

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

# **Continuing Education For Agents**

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

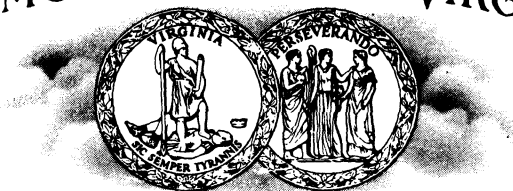


## **House Document No. 28**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1988**

# COMMONWEALTH OF VIRGINIA

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## STATE CORPORATION COMMISSION INFORMATION RESOURCES

January 25, 1988

Mr. Charles M. Hubbard  
Division of Legislative Automated Systems  
General Assembly Building, 6th Floor  
910 Capitol Street  
Richmond, Virginia 23219

Dear Mr. <sup>Hubbard</sup> Hubbard:

Enclosed please find the report made pursuant to House Joint Resolution No. 272 of the 1987 Session of the General Assembly of Virginia. We would appreciate your having this prepared as a House Document.

Sincerely,

A handwritten signature in cursive script that reads "Mary Lynne Bailey".

Mary Lynne Bailey

MLB/m  
Enclosure

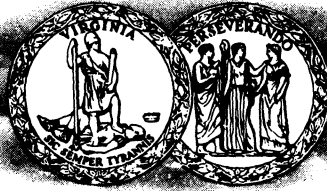
# COMMONWEALTH OF VIRGINIA

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COMMISSIONER

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## STATE CORPORATION COMMISSION


January 25, 1988


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

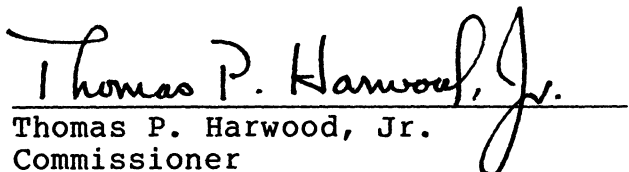
The report contained herein is pursuant to House Joint Resolution No. 272 of the 1987 Session of the General Assembly of Virginia.

This report represents the response of the State Corporation Commission to the legislative directive to continue to study a proposal to establish continuing education requirements for insurance agents licensed in this Commonwealth.

Respectfully submitted,

  
Elizabeth B. Lacy  
Chairman

  
Preston C. Shannon  
Commissioner

  
Thomas P. Harwood, Jr.  
Commissioner

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## EXECUTIVE SUMMARY

### Legislative Request

House Joint Resolution 272, approved by the 1987 General Assembly, requested the continuation of a study conducted last year by the State Corporation Commission's Bureau of Insurance pursuant to 1986 House Joint Resolution 89 that examined the possibility of creating a continuing education requirement for insurance agents licensed in Virginia. Mandatory continuing education for agents has been a topic of considerable debate for several years. Conflicting positions were asserted again during last year's study, and the issue remained unresolved. The 1987 General Assembly requested, through HJR 272, that the review of the issues be continued.

### 1986 House Joint Resolution 89

The legislative rationale for reviewing the issue, as stated in HJR 89, is the same for both studies:

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 for the HJR 89 study to assist the Bureau in the development of a continuing education requirement. The HJR 89 industry advisory committee unanimously favored the concept of continuing education as being in the public interest but was divided on the issue of mandatory versus voluntary continuing education. A majority of the industry advisory committee recommended a proposal that would require each agent to complete eight continuing education credits per year. Agents with 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 had been included. The proposal also contained a carryover provision by which credits earned in one year that were in excess of the required number could be applied to meet the requirements of the next year.

## 1987 Current Study

Because of the unresolved debate over mandating continuing education, no such legislation was proposed during the 1987 Session of the General Assembly. Instead, the General Assembly, under House Joint Resolution 272, requested that the Bureau of Insurance continue to study the possibility of establishing continuing education requirements for insurance agents licensed in this Commonwealth.

The research efforts for the 1987 study focused on the underlying premise of the need for mandatory continuing education that was challenged during the 1986 HJR 89 industry advisory committee meetings. HJR 272, therefore, was designed to ask: Is mandatory continuing education necessary to assure that the agents licensed in this Commonwealth will keep pace with the many changes in products and markets of the insurance industry as well as the numerous changes in Virginia law governing agents? Stated otherwise, in the absence of mandatory requirements, would agents voluntarily enroll in continuing education courses in their own and their client's best interest?

