

# SENATE BILL No. 1475

September 10, 2008, Introduced by Senators SANBORN, THOMAS, BARCIA and GILBERT and referred to the Committee on Economic Development and Regulatory Reform.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending sections 1204b and 1204c (MCL 500.1204b and 500.1204c), section 1204b as amended by 1992 PA 84 and section 1204c as amended by 2006 PA 442.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1204b. (1) An insurance agent education advisory council  
2 is created within the department of ~~commerce~~ **LABOR AND ECONOMIC**  
3 **GROWTH**. The commissioner shall appoint the members of the council.  
4 The council shall be composed of the following:

5           (a) Two representatives of the Michigan association of life  
6 underwriters.

7           (b) Two representatives of the professional independent  
8 insurance agents of Michigan.

1 (c) Three insurer representatives.

2 (d) At least 1 licensed property and casualty insurance agent.

3 (e) At least 1 licensed life insurance agent.

4 (f) One representative of the insurance education field.

5 (g) One representative of the general public.

6 (h) The commissioner as an ex officio member.

7 (2) Initially, 3 members shall be appointed for a term of 1  
8 year, 3 members for a term of 2 years, and the remaining members  
9 for a term of 3 years. Thereafter, members of the council shall  
10 serve for a term of 3 years and for not more than 2 consecutive  
11 terms. The council shall meet on at least a semiannual basis.  
12 Members shall serve without compensation but shall be reimbursed  
13 for their actual and necessary expenses.

14 (3) The council shall do all of the following:

15 (a) Review and make recommendations to the commissioner with  
16 respect to course materials, curriculum, and the credentials of the  
17 instructors of each program of study registered with the  
18 commissioner pursuant to section 1204a.

19 (b) Review continuing education programs of study under  
20 section ~~1204e(4)~~**1204C(3)** and make recommendations to the  
21 commissioner on whether those programs meet the requirements in  
22 section ~~1204e(5)~~**1204C(4)**.

23 (c) Make recommendations to the commissioner with respect to  
24 educational requirements of insurance agents.

25 (4) A member of the council or designee of the commissioner  
26 shall be permitted access to any classroom while instruction is in  
27 progress to monitor the classroom instruction.

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

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

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

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

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

13 ~~(2) Unless the insurance producer has renewed his or her~~  
14 ~~license pursuant to subsection (4), an insurance producer's hours~~  
15 ~~of study accrued under this section shall be reviewed for license~~  
16 ~~continuance as follows:~~

17 ~~(a) If the insurance producer's license number ends in "1" as~~  
18 ~~follows:~~

19 ~~(i) If the insurance producer's last name starts with A to L,~~  
20 ~~on January 1, 1995 and on January 1 every 2 years thereafter.~~

21 ~~(ii) If the insurance producer's last name starts with M to Z,~~  
22 ~~on January 1, 1996 and on January 1 every 2 years thereafter.~~

23 ~~(b) If the insurance producer's license number ends in "2" as~~  
24 ~~follows:~~

25 ~~(i) If the insurance producer's last name starts with A to L,~~  
26 ~~on February 1, 1995 and on February 1 every 2 years thereafter.~~

27 ~~(ii) If the insurance producer's last name starts with M to Z,~~

1 ~~on February 1, 1996 and on February 1 every 2 years thereafter.~~

2 ~~—— (c) If the insurance producer's license number ends in "3" as~~  
3 ~~follows:~~

4 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
5 ~~on March 1, 1995 and on March 1 every 2 years thereafter.~~

6 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
7 ~~on March 1, 1996 and on March 1 every 2 years thereafter.~~

8 ~~—— (d) If the insurance producer's license number ends in "4" as~~  
9 ~~follows:~~

10 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
11 ~~on June 1, 1995 and on June 1 every 2 years thereafter.~~

12 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
13 ~~on June 1, 1996 and on June 1 every 2 years thereafter.~~

14 ~~—— (e) If the insurance producer's license number ends in "5" as~~  
15 ~~follows:~~

16 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
17 ~~on July 1, 1995 and on July 1 every 2 years thereafter.~~

18 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
19 ~~on July 1, 1996 and on July 1 every 2 years thereafter.~~

20 ~~—— (f) If the insurance producer's license number ends in "6" as~~  
21 ~~follows:~~

22 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
23 ~~on August 1, 1995 and on August 1 every 2 years thereafter.~~

24 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
25 ~~on August 1, 1996 and on August 1 every 2 years thereafter.~~

