

House Bill 4108

Sponsor: Rep. Alvin Hoekman

Committee: Insurance

Complete to 2-15-91

A SUMMARY OF HOUSE BILL 4108 AS INTRODUCED 2-7-91

The bill would amend Chapter 12 of the Insurance Code to establish a two-year licensing period for insurance agents and to require that agents complete at least 30 hours of continuing education classes or home study in order to renew their licenses. (However, an agent could instead of meeting continuing education requirements pass the agent licensing examination again.) A life-health agent would have to attend or teach at least 15 hours specifically approved for life-health agents, and property-casualty agents 15 hours specifically approved for them. The coursework would have to be in classes approved by the insurance commissioner. Course representatives would have to file a certificate of attendance or instruction (or a certificate of completion) on an agent's behalf. The bill's provisions would take effect January 1, 1992.

An agent would be allowed a 90-day grace period following expiration of a license to meet the requirements but during that period could not solicit or sell new policies, bind coverage, or otherwise act as an agent except to service policies previously sold and receive commissions on previously sold policies. If the education requirements were not met by the end of the grace period, the agent's license would expire. An agent whose license expired could apply for a new license but would have to meet applicable examination and coursework requirements. An agent who had sold his or her insurance business and had not met the continuing education requirements could continue to service and receive premiums on previously sold policies and could receive partial commissions on policies sold by a purchasing agent, but could not otherwise act as an agent. (The same provision would apply to a person in the process of selling a business, except there would be a 12-month limitation on servicing old business and receiving premiums.)

The insurance commissioner could enter into reciprocal continuing education agreements with commissioners from other states, and agents licensed in this state but residing in states party to a reciprocal agreement would not be subject to the bill. The insurance commissioner would also be able to waive continuing education requirements if he or she determined that enforcement would cause a severe hardship.

The insurance commissioner would decide whether to approve a program of study after reviewing recommendations from the Insurance Agent Education Advisory Council. A program for life-health agents would have to offer instruction in one or more of the following: the fundamental considerations and major principles of life insurance or health insurance; estate planning and taxation as related to insurance; ethics; legal, legislative, and regulatory matters concerning insurance; principal provisions of life insurance, health

insurance, and annuity contracts, and differences in types of coverage; and accounting and actuarial considerations. A program for property-casualty agents would have to offer instruction in one of the following: the fundamental considerations and principles of property insurance or casualty insurance; basic principles of risk management; ethics; legal, legislative, and regulatory matters; provisions of casualty, no-fault, or property insurance contracts, and differences in types of coverages; and accounting and actuarial considerations. Sponsors of programs of study would have to apply for approval on a form provided by the insurance commissioner by describing course content and materials, qualifications of instructors, maximum student-instructor ratios, hours of instruction, and location of classrooms. A hearing could be held to evaluate an already-approved program of study on the initiative of the commissioner or based on a petition filed by a person dissatisfied with the course. Approval for a program of study could be revoked following a hearing conducted as a contested case under the Administrative Procedures Act.

A provider of a continuing education study program would have to pay a \$500 provider authorization fee for the first year and a \$100 renewal fee each year thereafter. The bill would also impose a non-refundable \$25 filing fee for applying for program approval or reapproval. (Any material change in a program of study would require reapproval.) There would also be a \$2 reporting fee that would have to accompany the certificates a program would submit for agent license renewals. All fees would go into a newly created continuing education fund, which would be a separate, self-supporting fund administered by the insurance commissioner. Money in the fund at the close of a fiscal year would remain there and not revert to the general fund. The bill also requires that any shortfall in the fund be funded from agents' appointment fees.

The bill contains a schedule of expiration dates for agent licenses based on an agent's license number. For example, the license of an agent whose license number ended in "1" would expire on January 1, 1994, and every two years thereafter. Licenses with license numbers ending in "2" would expire on February 1, and so on. If, under the bill's schedule, an agent's license would expire within 23 months of issuance (that is, if the agent is newly licensed), the expiration date would be pushed back two years.

Further, the bill would add new language regarding the composition of the Insurance Agent Education Advisory Council. Currently, the code calls for the council to contain one licensed property/casualty agent and one licensed life insurance agent. The bill would say the council would contain "at least" one agent of each kind.

MCL 500.1204b et al.