ability to best manage their schedules.

According to a representative of the Michigan Association of Health Underwriters, the bill would also create an incentive for producers to take more credits than the minimum requirement, which would ensure that they are taking the most up-to-date courses on their product lines. According to both testimonies, some of Michigan's neighboring states allow a form of credit carryover.

Other provisions strengthen the regulatory oversight of continuing education providers by the DIFS director to ensure the integrity and meaningfulness of the education requirements. The council being eliminated is said to be no longer functioning or necessary.

Against:

No individual or organization presented an argument against the bill.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.