

SUBSTITUTE FOR
HOUSE BILL NO. 4325

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 1204a and 1204c (MCL 500.1204a and 500.1204c),
section 1204a as amended by 2008 PA 575 and section 1204c as
amended by 2008 PA 574; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1204a. (1) To qualify as a registered insurance ~~agent~~
2 **PRODUCER** program of study, the program of study ~~shall~~**MUST** meet all
3 of the following criteria:
4 (a) Be conducted through an educational institution offering
5 home study courses that has been in existence for not less than 5
6 years, by an insurance trade association, by an authorized insurer
7 as provided in subsection (2), or by an educational institution

1 listed in the state board of education directory of institutions of
2 higher learning.

3 (b) Except as provided in subsection (2), provide for a
4 minimum number of hours of classroom instruction or its equivalent
5 in home study or online courses as follows:

6 (i) For a program of study for health insurance producers, 20
7 hours of instruction.

8 (ii) For a program of study for life insurance producers, 20
9 hours of instruction.

10 (iii) For a combined program of study for life and health
11 insurance producers, 40 hours of instruction.

12 (iv) For a program of study for property insurance producers
13 and solicitors, 20 hours of instruction.

14 (v) For a program of study for casualty insurance producers
15 and solicitors, 20 hours of instruction.

16 (vi) For a program of study for personal lines producers, 20
17 hours of instruction.

18 (vii) For a program of study for property and casualty
19 producers and solicitors, 40 hours of instruction. A program of
20 study completed under this subparagraph satisfies the program of
21 study requirements for personal lines producers and solicitors.

22 (c) Include instruction in ethical practices in the marketing
23 and selling of insurance.

24 (d) ~~Instruction shall~~ **SUBJECT TO SUBSECTION (5), INSTRUCTION**
25 **MUST** be given only by individuals who meet the qualifications
26 required by the ~~commissioner.~~ **DIRECTOR.** The ~~commissioner, after~~
27 ~~consulting the insurance agent education advisory council,~~ **DIRECTOR**

1 shall promulgate rules prescribing the criteria that must be met by
2 a person ~~in order~~ to render instruction in a registered insurance
3 agent ~~agent~~ **PRODUCER** program of study.

4 (2) An authorized insurer may conduct that portion of the
5 minimum number of hours of instruction under subsection (1) as the
6 ~~commissioner~~ **DIRECTOR** considers appropriate. Any combination of
7 classroom, online, or self-study hours may be used in satisfying
8 the minimum number of hours of instruction under subsection (1).

9 (3) The ~~commissioner~~ **DIRECTOR** shall promulgate rules
10 prescribing the subject matter that a program of study must possess
11 to qualify for registration under this section.

12 (4) The ~~commissioner~~ **DIRECTOR** may ~~make recommendations for~~
13 **RECOMMEND** improvements in course materials as considered necessary
14 by the ~~commissioner~~ **DIRECTOR**. The ~~commissioner~~ **DIRECTOR** may, after
15 notice and opportunity for a hearing, withdraw the registration of
16 a program of study that does not maintain reasonable standards as
17 determined by the ~~commissioner~~ **DIRECTOR** for the protection of the
18 public.

19 (5) **FOR A REGISTERED INSURANCE PRODUCER PROGRAM OF STUDY UNDER**
20 **THIS SECTION, THE DIRECTOR MAY REFUSE TO APPROVE AN INSURANCE**
21 **EDUCATION INSTRUCTOR, AND THE DIRECTOR MAY PLACE AN APPROVED**
22 **INSURANCE EDUCATION INSTRUCTOR ON PROBATION OR SUSPEND OR REVOKE**
23 **APPROVAL OF AN APPROVED INSURANCE EDUCATION INSTRUCTOR, OR TAKE ANY**
24 **COMBINATION OF THESE ACTIONS, IF 1 OR MORE OF THE FOLLOWING APPLY:**

25 (A) **THE INSURANCE EDUCATION INSTRUCTOR VIOLATES AN INSURANCE**
26 **LAW OR VIOLATES A RULE, SUBPOENA, OR ORDER OF THE DIRECTOR OR OF**
27 **ANOTHER STATE'S INSURANCE COMMISSIONER.**

(B) THE INSURANCE EDUCATION 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.

(C) THE INSURANCE EDUCATION INSTRUCTOR'S INSURANCE PRODUCER LICENSE OR ITS EQUIVALENT IS REVOKED IN CONJUNCTION WITH A DISCIPLINARY ACTION IN ANY STATE, PROVINCE, DISTRICT, OR TERRITORY.

