

**REPORT OF THE STATE
CORPORATION COMMISSION'S
BUREAU OF INSURANCE ON**

**Establishing Continuing
Education Requirements for
Insurance Agents Licensed
in the Commonwealth**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



House Document No. 11

**COMMONWEALTH OF VIRGINIA
RICHMOND
1987**

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December 4, 1986

TO: The Honorable Gerald L. Baliles
Governor of Virginia
and
The General Assembly of Virginia

The report contained herein is pursuant to House Joint Resolution No. 89 of the 1986 Session of the General Assembly of Virginia.

This report represents the response of the State Corporation Commission's Bureau of Insurance to the legislative directive to study and report on establishing continuing education requirements for insurance agents licensed in the Commonwealth.

Respectfully submitted,

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ADVISORY COMMITTEE

The Bureau of Insurance of the State Corporation Commission sincerely appreciates the dedication and effort contributed by each member of the Advisory Committee formed to assist with this study. Their comprehensive analysis and discussion of all the important issues regarding continuing education was truly invaluable to this study. The support of the committee members was extremely encouraging as we progressed on this challenging project. The members of the committee and their respective affiliations are as follows:

C. Ray Doggett	Professional Insurance Agents of VA and D.C.
W. Eugene Hayes	Professional Insurance Agents of VA and D.C.
Elsie Reamy	Professional Insurance Agents of VA and D.C.
E. Donald Farmer, Jr.	Professional Insurance Agents of VA and D.C.
William T. Neal	Virginia Mutual Insurance Company
Francis A. Sutherland, Jr.	The Life Insurance Company of Virginia
Ted L. Smith	Independent Insurance Agents of Virginia
Ned Morgan	Independent Insurance Agents of Virginia
Betty C. Williams	Virginia Association of Life Underwriters
John W. Thomas, Jr.	Virginia Association of Life Underwriters
William E. McRorie	First Colony Life Insurance Company
Roy A. Johnson	Central Virginia Society of Certified Financial Planners
J. Maurice Miller, Jr.	Mays and Valentine
W. B. Wiltshire	Home Beneficial Life Insurance
Stanley Bourne	Home Beneficial Life Insurance

All committee members participated in the development of the proposed requirement. Concerns and possible problems were identified, discussed, and addressed with vital input from industry.

State Corporation Commission
Bureau of Insurance

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EXECUTIVE SUMMARY

House Joint Resolution 89 directed the Bureau of Insurance of the State Corporation Commission to study the possibility of establishing continuing education requirements for insurance agents licensed in this Commonwealth.

Legislative Request

The study was requested by the General Assembly because:

1. There have been many changes in the insurance industry in recent years, particularly in the types of insurance products available and their complexity;
2. There have also been numerous changes in the laws governing agents;
3. There is a need for agents who have been licensed for a number of years to become aware of the legislative changes and the types of new products that are available;
4. There is an important need for agents to remain competent in a constantly changing and complex industry; and
5. There is a belief that continuing education requirements would benefit both the public and insurance agents.

Trend Towards Continuing Education

Seventeen other states have recognized the need for continuing education by legislating mandatory requirements. The trend towards mandatory continuing education requirements in the country, however, is by no means confined to the insurance industry. Attorneys in Virginia are now required to complete a minimum of eight hours of approved continuing education courses each year.

The Committee on Continuing Professional Competence, in its successful recommendation to the Virginia Bar, noted that there is only a small percentage of incompetent attorneys in all of Virginia, but they reflect badly on the rest of the profession. The Committee maintained that an eight hour per year requirement would not be burdensome to the lawyer, either in time or expense. The success of the Virginia Bar requirement, as well as the insurance continuing education requirements of seventeen other states, are supportive examples for the Virginia insurance requirement.

Industry Advisory Committee

An advisory committee was formed to assist the Bureau in developing a proposal for a continuing education requirement. The committee met four times with Bureau staff beginning in May, 1986. In addition, Bureau staff conducted independent research regarding continuing education, including administrative and cost concerns, status of continuing education requirements in other states, and advantages and disadvantages

of mandatory continuing education requirements. Over the course of several meetings with the advisory committee, compromises were reached on a number of issues, including the use of an advisory committee to assist the Bureau, the type of courses to be approved, clarification of what constitutes one credit for the purpose of the requirement, an exemption for currently licensed agents, requirements for agents holding more than one license type that is subject to the requirement, and a prospective grace period for administrative compliance by agents.