26 ~~—— (g) If the insurance producer's license number ends in "7" as~~  
27 ~~follows:~~

1 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
2 ~~on September 1, 1995 and on September 1 every 2 years thereafter.~~

3 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
4 ~~on September 1, 1996 and on September 1 every 2 years thereafter.~~

5 ~~—— (h) If the insurance producer's license number ends in "8" as~~  
6 ~~follows:~~

7 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
8 ~~on October 1, 1995 and on October 1 every 2 years thereafter.~~

9 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
10 ~~on October 1, 1996 and on October 1 every 2 years thereafter.~~

11 ~~—— (i) If the insurance producer's license number ends in "9" as~~  
12 ~~follows:~~

13 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
14 ~~on November 1, 1995 and on November 1 every 2 years thereafter.~~

15 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
16 ~~on November 1, 1996 and on November 1 every 2 years thereafter.~~

17 ~~—— (j) If the insurance producer's license number ends in "0" as~~  
18 ~~follows:~~

19 ~~—— (i) If the insurance producer's last name starts with A to L,~~  
20 ~~on December 1, 1995 and on December 1 every 2 years thereafter.~~

21 ~~—— (ii) If the insurance producer's last name starts with M to Z,~~  
22 ~~on December 1, 1996 and on December 1 every 2 years thereafter.~~

23 ~~—— (3) If an insurance producer's hours of study would be~~  
24 ~~reviewed according to the schedule under subsection (2) within 23~~  
25 ~~months after issuance of the initial license, the hours shall not~~  
26 ~~be reviewed on the first scheduled date following the issuance of~~  
27 ~~the initial license and shall be reviewed on the next scheduled~~

1 ~~review date following the first review date according to the~~  
2 ~~schedule under subsection (2), unless the insurance producer has~~  
3 ~~renewed his or her license pursuant to subsection (4).~~

4       (2) AN INSURANCE PRODUCER'S HOURS OF STUDY ACCRUED UNDER THIS  
5 SECTION SHALL BE REVIEWED FOR LICENSE CONTINUANCE EVERY 2 YEARS  
6 UNDER A SCHEDULE ESTABLISHED BY THE COMMISSIONER. THE COMMISSIONER  
7 MAY ESTABLISH A SCHEDULE FOR LICENSE CONTINUATION THAT STAGGERS  
8 LICENSE CONTINUATION DATES TO APPORTION THE CONTINUATION DATES  
9 THROUGHOUT THE CALENDAR YEAR. IF THE SYSTEM OF STAGGERED  
10 CONTINUATION IS ADOPTED, THE COMMISSIONER MAY EXTEND THE LICENSURE  
11 PERIOD FOR SOME LICENSEES.

12       (3) ~~(4)~~—Except as provided in subsections ~~(11)~~—(10) to ~~(14)~~  
13 (13), before the review date of each applicable 2-year period  
14 provided for under subsection (2), ~~or (3)~~, an insurance producer  
15 wishing to renew his or her license shall renew his or her license  
16 by attending or instructing not less than 24 hours of continuing  
17 education classes approved by the commissioner or 24 hours of home  
18 study **OR ONLINE TRAINING** if evidenced by successful completion of  
19 course work approved by the commissioner. Of the 24 hours of  
20 continuing education required, not less than 3 hours shall be in  
21 ethics in insurance classes or course work.

22       (4) ~~(5)~~—After reviewing recommendations made by the council  
23 under section 1204b, the commissioner shall approve a program of  
24 study if the commissioner determines that the program increases  
25 knowledge of insurance and related subjects as follows:

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

1           (i) The fundamental considerations and major principles of life  
2 insurance.

3           (ii) The fundamental considerations and major principles of  
4 health insurance.

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

6           (iv) Industry and legal standards concerning ethics in  
7 insurance.

8           (v) Legal, legislative, and regulatory matters concerning  
9 insurance, the insurance code, and the insurance industry.

10          (vi) Principal provisions used in life insurance contracts,  
11 health insurance contracts, or annuity contracts and differences in  
12 types of coverages.

13          (vii) Accounting and actuarial considerations in insurance.

14          (viii) Principles of agency management, excluding telemarketing  
15 or other marketing instruction.

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

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

20           (i) The fundamental considerations and major principles of  
21 property insurance.

22           (ii) The fundamental considerations and major principles of  
23 casualty insurance.

24           (iii) Basic principles of risk management.