Sec. 1204c. ~~(1) As used in this section:~~

~~(a) "Hour" means a period of time of not less than 50 minutes.~~

~~(b) "Insurance producer" means a life-health agent or property-casualty agent.~~

~~(c) "Life-health agent" means a resident or nonresident individual insurance producer licensed for life, limited life, mortgage redemption, accident and health, or any combination thereof.~~

~~(d) "Property-casualty agent" means a resident or nonresident individual insurance producer or solicitor licensed for automobile, fire, multiple lines, any limited or minor property and casualty line, or any combination thereof.~~

(1) ~~(2)~~ An insurance producer's hours of study accrued under this section ~~shall~~ **MUST** be reviewed for license continuance every 2 years under a schedule established by the ~~commissioner~~ **DIRECTOR**. The ~~commissioner~~ **DIRECTOR** may establish a schedule for license continuation that staggers license continuation dates to apportion the continuation dates throughout the calendar year. If the system of staggered continuation is adopted, the ~~commissioner~~ **DIRECTOR** may extend the licensure period for some licensees.

1 (2) ~~(3)~~ Except as provided in subsections ~~(10)~~ **(9)** to ~~(13)~~,
 2 **(12)**, **AND SUBJECT TO SUBSECTION (13)**, before the review date of
 3 each applicable 2-year period provided for under subsection ~~(2)~~,
 4 **(1)**, an insurance producer wishing to renew his or her license
 5 shall renew his or her license by attending or instructing not less
 6 than 24 hours of continuing education classes approved by the
 7 ~~commissioner~~ **DIRECTOR** or 24 hours of home study or online training
 8 if evidenced by successful completion of ~~course work~~ **COURSEWORK**
 9 approved by the ~~commissioner~~ **DIRECTOR**. Of the 24 hours of
 10 continuing education required, not less than 3 hours ~~shall~~ **MUST** be
 11 in ethics in insurance classes or ~~course work~~ **COURSEWORK**.

12 (3) ~~(4)~~ After reviewing recommendations made by the council
 13 under section 1204b, the ~~commissioner~~ **THE DIRECTOR** shall approve a
 14 **REGISTERED INSURANCE PRODUCER** program of study if the ~~commissioner~~
 15 **DIRECTOR** determines that the program increases knowledge of
 16 insurance and related subjects as follows:

17 (a) For a life-health agent program of study, the program
 18 offers instruction in 1 or more of the following:

19 (i) The fundamental considerations and major principles of
 20 life insurance.

21 (ii) The fundamental considerations and major principles of
 22 health insurance.

23 (iii) Estate planning and taxation as related to insurance.

24 (iv) Industry and legal standards concerning ethics in
 25 insurance.

26 (v) Legal, legislative, and regulatory matters concerning
 27 insurance, the insurance code, and the insurance industry.

1 (vi) Principal provisions used in life insurance contracts,
2 health insurance contracts, or annuity contracts and differences in
3 types of coverages.

4 (vii) Accounting and actuarial considerations in insurance.

5 (viii) Principles of agency management, excluding
6 telemarketing or other marketing instruction.

7 (ix) The fundamental considerations, major principles, and
8 statutory requirements of long-term care insurance.

9 (b) For a property-casualty agent program of study, the
10 program offers instructions in 1 or more of the following:

11 (i) The fundamental considerations and major principles of
12 property insurance.

13 (ii) The fundamental considerations and major principles of
14 casualty insurance.

15 (iii) Basic principles of risk management.

16 (iv) Industry and legal standards concerning ethics in
17 insurance.

18 (v) Legal, legislative, and regulatory matters concerning
19 insurance, the insurance code, and the insurance industry.

20 (vi) Principal provisions used in casualty insurance
21 contracts, no-fault insurance contracts, or property insurance
22 contracts and differences in types of coverages.

23 (vii) Accounting and actuarial considerations in insurance.

24 (viii) Principles of agency management, excluding
25 telemarketing or other marketing instruction.