Proposed Requirement

The proposed continuing education requirement as recommended by the committee will apply to all resident health, life and health, and property and casualty agents, as well as property and casualty insurance consultants. The requirement provides that each agent or consultant will have to complete eight continuing education credits per year. Agents who have two or more licenses would have to complete an additional four credit hours for each additional license. The option to pass an examination in lieu of taking courses has been included. A carryover provision is also included by which credits earned in one year that are in excess of the required number may be applied to meet the requirements of the next year.

Advantages and Disadvantages of Mandatory Continuing Education

The major arguments in favor of a mandatory requirement are that it will assist in increasing the competency of agents and thereby better protect the public, only a mandatory requirement will reach those most in need, and the proposed requirement is flexible enough not to be burdensome. The major arguments against a mandatory requirement are that additional government intervention is unnecessary, learning is impossible to legislate, and the expense of attending classes is considerable.

Committee Recommendation - Support Requirement

After extensively discussing all the issues, the majority of the committee voted to endorse the proposed continuing education requirement. The public relies greatly on the licensing of professionals as an indication of their competence. It is the protection of insurance policyholders' interests that supports the concept of mandatory continuing education and consideration of the proposed legislation for adoption. The majority of the committee believes that the proposed requirement does not place an unrealistic burden on any company, agency, agent, or consultant.

An increasingly sophisticated public wants to deal with insurance professionals who are up to date in their knowledge of the more complex array of insurance products available on the market today. Mandatory continuing education is a means to promote greater competency among insurance agents.

GENERAL ASSEMBLY OF VIRGINIA -- 1986 SESSION

HOUSE JOINT RESOLUTION NO. 89

Requesting the Bureau of Insurance of the State Corporation Commission to study a proposal to establish continuing education requirements for insurance agents licensed in this Commonwealth.

Agreed to by the House of Delegates, February 10, 1986

Agreed to by the Senate, March 6, 1986

WHEREAS, there have been many changes in the insurance industry in recent years, particularly in the types and complexity of products that are available; and

WHEREAS, there have also been numerous changes in the laws governing agents; and

WHEREAS, a large number of agents who have been licensed for a number of years may not be aware of the changes in the laws or all the types of products that are available; and

WHEREAS, it is important that agents remain competent in a constantly changing and complex industry; and

WHEREAS, seventeen states already require continuing education for agents licensed in their states; and

WHEREAS, it is believed continuing education requirements would benefit both the public and insurance agents; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Bureau of Insurance of the State Corporation Commission is requested to study the establishment of a continuing education requirement for insurance agents licensed in this Commonwealth.

The Bureau is requested to report its findings and recommendations to the General Assembly by November 1, 1986.

INTRODUCTION - PURPOSE OF STUDY

As part of the recodification of the insurance code, the Bureau of Insurance of the State Corporation Commission proposed a continuing education requirement for all resident agents in early 1984 as an addition to the agents chapter. This proposal was opposed by the Virginia Association of Life Underwriters (VALU), the Professional Insurance Agents Association of Virginia and the District of Columbia (PIA), and the Independent Insurance Agents of Virginia (IIAV). Although VALU supported the concept of mandatory continuing education, they were opposed to the proposed language that required licensed agents to take an examination as the continuing education requirement. Both PIA and IIAV were unsupportive of the concept, itself.

In March 1984, as a result of meetings with the agents' advisory committee to the code revision, the proposal was revised to give individuals the option of either passing a written examination or earning 25 continuing education credits. This proposal, however, was also opposed by the insurance industry. The primary objections were directed toward the number of credits required and the fact that approval of courses was not specified in advance.

On August 30, 1984, a revised continuing education proposal was presented to the Virginia Code Commission. That proposal applied only to resident life and health agents. It offered an agent the option of passing a written examination every three years or completing a number of continuing education credits based on the number of years the agent had been licensed. This proposal was supported by the VALU but was opposed by the property and casualty agents committee and associations because it would apply to members of the associations who were licensed as both property and casualty and life and health agents. It was also opposed by some insurers because it contained a provision that no more than 50% of the credits could be for company sponsored credits.

After much debate, the Code Commission decided that an issue of this magnitude should be covered in legislation separate from the insurance code revision.

Last year, the VALU indicated that they were interested in sponsoring a continuing education requirement in the 1986 Session of the General Assembly. A number of meetings were held between the Bureau of Insurance, the VALU, IIAV, and PIA to discuss this possibility. A proposal was considered that would apply to only life and health agents, with an exemption for property and casualty agents who were also licensed as life and health agents but only wrote a small amount of life and health coverage. There was some acceptance of the concept but agreement could not be reached on the need for the exemption or the percentage of life and health business that would be used as the benchmark. In addition, the Bureau of Insurance was not able to support a requirement that would exempt agents who might be among those most in need of continuing education.

