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BILL ANALYSIS

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Senate Bills 1475, 1476, and 1477 (as enacted)  
Senate Bill 1478 (as enacted)

**PUBLIC ACTS 574, 575, & 576 of 2008**  
**PUBLIC ACT 494 of 2008**

Sponsor: Senator Alan Sanborn (S.B. 1475)  
Senator Jim Barcia (S.B. 1476)  
Senator Jud Gilbert, II (S.B. 1477)  
Senator Buzz Thomas (S.B. 1478)

Senate Committee: Economic Development and Regulatory Reform  
House Committee: Insurance

Date Completed: 4-17-09

### **RATIONALE**

The 1999 Federal Gramm-Leach-Bliley Act contained a requirement that states enact uniform provisions for licensing insurance agents and businesses. Under that Act, if at least 29 states had not adopted uniform licensing laws by November 2002, a Federal agency would have been created and given the authority to establish a licensing process for all states. In response, the National Association of Insurance Commissioners (NAIC) created the Uniform Producer's Licensing Model Act. After more than 29 states already had adopted the NAIC's uniform act, Michigan enacted Public Act 228 of 2001 to incorporate the tenets of that model legislation into Chapter 12 (Agents, Solicitors, Adjusters, and Counselors) of the Insurance Code. In order to ensure uniformity among the states, the NAIC has conducted on-site assessments of licensing in states that have adopted the model legislation. Michigan was subject to such an assessment in December 2007. As a result, changes to the agent, or "producer", licensing requirements in Chapter 12 were recommended.

**establish a schedule for review of license continuance.**

- **Revise the membership of the Insurance Agent Education Advisory Council.**
- **Revise the instruction that a registered insurance agent program of study must provide, by deleting the specific subjects and, in some cases, reducing the minimum number of hours.**
- **Require an applicant for examination for an insurance producer license to have completed a course of study within 12 months, rather than six months, before applying.**
- **Allow the exam or program of study requirements for an insurance producer license to be waived for people who have obtained various types of designations, in addition to those currently listed.**
- **Require an exam for an insurance producer license to be entry level.**
- **Require the Commissioner to prepare and publish an annual report summarizing statistical information relating to life and health insurance producer examinations administered during the preceding calendar year.**

### **CONTENT**

**The bills amend Chapter 12 of the Insurance Code to do all of the following:**

- **Delete the schedule for review of an insurance producer's hours of study.**
- **Allow the Commissioner of Financial and Insurance Regulation to**

Senate Bill 1475 will take effect on January 1, 2010. Senate Bills 1476 and 1477 will take effect on July 16, 2009. Senate Bill 1478 took effect on January 13, 2009.

## **Senate Bill 1475**

### Review Schedule; Continuing Education

The Code requires an insurance producer's accrued hours of study to be reviewed for license continuance every two years, in a specific month based on the last digit of the producer's license number and the first initial of his or her last name. The bill will delete this schedule.

Under the bill, an insurance producer's accrued hours of study will have to be reviewed for license continuance every two years under a schedule established by the Commissioner. The Commissioner may establish a schedule that staggers license continuation dates to apportion them throughout the calendar year. If the system of staggered continuation is adopted, the Commissioner may extend the licensure period for some licensees.

Under the Code, before the review date of each applicable 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 Commissioner or 24 hours of home study if evidenced by successful completion of course work approved by the Commissioner. The bill refers to home study or on-line training.

### Advisory Council

The Code requires the Commissioner to appoint members of the Insurance Agent Education Advisory Council in the Department of Energy, Labor, and Economic Growth. In addition to other specified members, the Council must include two representatives of the Michigan Association of Life Underwriters, and two representatives of the Professional Independent Insurance Agents of Michigan. The bill, instead, will require two representatives of the National Association of Insurance and Financial Advisors – Michigan, and two representatives of the Michigan Association of Insurance Agents.

## **Senate Bill 1476**

Under the Code, a registered insurance agent program of study must provide for a minimum number of hours of classroom

instruction or its equivalent in home study or on-line courses, as follows:

- For a program of study for health insurance agents, 14 hours of instruction on the principles of health insurance.
- For a program of study for life insurance agents, 20 hours of instruction on the principles of life insurance.
- For a combined program of study for life and health insurance agents, 14 hours of instruction on the principles of health insurance and 20 hours on the principles of life insurance.
- For a program of study for property and casualty insurance agents and solicitors, 12 hours of instruction on the principles of property insurance and 22 hours on the principles of liability insurance.