## Study Methodology

A survey was prepared and sent to 3,000 randomly selected life and health and property and casualty agents licensed in the Commonwealth to measure the voluntary efforts on the part of agents to continue their insurance education after they had been licensed. Agents receiving the survey were asked a series of general information questions regarding the type of license held, how long they have been licensed in Virginia, how many companies they represent, whether they belong to a professional association, and whether they have any insurance-related designations.

The agents were then asked specifically if they had participated in any insurance-related education courses/seminars/workshops in the last three (3) years either formally outside of the agency or formally/informally within the agency. The agents were asked to provide as much information as possible regarding each course taken. This course information included title and content of the course, name of organization offering the course, location (inside or outside agency), length of course (number of hours), teaching method (classroom or self-study), and whether the course was required by the agent's agency, company or association. The agents were also asked a general opinion question about the continuing education requirement that was developed in 1986 pursuant to HJR 89.

## Conclusion

Thirty-two percent (1,039) of the surveyed agents responded. The results indicate that a majority of the agents completing the survey (59%) have participated over the last three years in the type of education that would address the underlying motivation for requiring continuing education. In other words, they participated in courses directed at learning about products and types of coverages that are available. An additional 12% of the agents responding to the survey indicated that they had only taken courses that would not be considered appropriate for meeting a mandatory continuing education requirement. These courses included sales techniques, career training, and staff management, as well as prelicensing courses which are not considered continuing education but are requirements for licensure.

The survey results also indicated that 44% of the courses taken were required by the agents' company, agency, professional agents' association, or the state. In addition, association members appeared to be more motivated to enroll in education courses than non-members. More than two-thirds (68%) of agents responding to the survey who are members of a professional agents' association participated in insurance-related continuing education courses in the last three years. Only one-half of the agents not belonging to an association made the same claim.

The Bureau of Insurance supports the concept of continuing education to assure that licensed insurance agents are providing the Virginia consumer with up-to-date and accurate knowledge of the insurance product. Although 61% of the agents surveyed responded in favor of a continuing education requirement, the Bureau recognizes the concerns of those opposed to mandated education, as well as the widely varying views of those in favor. In addition, the Bureau agrees with some of those agents in favor of continuing education who believe that if a requirement is to be mandated, the criteria should be stronger than those proposed under HJR 89.

In reviewing the survey results, the information that was received establishes the educational activity of agents who are experienced, career-oriented and engaged in professional activities such as obtaining designations and joining agents associations. Based on the research, the Bureau concludes that voluntary continuing education appears to be operative for this segment of the agent population but that insufficient documentation exists to support this conclusion for all agents. The Bureau recommends that, for now, companies, agencies, trade associations, and agents be called upon, not only to continue their efforts toward voluntary education, but to expand the opportunities, particularly in the areas of insurance law and ethical trade practices. The Bureau will monitor the education activities of insurance agents in general to determine whether voluntary efforts are sufficient, or whether a future review of mandated continuing education is warranted.

# GENERAL ASSEMBLY OF VIRGINIA -- 1987 SESSION

## HOUSE JOINT RESOLUTION NO. 272

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

Agreed to by the House of Delegates, February 8, 1987

Agreed to by the Senate, February 19, 1987

WHEREAS, the Bureau of Insurance of the State Corporation Commission was requested by the 1986 Session of the General Assembly to study the establishment of a continuing education requirement for insurance agents licensed in this Commonwealth; and

WHEREAS, an industry advisory committee, formed to assist the Bureau in the development of the requirement, met several times with Bureau staff beginning in May, 1986; and

WHEREAS, the industry advisory committee unanimously favored the concept of continuing education as being in the best public interest but was divided on the issue of mandatory versus voluntary continuing education; and

WHEREAS, interest has been expressed in having the industry advisory committee continue its work; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Bureau of Insurance is requested to continue 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 December 15, 1987.



## INTRODUCTION

House Joint Resolution 272, approved by the 1987 General Assembly, requested the continuation of a study conducted last year by the State Corporation Commission's Bureau of Insurance pursuant to 1986 House Joint Resolution 89 that examined the possibility of creating a continuing education requirement for insurance agents licensed in Virginia. Mandatory continuing education for agents has been a topic of considerable debate for several years. Conflicting positions were asserted again during last year's study, and the issue remained unresolved. The 1987 General Assembly requested, through HJR 272, that the review of the issues be continued.