The VALU then decided to sponsor a resolution requiring formal study of this issue so that the interested parties might work together to develop a meaningful and workable continuing education requirement.

HJR 89, approved by the 1986 General Assembly, requested the Bureau of Insurance of the State Corporation Commission to study the possibility of establishing continuing

education requirements for insurance agents.

The study was requested by the General Assembly because:

1. There have been many changes in the insurance industry in recent years, particularly in the types of insurance products available and their complexity;
2. There have also been numerous changes in the laws governing agents;
3. There is a need for agents who have been licensed for a number of years to become aware of the legislative changes and the types of new products that are available;
4. There is an important need for agents to remain competent in a constantly changing and complex industry; and
5. There is a belief that continuing education requirements would benefit both the public and insurance agents.

An industry advisory committee was formed to assist the Bureau in the development of the requirement and met several times with Bureau staff beginning in May, 1986.

In addition, independent research was conducted by Bureau staff on several issues regarding continuing education, including administrative and cost concerns, status of continuing education requirements in other states, and advantages and disadvantages of mandatory continuing education requirements.

The industry advisory committee unanimously favored the concept of continuing education as being in the best public interest. While the committee was divided on the issue of mandatory continuing education versus voluntary continuing education, the majority of the members voted in favor of the legislation presented in this study which would require a minimum standard of annual continuing education.

CONTINUING EDUCATION REQUIREMENTS IN OTHER STATES

Seventeen other states have recognized the need for continuing education by legislating mandatory requirements. There is considerable variation in state requirements. Most states require a certain number of hours for each agent regardless of the length of time that the agent has been licensed, while some others have a requirement that varies with the length of licensure. The number of credits required each year on a pro rata basis ranges from three to 25.

Some states exempt agents who were licensed prior to the effective date of the requirement; however, the majority do not. There are some states with exemptions for agents who have reached a set age or who have been licensed a specific number of years.

The 17 states that currently have mandatory continuing education requirements are listed below:

Delaware	Nebraska
Georgia	New Jersey*
Illinois	New Mexico
Iowa	North Dakota
Kansas	South Dakota
Kentucky	Oregon
Massachusetts	Tennessee
Minnesota	Washington
Mississippi	

A summary of each state's requirement is included in the second appendix for purpose of comparison.

The National Association of Insurance Commissioners (NAIC) adopted a model continuing education requirement in 1978. The NAIC is the organization of the state regulators of insurance that work together to provide a forum for the exchange of ideas and to assist in the formulation of uniform policy. The NAIC assists regulators in maintaining and improving state regulation of insurance.

The NAIC model requires agents to complete courses, programs of instruction, or seminars equal to 25 classroom hours of instruction a year for the first four years that the agent is licensed. Agents licensed prior to the effective date of the requirement must complete courses, programs of instruction, or seminars that equal 15 classroom hours of instruction.

Since the adoption of the NAIC model, the number of states adopting prelicensing and continuing education requirements has increased.

*New Jersey law requires the adoption of a regulation. As of October 15, 1986, a regulation had not been adopted.

ADVANTAGES AND DISADVANTAGES OF MANDATORY CONTINUING EDUCATION

The need for mandatory education requirements has been discussed in many forums as activity in this area has increased. Although few people argue against the concept of continuing education, the debate centers around the issue of making the requirement mandatory. The major arguments in favor of a mandatory requirement are that 1) it will assist in increasing the competency of agents, thereby better protecting the public, 2) only a mandatory requirement will reach those most in need, and 3) the proposed requirement is flexible enough not to be burdensome. The major arguments against a mandatory requirement are that 1) additional government intervention is unnecessary, 2) learning is impossible to legislate, and 3) the expense of attending classes is considerable. These arguments are presented below.

Should the Government Attempt to Regulate Competency?

Mandatory continuing education means additional government regulation which opponents believe is unnecessary. They maintain that government should not interfere in an agent's career and attempt to force him to be professional. Opponents to a mandatory requirement assert that unprofessional agents will not remain in business because their clients will find other agents to handle their insurance needs.