26 **(4)** ~~(5)~~—A provider of a program of study for insurance
27 producers applying for approval or reapproval from the ~~commissioner~~

1 **DIRECTOR** under this section shall file, on a form provided by the
 2 ~~commissioner~~, **DIRECTOR**, a description of the course of study
 3 including a description of the subject matter and course materials,
 4 hours of instruction, location of classroom, qualifications of
 5 instructors, and maximum student-instructor ratio and shall pay a
 6 nonrefundable \$25.00 filing fee. Any material change in a program
 7 of study ~~shall require~~ **REQUIRES THE** reapproval ~~by OF~~ the
 8 ~~commissioner~~. **DIRECTOR**. If the information in an application for
 9 approval or reapproval is insufficient for the ~~commissioner~~
 10 **DIRECTOR** to determine whether the program of study meets the
 11 requirements under subsection ~~(4)~~, **(3)**, the ~~commissioner~~ **DIRECTOR**
 12 shall give written notice to the provider, within 15 days after the
 13 provider's filing of the application for approval or reapproval, of
 14 the additional information needed by the ~~commissioner~~. **DIRECTOR**. An
 15 application for approval or reapproval ~~shall be~~ **IS** considered
 16 approved unless disapproved by the ~~commissioner~~ **DIRECTOR** within 90
 17 days after the application for approval or reapproval is filed, or
 18 within 90 days after the receipt of additional information if the
 19 information was requested by the ~~commissioner~~, **DIRECTOR**, whichever
 20 is later.

21 **(5)** ~~(6)~~—A provider of a program of study approved by the
 22 ~~commissioner~~ **DIRECTOR** under this section shall pay a provider
 23 authorization fee of \$500.00 for the first year the provider's
 24 program of study ~~was~~ **IS** approved under this section and a \$100.00
 25 provider renewal fee for each **SUBSEQUENT** year ~~thereafter~~ that the
 26 provider offers the approved program of study.

27 **(6)** ~~(7)~~—A person dissatisfied with an approved program of

1 study may petition the ~~commissioner~~**DIRECTOR** for a hearing on the
 2 program or the ~~commissioner~~**DIRECTOR** on his or her own initiative
 3 may request a hearing on a program of study. If the ~~commissioner~~
 4 **DIRECTOR** finds **THAT** the petition ~~to have been~~**WAS** submitted in good
 5 faith, that the petition if true shows **THAT** the program of study
 6 does not satisfy the criteria in subsection ~~(4)~~, **(3)**, or that the
 7 petition otherwise justifies holding a hearing, the ~~commissioner~~
 8 **DIRECTOR** shall hold a hearing ~~pursuant to~~**UNDER** chapter 4 of the
 9 administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to
 10 24.287, within 30 days after receipt of the petition and ~~upon~~**ON**
 11 not less than 10 days' written notice to the petitioner and the
 12 provider of the program of study. If the ~~commissioner~~**DIRECTOR**
 13 requests a hearing on a program of study on his or her own
 14 initiative, the ~~commissioner~~**DIRECTOR** shall hold a hearing ~~pursuant~~
 15 ~~to~~**UNDER** chapter 4 of the administrative procedures act of 1969,
 16 1969 PA 306, MCL 24.271 to 24.287, ~~upon~~**ON** not less than 10 days'
 17 written notice to the provider of the program of study.

18 **(7)** ~~(8)~~—If after a hearing under subsection ~~(7)~~**(6)** the
 19 ~~commissioner~~**DIRECTOR** finds that the program of study does not
 20 satisfy the requirements under subsection ~~(4)~~, **(3)**, the
 21 ~~commissioner~~**DIRECTOR** shall state, in a written order mailed first-
 22 class to the petitioner and provider of the program of study, his
 23 or her findings and the date ~~upon~~**ON** which the ~~commissioner~~
 24 **DIRECTOR** will revoke approval of the program of study, which date
 25 ~~shall~~**MUST** be within a reasonable time of the issuance of the
 26 order.

27 **(8)** ~~(9)~~—A certificate of attendance or instruction ~~of~~**IN** an

1 approved program of study or a certificate of successful completion
 2 of ~~course work shall~~ **COURSEWORK MUST** be filed as directed by the
 3 ~~commissioner~~ **DIRECTOR** on a form prescribed by the ~~commissioner~~
 4 **DIRECTOR** and ~~shall~~ **MUST** indicate the name and number of the course
 5 of study, the number of hours, dates of completion, and the name
 6 and number of schools attended or taught by the insurance producer
 7 or the evidence of successful completion of ~~course work~~.

8 **COURSEWORK**. A representative of the approved program of study shall
 9 file the form and a fee of \$1.00 per hour for course credit for
 10 each insurance producer license renewal as directed by the
 11 ~~commissioner~~ **DIRECTOR** within 30 days after the insurance producer
 12 completes the program. A copy of the form ~~shall~~ **MUST** also be mailed
 13 first-class to the insurance producer who attended, taught, or
 14 successfully completed the program of study. The ~~commissioner~~
 15 **DIRECTOR** may enter into contracts to provide for the administrative
 16 functions of this subsection.