### History

The Bureau of Insurance proposed a continuing education requirement for all Virginia resident agents in early 1984 as part of the recodification of the Insurance Code. This proposal was opposed by the three state professional agents' associations: 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 opposed to the concept of mandatory continuing education.

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

In August, 1984, a revised continuing education proposal was presented to the Virginia Code Commission. That proposal applied only to resident life and health agents and 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. The proposal was supported by the VALU but was opposed by the property and casualty agents' associations because it would apply to their members who were dual-licensed as both property and casualty and life and health agents. Some insurance companies also opposed the proposal because it contained a provision that no more than 50% of the credits could be from company-sponsored courses.

After considerable debate, the Code Commission decided that an issue of this magnitude should be covered in legislation separate from the Insurance Code revision. The continuing education proposal was then removed from the Code revision project.

## House Joint Resolution 89

The VALU reopened the issue in October, 1985, indicating an interest in sponsoring continuing education legislation in the 1986 Session of the General Assembly. Meetings were held between the Bureau of Insurance, the VALU, IIAV, and PIA to discuss this possibility. Because the VALU was sponsoring the proposal, language was considered that would apply only to life and health agents. An exemption was to be included 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 only conducted a small portion of business in a particular type of insurance and who might be among those most in need of continuing education.

The VALU then decided to sponsor a legislative resolution requiring formal study of this issue so that the interested parties might work together to develop a meaningful and workable continuing education requirement. The result was House Joint Resolution 89 which requested the Bureau of Insurance to study the possibility of establishing continuing education requirements for insurance agents.

As stated in the resolution that was approved by the 1986 General Assembly, the study was requested for the following reasons:

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 a continuing education requirement. The committee met several times with Bureau staff from May to December, 1986. 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 HJR 89 industry advisory committee unanimously favored the concept of continuing education as being in the public interest but was divided on the issue of mandatory versus voluntary continuing education. A majority of the industry advisory committee recommended a proposal that would require each agent to complete eight hours of continuing education credits per year. Agents with 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 had been included. The proposal also contained a carryover provision by which credits earned in one year that were in excess of the required number could be applied to meet the requirements of the next year. The proposed continuing education requirement would have applied to all resident health, life and health, and property and casualty agents, as well as property and casualty insurance consultants.

Those members of the HJR 89 industry advisory committee that were in favor of the proposed requirement were:

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

Those opposed to the proposed requirement were:

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

The specific proposal for a continuing education requirement resulting from the recommendations of last year's HJR 89 study, as reported in House Document No. 11, is contained in Appendix A of this report.

The major arguments voiced during the HJR 89 meetings in favor of a mandatory continuing education requirement were that:

1. it would assist in increasing the competency of agents and thereby better protect the public;
2. a mandatory requirement is the only way to reach those most in need; and
3. the proposed requirement is flexible enough not to be burdensome.

The major arguments against a mandatory requirement were that:

1. additional government intervention is unnecessary;
2. learning is impossible to legislate; and
3. the expense of attending classes is considerable.

The most persuasive argument against the requirement was that insurance agents, on their own, are already acquiring the education needed to remain up-to-date on the latest issues facing the insurance market.

## 1987 Current Study

No proposed continuing education legislation was introduced in the 1987 Session of the General Assembly. Instead, the General Assembly, under House Joint Resolution 272, requested that the Bureau of Insurance continue to study the possibility of establishing continuing education requirements for insurance agents licensed in this Commonwealth.

The research efforts for the 1987 study focused on the underlying premise of the need for mandatory continuing education that was challenged during the 1986 HJR 89 industry advisory committee meetings. HJR 272, therefore, was designed to ask: Is mandatory continuing education necessary to assure that the agents licensed in this Commonwealth will keep pace with the many changes in products and markets of the insurance industry as well as the numerous changes in Virginia law governing agents? Stated otherwise, in the absence of mandatory requirements, would agents voluntarily enroll in continuing education courses in their own and their clients' best interest?

## STUDY METHODOLOGY

As stated previously, the research effort under House Joint Resolution 272 was directed towards the question of whether voluntary efforts on the part of agents licensed in the Commonwealth have been sufficient in helping them keep pace with the many changes that have occurred in the insurance marketplace and laws governing agents. In other words, are insurance agents participating in professional educational activities on their own?