Proponents of a mandatory requirement counter by arguing that regulators are charged with protecting the interests of the citizens of their states and licensing uneducated individuals has the potential to cause great harm to the public. The insurance industry is part of the financial services sector that grows increasingly complex on an almost daily basis. Many different types of products and services are now available from insurers. An agent who is not well versed in the latest choices available to his client will not be able to service the client in the best possible manner. In addition to new products, frequent revisions are made to Virginia's laws and regulations. All of this means that an agent cannot stop his education after attaining the initial level of knowledge necessary to become licensed.

Proponents of a mandatory requirement argue that more is needed than just an entry level education requirement such as the existing prelicensing study course and examination. Conceptually, a continuing education requirement is another step in the evolutionary process. Regulatory attempts to mandate a provision that would require an agent to remain informed on industry changes after he has become licensed are just as important as statutory provisions to educate and qualify prospective agents before they enter the sales field. The prelicensing study course assures that each individual who becomes licensed has at least a certain level of knowledge. A continuing education requirement, then, would assure that a minimum level of knowledge is maintained. Proponents believe that a mandated requirement will result in increased protection for the public who entrust their financial future to agents.

Will a Mandatory Requirement Reach Those Most in Need?

Those who oppose continuing education maintain that learning is impossible to legislate and that requiring an uninterested agent to attend classes or take an examination will not necessarily improve the agent's level of knowledge. They argue that some individuals are quite capable of passing an examination

by intensive short-term reviewing without actually retaining any of the facts they should have learned. The same argument applies to those individuals who attend seminars and courses but retain no useful knowledge. Opponents of a mandatory requirement believe strongly that there is no proof that mandatory continuing education will make agents more competent.

Proponents of a mandatory requirement counter by suggesting that mandatory continuing education requirements force agents into a potential learning situation. Any professional who makes a living through sales realizes that knowledge is power. Few would simply refuse to listen to useful information once they are in a learning environment and sometimes only a mandatory requirement will encourage individuals to take the time to attend a seminar or take a course.

Proponents believe that only a mandatory requirement will reach those who need it the most. Agents who are already actively pursuing education on their own will only have some additional paperwork if a mandatory requirement is passed. The agent who makes no effort to learn in a formal manner is the one being targeted for change. The agent who currently makes no effort to learn is the one most likely to be less informed and therefore have clients who are less informed. The public and the insurance industry are not best served by the continued solicitation of insurance by agents who are not making any effort to update and maintain essential insurance knowledge. If a mandatory requirement is enacted, agents will be forced to increase and update their base of insurance product knowledge and legislative changes affecting insurance and agents. This will improve the status of insurance agents in the public's view because they will be contacted by agents who are well informed and professional. Even from the standpoint of insurance companies, mandatory continuing education can only strengthen the insurance sales network in the state.

Is the Proposed Regulation Burdensome in Terms of Time and Expense?

Those who oppose mandatory requirements say that the expense of attending classes is burdensome, particularly in an agency where all of the employees are licensed. The point also argued is that time spent on classes leaves less time to solicit and service clients.

The proposed requirement provides a continuing education program of eight hours of continuing education which can be conducted at a local school, at the home office, or within an agency. In some cases the requirement can even be met at home with an approved industry accepted correspondence course. This is not an unduly burdensome requirement. Proponents of a mandatory requirement also note that the trend towards mandatory continuing education in the country is by no means confined to the insurance industry. Attorneys in Virginia are now required to complete a minimum of eight hours of approved continuing education courses each year. They stress that until last year, plans to propose continuing education for attorneys in Virginia were rejected as an excessive cost. As more and more states moved towards mandatory continuing education requirements, the idea was again introduced and finally accepted. In its recommendations to the state bar, the Committee on Continuing Professional Competence noted that there is only a

small percentage of incompetent attorneys in all of Virginia but they reflect badly on the rest of the state's attorneys. The Committee said that it felt an eight hour per year requirement would not be burdensome in time or expense to the lawyer. This successful effort by the legal profession, in fact, is seen as sound support by proponents of a mandatory requirement for insurance agents.

In addition, the testing alternative, which is unique to Virginia, provides a feasible option for those individuals who , for whatever reason, choose not to take a course. Although a test option is not included in the continuing education requirements of other states, testing is being used more and more to determine competence in other areas and is even accepted in many states as a valid means of determining the readiness of students to advance in school systems. The option of a test offers individuals who do not have access to courses or schools the flexible opportunity to demonstrate advancement in their profession.