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

27           (v) Legal, legislative, and regulatory matters concerning

1 insurance, the insurance code, and the insurance industry.

2 (vi) Principal provisions used in casualty insurance contracts,  
3 no-fault insurance contracts, or property insurance contracts and  
4 differences in types of coverages.

5 (vii) Accounting and actuarial considerations in insurance.

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

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

1           (6) ~~(7)~~—A provider of a program of study approved by the  
2 commissioner under this section shall pay a provider authorization  
3 fee of \$500.00 for the first year the provider's program of study  
4 was approved under this section and a \$100.00 provider renewal fee  
5 for each year thereafter that the provider offers the approved  
6 program of study.

7           (7) ~~(8)~~—A person dissatisfied with an approved program of  
8 study may petition the commissioner for a hearing on the program or  
9 the commissioner on his or her own initiative may request a hearing  
10 on a program of study. If the commissioner finds the petition to  
11 have been submitted in good faith, that the petition if true shows  
12 the program of study does not satisfy the criteria in subsection  
13 ~~(5)~~—(4), or that the petition otherwise justifies holding a  
14 hearing, the commissioner shall hold a hearing pursuant to chapter  
15 4 of the administrative procedures act of 1969, 1969 PA 306, MCL  
16 24.271 to 24.287, within 30 days after receipt of the petition and  
17 upon not less than 10 days' written notice to the petitioner and  
18 the provider of the program of study. If the commissioner requests  
19 a hearing on a program of study on his or her own initiative, the  
20 commissioner shall hold a hearing pursuant to chapter 4 of the  
21 administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to  
22 24.287, upon not less than 10 days' written notice to the provider  
23 of the program of study.

24           (8) ~~(9)~~—If after a hearing under subsection ~~(8)~~—(7) the  
25 commissioner finds that the program of study does not satisfy the  
26 requirements under subsection ~~(5)~~—(4), the commissioner shall  
27 state, in a written order mailed first-class to the petitioner and

1 provider of the program of study, his or her findings and the date  
2 upon which the commissioner will revoke approval of the program of  
3 study which date shall be within a reasonable time of the issuance  
4 of the order.

5 (9) ~~(10)~~—A certificate of attendance or instruction of an  
6 approved program of study or a certificate of successful completion  
7 of course work shall be filed as directed by the commissioner on a  
8 form prescribed by the commissioner and shall indicate the name and  
9 number of the course of study, the number of hours, dates of  
10 completion, and the name and number of schools attended or taught  
11 by the insurance producer or the evidence of successful completion  
12 of course work. A representative of the approved program of study  
13 shall file the form and a fee of \$1.00 per hour for course credit  
14 for each insurance producer license renewal as directed by the  
15 commissioner within 30 days after the insurance producer completes  
16 the program. A copy of the form shall also be mailed first-class to  
17 the insurance producer who attended, taught, or successfully  
18 completed the program of study. The commissioner may enter into  
19 contracts to provide for the administrative functions of this  
20 subsection.

21 (10) ~~(11)~~—The commissioner shall waive the continuing  
22 education requirements of this section for an insurance producer if  
23 the producer is unable to comply with the continuing education  
24 requirements of this section due to military service or if the  
25 commissioner determines that enforcement of the requirements would  
26 cause a severe hardship. The commissioner shall waive the  
27 continuing education requirements of this section for the following

1 insurance producers:

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

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

7 **(11)** ~~(12)~~—The commissioner may enter into reciprocal  
8 continuing education agreements with insurance commissioners from  
9 other states.

10 **(12)** ~~(13)~~—If an insurance producer has not met his or her  
11 continuing education requirements by the expiration date of his or  
12 her license, the insurance producer shall have a 90-day grace  
13 period in which to meet the continuing education requirements of  
14 this section. During the 90-day grace period, the insurance  
15 producer shall not solicit or sell new policies of insurance, bind  
16 coverage, or otherwise act as an insurance producer except that the  
17 insurance producer may continue to service policies previously sold  
18 and may receive commissions on policies previously sold. If the  
19 insurance producer has not met his or her continuing education  
20 requirements by the expiration of the 90-day grace period, the  
21 insurance producer's license shall be canceled. An insurance  
22 producer whose license has been canceled under this section may  
23 reapply for license to act as an insurance producer under section  
24 1204, except that the program of study requirements under section  
25 1204 shall not be waived.

26 **(13)** ~~(14)~~—An insurance producer who has sold his or her  
27 insurance business and who has not met the continuing education

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