A survey was prepared and sent to 3,000 randomly selected life and health and property and casualty agents licensed in the Commonwealth to measure the voluntary efforts on the part of agents to continue their insurance education after they have been licensed. Agents receiving the survey were asked a series of general information questions regarding the type of license held, how long they have been licensed in Virginia, how many companies they represent, whether they belong to a professional agents' association, and whether they have any insurance-related designations.

The agents were then asked specifically if they had participated in any insurance-related education courses/seminars/workshops in the last three (3) years either formally outside of the agency or formally/informally within the agency. The agents were asked to provide as much information as possible regarding each course taken. This course information included title and content of the course, name of organization offering the course, location (inside or outside agency), length of course (number of hours), teaching method (classroom or self-study), and whether the course was required by the agent's agency, company or association.

As a general information question, the agents were asked whether they would favor a continuing education requirement for all licensed property and casualty, life and health, and health agents if requirements such as the following, based on the HJR 89 recommendation, were developed that would not be unduly prohibitive in terms of time and cost:

1. 8 credit hours per year;
2. if dual licensed, an additional 4 credit hours for each additional license;
3. the option to pass a written examination in lieu of taking courses;
4. a carryover provision where excess credit hours may be transferred to the next year's requirement; and
5. approval for credit given to some company, agency in-house, and self-study courses.

Short of requiring annual examinations to test for up-to-date knowledge, one way to determine if education needs to be required is to examine the percentage of agents already engaged in continuing education activity. The intent of the survey was to obtain information directly from the agent population to assist in determining whether education is being sought.

## SURVEY RESULTS

As of July 1, 1987, there were 24,000 life and health agent licenses and 14,500 property and casualty agent licenses active in Virginia. A survey was prepared and sent to 3,000 randomly selected life and health and property and casualty agents licensed in the Commonwealth. To simulate the actual agent population, 60% of the 3,000 agents selected held life and health agent licenses and 40% held property and casualty agent licenses.

A total of 1,039 agents, representing approximately 34%, responded to the survey. An additional 356 surveys (11%) were returned as undeliverable.

### General Information

Of the 1,039 agents responding to the survey, 357 hold a life and health license only; 157 hold both life and health and property and casualty licenses but primarily write life and health insurance; 168 hold a property and casualty license only; and another 357 hold a property and casualty and life and health license but primarily write property and casualty insurance. Because of the individuals who are dual licensed, the 1,039 respondents to the survey represent 1,553 licenses that have been issued. The figures indicate that 56% of the licenses are life and health and 44% are property and casualty. These percentages are similar to the 60/40 ratio present in the total population.

The average duration of an agent's license, based on the survey responses, is 12 years. The agent, on average, has appointments with seven companies. Although there are an average 25 agents per agency represented in the survey, this number is skewed because of a handful of very large agencies. The number of survey responses for agency size categorized into ranges are shown below:

<u>Number of Agents in Agency</u>	<u>Number of Survey Responses</u>
0 - 5	336
6 - 15	299
16 - 30	244
31 - 99	128
100 - 299	20
300 - 999	7
1000 +	5

With the largest agencies of 300 or more agents removed from the figures, the average agency size is 13 agents per agency.

Of the 1,039 agents responding to the survey, 456 (44%) belong to one or more of the three major professional agents' associations in Virginia. A total of 183 survey respondents indicated belonging to the Independent Insurance Agents of Virginia (IIAV); 193 indicated belonging to the Professional Insurance Agents of Virginia and the

District of Columbia (PIA) and 202 indicated belonging to the Virginia Association of Life Underwriters.

Of the 1,039 agents responding to the survey, 7% have a Chartered Life Underwriter (CLU) designation, 3% have a Chartered Property and Casualty Underwriter (CPCU) designation, 3% have a Chartered Financial Consultant (ChFC) designation, 2% have a Certified Insurance Counselor (CIC) designation, and 20% have a Life Underwriting Training Council (LUTC) designation.

Although every effort was made to obtain a representative sampling, note should be taken that the type of individual who is willing to respond to a questionnaire of this nature may not be representative of all insurance agents. The general survey results as reviewed above appear to represent agents who are professional, experienced, career-oriented and who work in small to medium-size agencies.