RECOMMENDATIONS

The advisory committee recommends the proposed language in Appendix I as a mandatory continuing education requirement for Virginia. The provisions that compose the recommended requirement are the result of research, discussion, compromise, and majority opinion of the committee. Each issue was viewed from the perspective of agent or consultant, company, regulator, and consumer. Compromises were made as the merits of opposing views were recognized. The committee worked together to draft a requirement that is practical and beneficial for Virginia. Since the compromises are the foundation of the final proposed requirement, they are summarized at the end of this section.

The major provisions of the requirement are listed below.

Persons Subject to the Requirement

The proposed requirement applies to all resident health agents, life and health insurance agents, property and casualty insurance agents, and property and casualty insurance consultants. Current law requires completion of a study course prior to licensure for each of these license types. The other types of licenses issued by the Bureau of Insurance are each limited to one specific type of coverage and applicants are not required to complete a study course. Since the limited licenses presently have no pre-licensing education requirement, it would be inconsistent to require education after licensure.

The required credits (or the test alternative) will apply to all individuals holding the license types that have a prelicensing study course requirement regardless of whether that individual actively solicits insurance or if the agent is required to service his clients on a frequent basis. This includes licensed agents who primarily perform administrative or clerical type functions and debit company agents. Both should maintain a minimum level of knowledge if they are licensed to solicit, negotiate or effect contracts of insurance.

Required Credits

The number of credits required to meet the course option is eight for each year. This number was recommended because it would not place unreasonable economic or time burdens on an agent, agency, consultant, or company while still providing a sound basis for continuing education. Eight credits is also recommended in recognition of the expense and time requirements of having all licensing personnel meet the requirement whether or not they actively solicit insurance. Eight credits each year should not pose an undue burden for agents and consultants to remain updated in their licensed field. Yet, eight credits each year is a meaningful requirement.

Testing Alternative

Two options for meeting the requirement are available. Individuals may either pass an examination or complete a number of continuing education credits each year. The examination option provides a reasonable alternative

for individuals who are unable to complete courses or programs of instruction because of geographical location, schedule constraints, or some other viable reason.

Requirements for Those Multi-Licensed

The requirement applies to many individuals who hold more than one type of license. Many agents are primarily active in one type of insurance, such as property and casualty, but also occasionally solicit life and health contracts. Instead of requiring an agent holding two licenses to complete 16 credits, the number of required credits is 12. However, at least four credits must cover information relating to each license type. This prevents the possibility of an agent obtaining the total number of credits from only one area while assuring that even if an agent is only minimally active in an area, he or she will obtain some education in that area on a yearly basis.

Annual Requirement

The requirement that is recommended is an annual one. An annual requirement that is compatible with the present license renewal process gives companies and agents a familiar time frame for completion of the requirement. It also will encourage agents to continually update their knowledge as opposed to a three or five year requirement that could pose problems for those agents that did not keep up and who would then be faced with a very large requirement at the end of the period.

Carryover Provision

Credits earned in one year that are in excess of the required number may be applied to meet the requirements of the following year. This provision allows an agent who ambitiously and conscientiously pursues education to utilize earned credits for a two-year period for the purpose of fulfilling the requirement. This provision helps to eliminate any discouragement of obtaining education beyond the minimum required.

Administration

Agents or consultants that choose the course option to satisfy this requirement must complete a form certifying that they have met the requirement for that year. The agents or consultants would submit the prescribed form to the Bureau of Insurance of the State Corporation Commission. The Bureau of Insurance will audit the forms on a random basis. Course or school instructors will be contacted and asked to supply verification that the course was completed. If an agent or consultant has not met the requirement by April 1 of each year, they will receive notification from the Bureau of Insurance. Companies that the individual is appointed to represent will be notified on July 1 that the agent's or consultant's license will be suspended on August 1.

This system provides a month's notice to companies prior to license suspension of any agent that the company has appointed. The system also provides advance notification to the agent or consultant so that any clerical or mailing errors can be corrected.

Advisory Committee

The number of credits awarded to each course or program of instruction will be determined by the Commission with the assistance of an advisory committee. The advisory committee will also assist the Bureau of Insurance in determining whether courses will be approved and in determining requirements for course instructors. A list of widely recognized approved programs of instruction is included in the requirement. These programs will not require the prior approval of the Bureau of Insurance. The number of credits earned for their completion will be decided by the Bureau of Insurance with the assistance of the advisory committee. Credits for approved classroom courses will be equal to classroom hours.