Each of these programs of study also must provide for six hours of instruction on the requirements of the insurance laws of the State.

The bill will delete these provisions, and instead require a registered insurance agent program of study to provide for 20 hours of classroom instruction or its equivalent in home study or on-line courses for programs of study for the following:

- Health insurance producers.
- Life insurance producers.
- Property insurance producers and solicitors.
- Casualty insurance producers and solicitors.
- Personal lines producers.

A registered insurance agent program of study will have to provide for 40 hours of classroom instruction or its equivalent in home study or on-line courses for the following:

- A combined program of study for life and health insurance producers.
- A program of study for property and casualty producers and solicitors, which also will satisfy the program of study requirements for personal lines producers and solicitors.

## **Senate Bill 1477**

Under the Code, a resident individual applying for an insurance producer license must pass a written examination unless

exempt under Section 1206a (which pertains to a person previously licensed for the same qualifications in another state). An exam may not be given unless the applicant has completed a registered program of study. An applicant must file with the Commissioner of Financial and Insurance Regulation a certification of completion indicating that the course of study was completed not more than six months before the Commissioner receives the application for examination. The bill will increase that period to 12 months.

The Code allows the Commissioner to waive the applicable exam or program of study requirements for a person who meets any of the criteria specified in the Code. These include having obtained one of the following designations: chartered property and casualty underwriter, chartered life underwriter, certified insurance counselor, accredited advisor in insurance, or chartered financial consultant.

The bill also will allow the Commissioner to waive the applicable exam or program of study requirements for a person who has obtained any of the following designations: certified employee benefit specialist, certified financial planner, Fellow Life Management Institute, Life Underwriting Training Council Fellow, registered health underwriter, registered employee benefits consultant, health insurance associate, or associate in risk management.

The Code requires the exam to test the knowledge of the individual concerning the qualifications for which application is made, the duties and responsibilities of an insurance producer, and the insurance laws and regulations of the State. The bill also will require the exam to be "entry level".

### **Senate Bill 1478**

The bill requires the Commissioner of Financial and Insurance Regulation, or his or her designee, to prepare and publish an annual report summarizing statistical information relating to life and health insurance producer examinations administered during the preceding calendar year. The report must be prepared within six months after the bill's effective date and by April 30 each subsequent year.

The report must include at least all of the following information:

- The total number of examinees.
- The percentage and number of examinees who passed the exam.
- The mean scaled scores on the exam.
- The standard deviation of scaled scores on the exam.
- The correct answer rate and correlation for each test question and each test form.

MCL 500.1204b & 500.1204c (S.B. 1475)  
500.1204a (S.B. 1476)  
500.1204 (S.B. 1477)  
500.1206c (S.B. 1478)

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

The NAIC's uniform licensing standards allow insurance producers in participating states to enter into new markets without additional regulatory burdens. Once an insurance producer achieves licensed status in a state that has adopted the uniform standards, he or she may request licensure in any other participating state without having to start from the beginning with that state's licensing requirements. The bills further Michigan's goal of achieving uniformity with the national licensing system. By following up on the suggestions resulting from the 2007 NAIC assessment of Michigan's licensing provisions, the legislation will remove barriers for Michigan insurance producers to operate in other participating states. Thus, they will not be at a competitive disadvantage with producers in states where the uniform act has been adopted and reciprocity is available.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

#### **Senate Bills 1475 & 1476**

The bills will have no fiscal impact on State or local government.

#### **Senate Bill 1477**

The bill will have no fiscal impact on the Office of Financial and Insurance Regulation

(OFIR) within the Department of Energy, Labor, and Economic Growth. Staff of OFIR have indicated that these changes will bring the program into conformity with national standards.

**Senate Bill 1478**

The bill will increase OFIR's costs by a minimal amount to prepare the report on examinees that is required by the bill. The Office is funded by restricted revenue including insurance licensing and regulation fees.

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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.