### Classification of Courses Taken

Each agent responding to the survey was asked to identify the title and topic of courses taken in the last three years, which allowed the research staff to classify the different types of courses. An analysis of the types of courses taken was necessary because of discussions by the HJR 89 industry advisory committee on the inappropriateness of some courses, such as sales techniques, for the purposes of assuring that an agent is up-to-date on the latest insurance products and laws of Virginia. In analyzing the survey data, the courses identified by the agent respondents were separated and classified as either continuing education courses or sales courses. The continuing education courses included all topics that discussed lines and types of coverages. Examples of these courses are homeowners, basic property, business coverage, flood insurance, advanced life products, health, commercial lines, and professional liability. Also included in the continuing education category were financially-related courses such as financial planning, taxation update, estate planning, and retirement financing. Any courses taken towards a designation (e.g., CPCU, CLU, FLMI, LUTC, ChFC, CIC, etc.) were also included in this category. Finally, courses that were directed at forms or policies (such as seminars on the new claims made policy) were included in this category.

Courses that were not considered appropriate for continuing education by the HJR 89 industry advisory committee included all sales courses. Examples of these courses include "speedway to sales", market development, sales techniques, advanced sales, telemarketing, recruiting, and sales psychology. In addition, courses geared toward the functioning of the agency were not considered appropriate for continuing education purposes. These courses included agency planning, staff development, agent training, career school, computer school, time management, leadership, and enlightenment seminars. Prelicensing courses were also included in this category since they are not continuing education but are a requirement for licensure. Finally, several agents simply listed "various seminars", "monthly meetings", or "informal self study" as the type of education taken. These responses were listed as unidentified courses and were included in the category of courses considered not appropriate for continuing education.

The courses were classified according to the actual classes listed in the survey responses. Based on the survey results, the Bureau noted a lack of courses being taken in insurance law and ethical trade practices. These are two topics the Bureau believes should be addressed by insurance agents yet appear to be absent in the average agent's educational activity.

### Continuing Education Activity Among Agents

When examining the overall survey results, a total of 735 agents (71%) of the 1,039 agents responding to the survey indicated that they have taken one or more insurance-related courses in the last three years. Broken down by type of license, 70% of the agents with life and health licenses and 60% of the agents with property and casualty licenses participated in educational courses. If the content of the courses is examined, however, 18% (or 133) of those agents who indicated that courses were taken in the last three years, only took sales courses. They had not participated in continuing education-type courses as the meaning has been used throughout this study and HJR 89. Therefore, a more accurate figure of the number of agents that have participated in continuing education in the last three years is 602, or 59% of the agents that responded to the survey.

As previously mentioned, 44% of the agents responding to the survey indicated that they belong to a professional agents' association. Of that group, over three-fourths (81%) indicated that they had enrolled in one or more insurance-related courses in the last three years. Only 61 of these agents took just sales-types courses so that, even with these agents removed, 68% of the agents who are members of a professional agents' association participated in insurance-related continuing education courses in the last three years. In comparison, a total of 363 agents not belonging to one of the professional agents' associations indicated enrolling in one or more insurance-related courses in the last three years. Of that group, 72 participated only in sales-type courses, resulting in exactly one-half of non association members actually taking continuing education courses.

These figures indicate that a majority of agents are enrolling in continuing education programs. The figures also demonstrate that belonging to a professional agents' association appears to increase the likelihood of enrolling in continuing education courses.

### Types of Courses Taken

As previously mentioned, the types of courses taken by agents responding to the survey were categorized as being appropriate or inappropriate for the purposes of continuing education. The following chart shows the types of courses taken most frequently by agents responding to the survey:



## CHART I

### Types of Courses Taken

#### 1. Continuing Education Courses

<u>Type of course</u>	<u>% of all courses taken</u>
Line or types of coverages	33%
Financial aspects of insurance	8%
Designation-related	15%
Forms or policies	8%

#### 2. Sales-related or Unidentified Courses

<u>Type of course</u>	<u>% of all courses taken</u>
Sales courses	11%
Agency management	11%
Unidentified	9%
Prelicensing	5%

Other descriptive information available about the types of courses taken by insurance agents in Virginia reveal that over two-thirds (68%) of the courses were taken outside of the agency or company while only 32% were offered within. Eighty-six percent of the courses were taught in a classroom and 14% were self study. The continuing education proposal developed by the HJR 89 agents' industry advisory committee would allow for credit to be given to some company, agent in-house, and self study courses.