Company Courses

The requirement does not contain any restriction on the number of company or agency sponsored courses that can be used to satisfy the requirement. Company and agency sponsored courses could be particularly important in a situation where an agent or consultant is unable to complete a course offered by a source other than an agency or company because of geographical location or because the courses that are available do not match the agent's educational needs or time requirements. Prior approval of agency or company courses is required, and any potential for abuse by an agency or company can be monitored by the Bureau of Insurance with the assistance of the advisory committee.

No Reduced Requirement For Professional Designations

The requirement does not contain a reduction in the number of credits that must be earned each year for individuals who have completed the program requirements for professional insurance designations such as the Chartered Property and Casualty Underwriter or Fellow of the Life Management Institute. An individual who obtained a designation in the past should not be exempted from the requirement because knowledge of the current insurance environment is necessary to maintain competence.

No Exemption For Currently Licensed Agents

The requirement does not contain an exemption for agents or consultants who hold licenses prior to the effective date of the proposal. An exemption of currently licensed agents would be counter to the theme of continuing education because agents who have been licensed for longer periods of time may be as much in need of education about changes in laws, products, and insurance needs as are newly licensed agents.

The compromises that led to the final recommendation are:

Persons Subject to the Requirement/Number of Credits

The majority of the committee agreed that the requirement should apply to all licensed agents even if they performed mostly clerical or administrative

functions if the number of credits required was reduced from the originally proposed 24 each year for the first six years of licensure.

The issue of an exemption for agents who sell for debit or combination companies was discussed. The location of many of these agents in remote areas, and the need for them to provide policy service more frequently than other types of agents was recognized. However, with a reduced number of credits being required, the inclusion of a test alternative, and no restriction of the number of agency or company sponsored courses, the majority of the committee believes this is a fair requirement for debit company agents.

Testing Alternative

The testing option was added to the requirement after lengthy discussion. There was agreement that a test offers an alternative for some individuals who may not be able to complete courses because of circumstances beyond their control. The test alternative also reduces some of the financial and time requirements of a mandatory provision.

Requirements for Those Multi-Licensed

A consensus on the issue of multi-licensed agents was reached by increasing the number of credits that an individual must earn by fifty percent of the requirement for each additional license. For an agent who holds two licenses, instead of doubling the requirement, the agent will obtain 12 credits and at least four credits must be awarded for education relevant to each license.

Carryover Provision

The proposal requires annual compliance yet allows individuals to use extra credits earned one year to be used to satisfy the following year's requirement.

Administration

The administrative procedures necessary to implement the requirement was discussed at length. The recommended proposal allows advance notice to both the company and the agent or consultant prior to license suspension as the majority of the committee requested. This compromise is also in line with the Bureau of Insurance's existing automated system.

Advisory Committee

The Bureau of Insurance intends to use an advisory committee to assist in the administration of the requirement; however, the earlier drafts of the requirement did not specifically mention the committee. In recognition of the importance of the use of an advisory committee to those who are covered by the requirement, language was added to formally acknowledge their existence and involvement.

Company Courses

There was considerable discussion on allowing company or agency sponsored courses. The point was raised that potential for abuse exists if the agency or company does not administer the course correctly. The committee agreed that there would be no restriction on the number of agency or company sponsored courses that can be counted toward meeting the requirements as long as the courses receive prior approval from the Bureau of Insurance.

The advisory committee weighed all of the arguments in favor of and in opposition to a mandatory continuing education requirement. All of the issues that were identified as major concerns were fully discussed. The majority of the committee believes that it is in the best interest of the public to have a mandatory continuing education requirement and that the proposed requirement does not place an unrealistic burden on any company, agency, agent, or consultant.

CONCLUSION

After researching, evaluating, and discussing all of the issues, it is the conclusion and majority recommendation of the advisory committee for this study that a mandatory continuing education requirement for insurance agents be adopted in Virginia.

Those in favor of the proposed requirement are:

Virginia Association of Life Underwriters
Virginia Mutual Insurance Company
The Life Insurance Company of Virginia
First Colony Life Insurance Company of Virginia
Central Virginia Society of Certified Financial Planners

Those opposed to the proposed requirement are:

Professional Insurance Agents of VA and D.C.
Independent Insurance Agents of Virginia
Home Beneficial Life Insurance

Considerable time was spent determining the appropriate language. As with any legislative endeavor, many compromises were reached to complete the final product. Arguments for protecting consumer interests were combined with concerns for an agent's ability to be an effective business person. The possibilities were also considered in light of the administrative needs of agencies and companies as well as those of the Bureau. Much of this give and take is not reflected in the final recommendation but is a major factor in how it was developed.