17 (9) ~~(10)~~ The ~~commissioner~~ **DIRECTOR** shall waive the continuing
 18 education requirements of this section for an insurance producer if
 19 the producer is unable to comply with the continuing education
 20 requirements of this section ~~due to~~ **BECAUSE OF** military service or
 21 if the ~~commissioner~~ **DIRECTOR** determines that enforcement of the
 22 requirements would cause a severe hardship. The ~~commissioner~~
 23 **DIRECTOR** shall waive the continuing education requirements of this
 24 section for the following insurance producers:

25 (a) An insurance producer who is licensed to write only travel
 26 or baggage insurance policies and whose employment is for a purpose
 27 other than the sale of those policies.

1 (b) An insurance producer who is licensed to write only
2 limited line credit insurance.

3 **(10)** ~~(11)~~ The ~~commissioner~~ **DIRECTOR** may enter into reciprocal
4 continuing education agreements with insurance commissioners from
5 other states.

6 **(11)** ~~(12)~~ If an insurance producer has not met his or her
7 continuing education requirements by the expiration date of his or
8 her license, the insurance producer ~~shall have~~ **HAS** a 90-day grace
9 period in which to meet the continuing education requirements of
10 this section. During the 90-day grace period, the insurance
11 producer shall not solicit or sell new policies of insurance, bind
12 coverage, or otherwise act as an insurance producer, except that
13 the insurance producer may continue to service policies previously
14 sold and may receive commissions on policies previously sold. If
15 the insurance producer has not met his or her continuing education
16 requirements by the expiration of the 90-day grace period, the
17 **DIRECTOR SHALL CANCEL THE** insurance producer's license. ~~shall be~~
18 ~~canceled.~~ An insurance producer whose license has been canceled
19 under this section may reapply for **A** license to act as an insurance
20 producer under section 1204., ~~except that the program of study~~
21 ~~requirements under section 1204 shall not be waived.~~

22 **(12)** ~~(13)~~ An insurance producer who has sold his or her
23 insurance business and who has not met the continuing education
24 requirements of this section shall not solicit or sell new policies
25 of insurance, bind coverage, or otherwise act as an insurance
26 producer, except that the insurance producer may continue to
27 service policies previously sold and may receive commissions on

1 policies previously sold as well as receive partial commissions on
 2 policies of insurance sold by a purchasing insurance producer. An
 3 insurance producer who is in the process of selling his or her
 4 insurance business and who has not met the continuing education
 5 requirements of this section shall not solicit or sell new policies
 6 of insurance, bind coverage, or otherwise act as an insurance
 7 producer, except that the insurance producer may continue to
 8 service policies previously sold and may receive commissions on
 9 policies previously sold as well as receive partial commissions on
 10 policies of insurance sold by a purchasing insurance producer, for
 11 a period not to exceed 12 months after the selling insurance
 12 producer's license review date under subsection ~~(2)~~ **(1)**. An
 13 insurance producer whose license has been canceled and who wishes
 14 to resume soliciting or selling new policies of insurance, bind
 15 coverage, or otherwise act as an insurance producer and who has not
 16 met the continuing education requirements within the immediately
 17 preceding ~~2-year period~~ **12 MONTHS** may reapply for **A** license to act
 18 as an insurance producer under section 1204.

19 **(13) AFTER 1 YEAR AFTER THE EFFECTIVE DATE OF THE AMENDATORY**
 20 **ACT THAT ADDED SUBSECTION (14), FOR A REVIEW DATE OF AN APPLICABLE**
 21 **2-YEAR PERIOD UNDER SUBSECTION (1), ALL OF THE FOLLOWING APPLY:**

22 **(A) SUBJECT TO SUBDIVISIONS (B) AND (C), IF AN INSURANCE**
 23 **PRODUCER COMPLETES MORE THAN 24 HOURS OF CONTINUING EDUCATION IN AN**
 24 **APPLICABLE 2-YEAR PERIOD, THE INSURANCE PRODUCER MAY, FOR PURPOSES**
 25 **OF SUBSECTION (2), APPLY EACH HOUR MORE THAN 24 HOURS TO THE NEXT**
 26 **2-YEAR PERIOD. HOWEVER, NO MORE THAN 12 HOURS MAY BE APPLIED TO THE**
 27 **NEXT APPLICABLE 2-YEAR PERIOD UNDER THIS SUBDIVISION.**

1 (B) AN INSURANCE PRODUCER MAY NOT APPLY ANY HOURS IN ETHICS IN
2 INSURANCE CLASSES OR COURSEWORK TO THE NEXT APPLICABLE 2-YEAR
3 PERIOD UNDER SUBDIVISION (A) .