#### Course Providers

The responsibility for providing education courses for insurance agents has been spread across the insurance industry with no one segment of the industry administering most of the courses. Of the total number of courses offered in the survey responses, over one-third (37%) of the courses were provided by insurance companies, 10% were provided by the agencies themselves, over one-quarter (27%) were provided by the professional agents' associations, and another one-quarter (26%) were provided by outside organizations consisting mainly of national organizations providing courses leading to designations.

The breakdown of the type of each course offered by each of the different providers is found in Table 1.

TABLE 1  
Types of Courses Offered  
By Different Providers

Course	Offered By	Number of responses (percent for type of course)			
	Company	Agency	Association	Other	Total (% for all courses)
Line	199 (37%)	27 (5%)	188 (35%)	121 (23%)	535 (34%)
Financial	59 (48%)	16 (13%)	9 (7%)	39 (32%)	123 (8%)
Designation	29 (12%)	11 (5%)	51 (22%)	144 (61%)	235 (15%)
Forms	23 (19%)	9 (7%)	90 (72%)	3 (2%)	125 (8%)
Sales	100 (60%)	38 (23%)	17 (10%)	12 (7%)	167 (11%)
Agency Development	88 (49%)	33 (18%)	51 (28%)	8 (5%)	180 (11%)
Unidentified	65 (45%)	13 (9%)	4 (3%)	62 (43%)	144 (9%)
Prelicensing	23 (28%)	11 (13%)	17 (21%)	31 (38%)	82 (5%)

## Mandatory Requirements Within a Voluntary Continuing Education System

Much of the debate during last year's study of continuing education for insurance agents centered around the question of whether continuing education should be statutorily required by the state. No member of the HJR 89 industry advisory committee expressed disapproval of the concept of continuing education, yet the opposition strongly believed that learning cannot be mandated and must be conducted on a voluntary basis to be effective. They also expressed a belief that agents were already participating in enough education courses on their own.

According to the agents who responded to the survey, 44% of the courses taken in the last three years were required either by the respondent's company, agency, association, or by the state. Of those courses that were required, more than half (53%) were required by the company, 27% were required by the agency, only 8% were required by an association (mostly E&O courses), and 12% were required by the state (prelicensing courses).

## Attitude Toward Continuing Education

During the year of meetings with the 1986 HJR 89 industry advisory committee, many of the professional agents' association representatives expressed mixed reactions from their members on the issue of mandatory continuing education. Formal and informal surveys to their respective memberships resulted in individual responses ranging from strongly against to strongly in favor. The insurance company representatives to the HJR 89 industry advisory committee voted in favor of the continuing education proposal. As seen in the previous sections, however, many companies already require, or at least provide, continuing education courses for their agents.

The responses to the final question on the survey for this present study continue to demonstrate a dichotomy of opinions among insurance agents. When asked whether they would favor a continuing education requirement such as the one proposed during the HJR 89 study, 61% of the agents responding said "yes".

According to the survey respondents, individuals belonging to a professional agents' association appear to be as much or more in favor of the continuing education requirements than agents in general. Sixty percent of the PIA members responding indicated that they were in favor of the proposal. Sixty-four percent of IIAV members and 71% of the VALU members also expressed approval.

The additional comments offered to the survey question, however, demonstrate the wide range of opinions among those in favor of the requirement as well as the widely varying positions of those opposed. The arguments for those in favor ranged from: approval only for two of the requirements that would provide the option of a written examination instead of classes and credit given to some company, agency in-house, and self study courses to requesting even stronger requirements including more hours and courses on improving ethics. The arguments in opposition ranged from, education is already available and the state should police agents' practices more to such requirements are just another waste of tax dollars with no practical purpose. Because the comments from the survey provide direct insight into the views of insurance agents on this issue, all comments have been grouped according to similarity of position and listed in Appendix B.