Eight hours of continuing education per year should not be burdensome either in time or expense to the licensed agent. This requirement, in fact, is one of the lowest minimums required in any of the 17 states that now require education on a continuing basis.

An increasingly sophisticated public wants to deal with insurance professionals who are up to date in their knowledge of the complex array of insurance products available on the market today. The majority of the committee believes that our joint efforts have resulted in a requirement that will benefit consumers, agents, companies, consultants, and regulators.

APPENDIX I
Proposed Continuing Education Requirements

§ 38.2-1817:1. Continuing education requirements. A. Each resident health agent, life and health insurance agent, property and casualty insurance agent, and property and casualty insurance consultant shall as a condition for continuation of his license meet one of the two following education requirements:

1. Each such agent or consultant shall pass a written examination by April 30 of each year for each license type he holds. The examination shall be given by the Commission or a testing service selected by the Commission. Each applicant for the examination required by this subsection shall be subject to the requirements of § 38.2-1819. A person who fails an examination shall not be permitted to retake the examination for a period of one month. The examination may be taken no more than three times during the prescribed period; or

2. Each such agent or consultant shall on an annual basis furnish evidence to the Commission that he has successfully completed eight approved continuing education course credits or program of instruction credits each year. Any such agent or consultant with more than one type of license shall complete an additional four approved continuing education course or program of instruction credits each year for each additional license. At least four credits must come from each of the areas covered by each license type. The remaining credits may come from areas covered by the other license type or license types.

a. An approved continuing education course or program of instruction credit shall consist of one of the following:

(1) A course or program of instruction approved in advance by the Commission; or

(2) A course or program of instruction contained on a list of approved courses and programs of instruction provided by the Commission.

b. The number of credits for each course or program of instruction shall be determined by the Commission. However, for an approved classroom course a credit hour shall be equivalent to a classroom hour.

c. An instructor of an approved continuing education course may be eligible, at the Commission's discretion, to receive the same number of credits as a person enrolled in the same course for the purpose of meeting the requirements of subsection A.

B. For the purpose of paragraphs 1 and 2 of subsection A the property and casualty agent and the property and casualty insurance consultant licenses shall be considered one license type.

C. Any such agent or consultant who exceeds the continuing education requirement for a given year may transfer such excess credit hours earned during such

year to the next year to be applied to the requirement for that year.

D. The Commission shall suspend the license of any such agent or consultant at the end of any prescribed period during which that person has not met the requirements of this section. An agent or consultant whose license has been or is to be suspended or revoked under this section may reapply for a new license pursuant to § 38.2-1815 or § 38.2-1817.

E. 1. Existing agents or consultants. This section applies to all such agents or consultants with licenses issued prior to May 1, 1987.

2. New agents and consultants. All such agents or consultants who obtain a license on or after May 1, 1987, shall comply with the requirements of this section.

F. Any such existing agent or consultant as defined in subsection E. 1. above shall meet his first continuing education requirement by April 30, 1989. Any such new agent or consultant as defined in subsection E. 2. above shall meet his first continuing education requirement on the April 30 following the issuance of his license. However, agents or consultants who have completed the required pre-licensing study course will be exempt from meeting the continuing education requirement the first year after receiving a license and would have to meet the requirement on the following April 30 as stated in the previous sentence.

G. The Commission shall appoint an Advisory Committee to advise and make recommendations regarding standards for the education of insurance agents and consultants, course approval including evaluating credit hours for all courses or programs offered, and minimum requirements for course instructors.

H. Courses or programs of instruction successfully completed that are acceptable for the purpose of meeting this requirement and that do not require advance approval by the Commission are:

1. Any part of the Life Underwriting Training Council Life Course Curriculum (LUTC);
2. Any part of the American College Chartered Life Underwriter "CLU" diploma curriculum;
3. Any part of the American Institute for Property and Liability Underwriter's Chartered Property Casualty Underwriter (CPCU) professional designation program;
4. Any part of the Certified Insurance Counselor (CIC) program;
5. Any part of the Life Management Institute Fellow of Life Management Institute (FLMI) program;
6. Any part of the Chartered Financial Consultant (CHFC) Program;
7. Any part of the Insurance Institute of America's program in general insurance (IIA);
8. Any part of the Certified Financial Planner (CFP) program;
9. Any part of the Registered Health Underwriter program (RHU); or
10. Any part of the Health Insurance Association of America program. (HIAA)

I. A waiver from meeting the requirements of this section may be sought by filing a request with the Commission. A waiver shall be valid for only one year, unless

renewed or extended by the Commission. A waiver will be granted only for good cause. Good cause may include serious illness or hospitalization, and such emergency situations as the Commission may conclude to warrant a waiver under the circumstances.