4 (C) IF AN INSURANCE PRODUCER COMPLETES THE SAME CONTINUING
5 EDUCATION CLASS OR COURSEWORK UNDER SUBSECTION (2) IN AN APPLICABLE
6 2-YEAR PERIOD, AN HOUR ASSOCIATED WITH A DUPLICATIVE CLASS OR
7 COURSEWORK MAY NOT BE APPLIED TO THE NEXT APPLICABLE 2-YEAR PERIOD
8 UNDER SUBDIVISION (A) .

9 (14) THE DIRECTOR OR HIS OR HER DESIGNEE MAY ACCESS ANY
10 CLASSROOM WHILE INSTRUCTION FOR A PROGRAM OF STUDY UNDER SECTION
11 1204A OR THIS SECTION IS IN PROGRESS TO MONITOR THE CLASSROOM
12 INSTRUCTION.

13 (15) FOR AN INSURANCE PRODUCER PROGRAM OF STUDY UNDER THIS
14 SECTION, THE DIRECTOR MAY REFUSE TO APPROVE AN INSURANCE EDUCATION
15 INSTRUCTOR, AND THE DIRECTOR MAY PLACE AN APPROVED INSURANCE
16 EDUCATION INSTRUCTOR ON PROBATION OR SUSPEND OR REVOKE APPROVAL OF
17 AN APPROVED INSURANCE EDUCATION INSTRUCTOR, OR TAKE ANY COMBINATION
18 OF THESE ACTIONS, IF 1 OR MORE OF THE FOLLOWING APPLY:

19 (A) THE INSURANCE EDUCATION INSTRUCTOR VIOLATES AN INSURANCE
20 LAW OR VIOLATES A RULE, SUBPOENA, OR ORDER OF THE DIRECTOR OR OF
21 ANOTHER STATE'S INSURANCE COMMISSIONER.

22 (B) THE INSURANCE EDUCATION INSTRUCTOR USES FRAUDULENT,
23 COERCIVE, OR DISHONEST PRACTICES OR DEMONSTRATES INCOMPETENCE,
24 UNTRUSTWORTHINESS, OR FINANCIAL IRRESPONSIBILITY IN THE CONDUCT OF
25 BUSINESS IN THIS STATE OR OUTSIDE THIS STATE.

26 (C) THE INSURANCE EDUCATION INSTRUCTOR'S INSURANCE PRODUCER
27 LICENSE OR ITS EQUIVALENT IS REVOKED IN CONJUNCTION WITH A

1 DISCIPLINARY ACTION IN ANY STATE, PROVINCE, DISTRICT, OR TERRITORY.

2 (16) AS USED IN THIS SECTION:

3 (A) "HOUR" MEANS A PERIOD OF TIME OF NOT LESS THAN 50 MINUTES.

4 (B) "INSURANCE PRODUCER" MEANS A LIFE-HEALTH AGENT OR
5 PROPERTY-CASUALTY AGENT.

6 (C) "LIFE-HEALTH AGENT" MEANS A RESIDENT OR NONRESIDENT
7 INDIVIDUAL INSURANCE PRODUCER LICENSED FOR LIFE, LIMITED LIFE,
8 MORTGAGE REDEMPTION, OR ACCIDENT AND HEALTH OR A COMBINATION OF
9 LIFE, LIMITED LIFE, MORTGAGE REDEMPTION, OR ACCIDENT AND HEALTH.

10 (D) "PROPERTY-CASUALTY AGENT" MEANS A RESIDENT OR NONRESIDENT
11 INDIVIDUAL INSURANCE PRODUCER OR SOLICITOR LICENSED FOR AUTOMOBILE,
12 FIRE, MULTIPLE LINES, OR ANY LIMITED OR MINOR PROPERTY AND CASUALTY
13 LINES OR A COMBINATION OF AUTOMOBILE, FIRE, MULTIPLE LINES, OR
14 LIMITED OR MINOR PROPERTY AND CASUALTY LINES.

15 Enacting section 1. Section 1204b of the insurance code of
16 1956, 1956 PA 218, MCL 500.1204b, is repealed.