## CONCLUSION

House Joint Resolution 272 directed the State Corporation Commission's Bureau of Insurance to continue the study begun in 1986 pursuant to House Joint Resolution 89 on the need for a continuing education requirement for insurance agents licensed in Virginia. At the conclusion of the 1986 HJR 89 study, few members of the industry advisory committee argued against the concept of continuing education but the question of making such a requirement mandatory was vigorously debated. The most compelling argument against the requirement was that insurance agents are already acquiring the education needed to remain up-to-date on the latest issues facing the insurance market. The present study conducted pursuant to HJR 272 attempted to examine the underlying premise of the need for mandatory continuing education requirements for insurance agents that was questioned during the HJR 89 industry advisory committee meetings.

Three thousand randomly selected agents licensed in Virginia were surveyed to determine the extent of education sought on their own. Thirty-two percent (1,039) of the agents responded. The results indicate that a majority of agents (59%) have participated over the last three years in the type of education that would address the underlying motivation for requiring continuing education. In other words, they participated in courses directed at learning about available products and coverages. An additional 12% of the agents responding to the survey indicated that they had only taken courses that would not be considered appropriate for meeting a mandatory continuing education requirement. These courses included sales techniques, career training, staff management, and prelicensing courses which are requirements for licensure and are not considered continuing education.

The survey results also indicated that 44% of the courses taken were required by the agents' company, agency, professional agents' association, or the state. In addition, association members appeared to be more likely to enroll in education courses than non-members. More than two-thirds (68%) of agents responding to the survey who are members of a professional agents association participated in insurance-related continuing education courses in the last three years. Only one-half (50%) of the agents not belonging to an association made the same claim.

The Bureau of Insurance supports the concept of continuing education to assure that licensed insurance agents are providing the Virginia consumer with up-to-date and accurate knowledge of the insurance product. Although 61% of the agents surveyed responded in favor of a continuing education requirement, the Bureau recognizes the concerns of those opposed to mandated education, as well as the widely varying views of those in favor. In addition, the Bureau agrees with some of those agents in favor of continuing education who believe that if a requirement is to be mandated, the criteria should be stronger than those proposed under HJR 89.

In reviewing the survey results, the information that was received establishes the educational activity of agents who are experienced, career-oriented and engaged in professional activities such as obtaining designations and joining agents associations. Based on the research, the Bureau concludes that voluntary continuing education appears to be operative for this segment of the agent population but that

insufficient documentation exists to support this conclusion for all agents. The Bureau recommends that, for now, companies, agencies, trade associations, and agents be called upon, not only to continue their efforts toward voluntary education, but to expand the opportunities, particularly in the areas of insurance law and ethical trade practices. The Bureau will monitor the education activities of insurance agents in general to determine whether voluntary efforts are sufficient, or whether a future review of mandated continuing education is warranted.



**APPENDIX A**

**HJR 89 Proposed Continuing Education Requirements**





**APPENDIX A**  
**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 (CLFC) 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 B**

**Comments on Continuing Education**



## APPENDIX B

### COMMENTS ON CONTINUING EDUCATION

The following comments on continuing education are quotes from responses to the final survey question which stated:

"Would you favor a continuing education requirement for all licensed property and casualty, life and health, and health agents if requirements such as the following were developed that would not be unduly prohibitive in terms of time and cost:

- a) 8 credit hours per year;
- b) if dual licensed, an additional 4 credit hours for each additional license;
- c) the option to pass a written examination in lieu of taking courses;
- d) a carryover provision where excess credit hours may be transferred to the next year's requirement; and
- e) approval for credit given to some company, agency in-house, and self study courses?

Please comment on your views."

The comments of those in favor of such a continuing education requirement have been separated from those made by agents opposed to the proposed requirement. In addition, similar comments have been combined and listed together.

#### A. Comments made by those in favor include:

##### General support because of profession/ethics

- Important so that part time agents can't destroy career agents' clients.
- Professional, educated agents provide better service, more ethical approach.
- Long overdue, too much deadwood in the agents' ranks.
- Would be beneficial and raise image of all agents.
- Especially in areas of product, compliance, professionalism, & ethics.
- Mandatory classes might weed out some of the deadbeats.
- Education is important to prevent agents being just salesman.
- Severe steps needed to remove poorly trained part time agents.
- Great need for internal checks.
- Continuing education program is essential, fully support mandatory education.
- Continuing education is a must. Industry filled with unprofessionals.
- There is a need for education since most agents do not keep up. Would increase professionalism, also support additional first year requirement necessary to maintain professional level of performance.