J. An agent or consultant who has not complied with the requirements of this section or received a waiver by April 30 of each license year shall have his license suspended as of August 1 of that year until the educational requirement is met. Any such agent or consultant whose license is suspended has until April 1 of the following year to meet the requirements of this section. If the requirement is not met by April 1 of the following year the Commission shall institute procedures to revoke the license of the agent or consultant pursuant to § 38.2-1832.

APPENDIX II
Continuing Education Requirements of Other States

Delaware

Delaware law applies to all life and health and property and casualty agents. Delaware regulation requires that 20 units be completed for years 2-5 of licensure. The requirement is then reduced to 10 units for each year after the fifth license year.

Georgia

Georgia regulation requires that property and casualty and life and health agents licensed less than five years complete 24 classroom hours. Agents licensed 5-10 years must complete 18 classroom hours. Agents licensed 10-15 years must complete 12 classroom hours and agents licensed 15-20 years must complete 6 classroom hours. Agents that have been licensed more than 20 years are exempt from this requirement.

Illinois

Illinois law provides that each licensed producer must complete at least 25 hours of continuing education credits each year for the first 4 years after receiving the initial license. The requirement exempts all agents licensed prior to January 1, 1985, the effective date of the law.

Iowa

Iowa law requires that life and health and property and casualty agents complete 10 continuing education credits each year. Twenty credits are the total number of hours needed if an agent is licensed in both property and casualty and life and health insurance.

Kansas

Kansas law requires that within 5 years of obtaining a license agents selling life insurance complete course work of 6 credit hours at a university, or 2 parts of LUTC, two parts of LOMA or 2 parts of CLU. The requirement does not apply to agents licensed to sell life and health insurance for 10 years as of July 1, 1978.

Kentucky

Kentucky passed legislation, effective in 1986, that will require agents to meet requirements beginning in 1988. The law applies to life and health and property and casualty agents. Agents will be required to obtain 24 credits in two year periods. The requirement does not apply to individuals who have obtained a license prior to July 15, 1987.

Massachusetts

Massachusetts law requires life and health and property and casualty agents to complete 60 hours of instruction in the first 3 years of licensure. For each succeeding 3 year period the agent must complete 45 classroom hours of instruction.

Minnesota

Minnesota law requires that life and health and property and casualty agents complete 20 hours of continuing education each year. An agent licensed in both property and casualty and life and health insurance is required to complete only 20 total hours. Agents whose age and years of experience total 85 or more are exempt from the requirement.

Mississippi

Mississippi requires that life and health agents complete 25 hours of continuing education for each of the first 4 years that the agent is licensed. The requirement does not apply to agents that were licensed prior to January 1, 1980, the effective date of the regulation, or to agents exempt from taking the written examination for a license.

Nebraska

Nebraska has two continuing education requirements. There is a one-time requirement that applies to only life and health agents. There is also a requirement that applies to all lines of insurance. The second provision requires each agent to complete 6 hours of credits every 2 years for each line of insurance that the agent is licensed to sell.

New Jersey

New Jersey law provides that the insurance commissioner may establish rules and regulations for continuing education requirements. No regulations had been finalized as of October 15, 1986.

New Mexico

New Mexico requires agents to complete 15 hours of continuing education credits each year. The total number of hours required is 15 regardless of the number of license types held. There is an exemption for agents with 25 or more years experience.

North Dakota

North Dakota requires life and health and property and casualty agents to complete 15 continuing education credit hours each year. At least 7-1/2 hours must be from classroom instruction.

Oregon

The state of Oregon requires agents to complete credits annually, depending on the number of years that they have been licensed. Agents licensed up to five years have to obtain 36 hours, agents licensed 6 to 10 years must complete 24 hours, and agents licensed over 10 years must complete 12 hours.

South Dakota

South Dakota requires life and health and property and casualty agents to obtain 10 continuing education credit hours every 2 years. An agent licensed in both property and casualty and life must complete 20 credit hours.

Tennessee

Tennessee requires life and health agents to complete one or more courses within 4 years of obtaining their initial license. Agents who were licensed prior to October 1, 1979, are exempt from the requirement.

Washington

Washington requires that 12 hours of course work be completed every year. The law applies to life and health and property and casualty agents.

