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BILL



ANALYSIS

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House Bill 4325 (Substitute H-1 as passed by the House)  
Sponsor: Representative Tom Barrett  
House Committee: Insurance  
Senate Committee: Insurance

Date Completed: 6-7-17

### **CONTENT**

**The bill would amend the Insurance Code to do the following:**

- **Allow the Director of Insurance and Financial Services to refuse to approve an insurance education instructor, and allow the Director to impose sanctions on an instructor, if certain circumstances applied.**
- **Permit an insurance producer to carry over continuing education hours to the next license continuation period, subject to limitations.**

**The bill also would repeal Section 1204b of the Code, which created an Insurance Agent Education Advisory Council.**

#### Program of Study

Section 1204a of the Code states that to qualify as a registered insurance agent program of study, the program must meet all of following criteria:

- Be conducted through an education institution offering home study courses that has been in existence for at least five years, by an insurance trade association, by an authorized insurer, or by an educational institution listed in the State Board of Education directory of institutions of higher learning.
- Except as otherwise provided, provide for a minimum number of hours of classroom instruction or its equivalent in home study or online courses.
- Include instruction in ethical practices in the marketing and selling of insurance.

Also, instruction must be given only by individuals who meet the qualifications required by the Director. The Director must promulgate rules prescribing the criteria that must be met by a person to render instruction in a registered insurance agent program of study.

The bill would refer to a registered insurance producer program of study, instead of a registered insurance agent program of study.

In addition, the bill provides that for a registered insurance producer program of study under Section 1204a, the Director could refuse to approve an insurance education instructor, and the Director could place an approved insurance education instructor on probation or suspend or revoke approval of an approved instructor, or take any combination of those actions, if one or more of the following applied:

- The insurance education instructor violated an insurance law or violated a rule, subpoena, or order of the Director or of another state's insurance commissioner.
- The instructor used fraudulent, coercive, or dishonest practices or demonstrated incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in or outside the State.
- The instructor's insurance producer license or its equivalent was revoked in conjunction with a disciplinary action in any state, province, district, or territory.

#### Continuing Education Credits

Section 1204c of the Code states that an insurance producer's hours of study must be reviewed for license continuance every two years under a schedule established by the Director.

Except as otherwise provided under the Code, before the review date of each applicable two-year period, an insurance producer wishing to renew his or her license must attend or instruct at least 24 hours of continuing education classes approved by the Director or 24 hours of home study or online training if evidenced by successful completion of approved coursework. Of the 24 hours of continuing education required, at least three hours must be in ethics in insurance classes or coursework.

Under the bill, within one year after it took effect, for a review date of an applicable two-year period, all of the following would apply:

- If an insurance producer completed more than 24 hours of continuing education in an applicable two-year period, the insurance producer could apply each hour more than 24 hours to the next two-year period, but not more than 12 hours could be applied to the next applicable two-year period.
- An insurance producer could not apply any hours in ethics in insurance classes or coursework to the next applicable two-year period.
- If an insurance producer completed the same continuing education class or coursework in an applicable two year period, an hour associated with a duplicative class or coursework could not be applied to the next applicable two-year period.

The Code specifies that if an insurance producer has not met his or her continuing education requirements by the expiration date of his or her license, the insurance producer has a 90-day grace period in which to meet the continuing education requirements. If the insurance producer has not met his or her continuing education requirements by the expiration of the grace period, the Director must cancel the insurance producer's license. An insurance producer whose license has been canceled may reapply for a license to act as an insurance producer.

An insurance producer whose license has been canceled and who wishes to resume soliciting or selling new policies of insurance, bind coverage, or otherwise act as an insurance producer and who has not met the continuing education requirements within the immediately preceding two-year period may reapply for a license to act as an insurance producer. Under the bill, an insurance producer whose license had been canceled and who had not met the continuing education requirements within the immediately preceding 12 months could reapply for a license.

#### Authority of the Director

Under the bill, the Director or his or her designee could gain access to any classroom while instruction for a program of study under Section 1204a or Section 1204c was in progress to monitor the classroom instruction.

For an insurance producer program of study under Section 1204c, the Director could refuse to approve an insurance education instructor, and the Director could place an approved insurance education instructor on probation or suspend or revoke approval of an approved insurance education instructor, or take any combination of these actions, on the same grounds as proposed in Section 1204a.

#### Section 1204b

The bill would repeal Section 1204b of the Code. That section created an Insurance Agent Education Advisory Council and requires it to do the following:

- Review and make recommendations to the Director with respect to course materials, curriculum, and the credentials of the instructors of each program of study registered under Section 1204a.
- Review continuing education programs of study and make recommendations to the Director on whether those programs meet prescribed requirements.
- Make recommendations to the Director with respect to educational requirements of insurance agents.

Also, under Section 1204b, a member of the Council or a designee of the Director must be allowed access to any classroom while instruction is in progress to monitor the instruction.

MCL 500.1204a & 500.1204c

Legislative Analyst: Stephen Jackson

#### **FISCAL IMPACT**

The bill would have a negative fiscal impact on the Department of Insurance and Financial Services. The Department would need to alter the computer systems it uses to calculate continuing education credit hours for licensees. The Department estimates that this would cost \$40,000. The other changes the bill proposes would not have a noticeable financial impact.

Fiscal Analyst: Michael Siracuse

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.