- Lack of professional attitude is a disgrace, must weed out incompetence.
- Industry changes so rapidly, 8 hours annually is not much.
- Need some requirements to stabilize agent market.
- Initial license course is not enough. Does not prepare to be an agent.
- Need to get the low life, polyester suit agents out of the industry.
- Professionalize the industry by having stiffer licensing requirements in addition to continuing education.
- Can only help industry.
- Need to get rid of deadwood. Restore ethics.
- New agents need help handling policyholders money.
- Might refresh skills and weed out non performers and incompetence.
- If changes during year are big, Bureau should offer a seminar. Much needs to be done to return to professionalism of 20 years ago.
- Many improperly trained agents, education should be upgraded.
- Appears to be another attempt to stifle A. L. Williams, requirement would throw a certain group out of industry, very wise step.
- Continuing education is a must. Too many agents don't care.

#### General support because of need to keep up-to-date

- Continuing education is essential to keep up with market changes.
- With rapidly changing industry must insure agents serve public.
- Increasing complexity of industry requires continuing education.
- Industry changes enough to warrant continuing education yearly.
- Mandated education requirement is needed in state of Virginia.
- Very important, too many unqualified agents.
- Continuing education is the best, most assured way to be successful in industry.
- With new changes updated classes would be beneficial.
- Due to changing marketplace agents need continuing education.
- Necessary to develop agents ability to effectively work in industry.
- Agent must continue to grow in his knowledge and expertise.
- Education is the only way to continue in this complex time.
- Life and health technology is rapidly changing, need to keep up to be effective good for betterment of sales.

#### General support for consumer protection

- Insurance is a field which effects lives of others and general public.
- Too many part time agents being licensed to the detriment of the public.
- Would upgrade Virginia insurance force and benefit public.
- Necessary to insure competence in agents for public good.
- Too many agents concentrating on selling rather than clients interests.

#### Requirements are supported but with caution

- Support, but we are sales people not students. Education should be practical.
- Question availability of useful courses, however, this is long overdue.
- Provisions must be included to ease the problems of rural agents.



- Favor, but can be time consuming, added fees becomes very taxing.

#### Requests for stricter requirements

- Would favor much stricter test & requirements with additional courses.
- Great idea, make requirements stiffer.
- Requirements for continuing education should be much more stringent than suggested.
- Such requirements are vital to industry, those listed are minimal.
- Bureau of Insurance should demand continuing education if it grants a license.
- Credit hours of 8 per year is bare minimum to keep up. Should have refresher and new material.
- License requirements should include 100 hours of class six months in field.

#### Support for parts of the requirement

- Approve all except self study.
- Favor seminars but not written exams. Tendency to defeat the purpose.
- Support concept but would much prefer to see option c available.
- Favor a and b.
- Favor c, e. Material must be relevant to industry, unlike license course.
- Carry over provisions are good, company education should qualify. Mostly favor optional, well publicized courses.
- Favor c.
- Favor c, e. Biggest problem is taking time away from servicing clients.
- Favor a, b, e. Some consideration should be given to CLU, CPCU. Active agency work will keep agent up to market standards.
- Favor a, e. Continuing education should be mandatory.
- Maybe add a grandfather clause for already established agents.
- Education requirements should have a grandfather clause.
- Fine for agents but not for secretarial/clerical with license.
- Credit for CLU/ChFC in lieu of extra classes.
- Should also give credit for teaching classes.
- Some continuing education requirements needed to eliminate inactive licensed agents.
- Agents with E&O complaints, or other complaints should be required.
- CIC, CPCU etc. should be approved for credit.

#### Specific education areas that should be addressed

- Only if information taught is up to date on new laws/products.
- Must address ethics and knowledge of insurance laws.
- Whole life agents need to be reminded of replacement, rebating laws, etc.
- Should be a continuing education requirement, especially in life insurance.
- Extra education would be good if concentrated on changes and new requirements.
- Continuing education is vitally important in the insurance industry. Strongly feel that improved ethics should be part of course.
- Agents should be instructed properly to prospect and write clients.

B. Comments made by those opposed to a continuing education requirement include:

General disapproval

- Mandatory education is of no value and a nuisance.
- Should not be mandatory, the undisciplined will not last as agents.
- Poor idea, waste of agents time, too much government regulation, don't learn anything.
- The state has no idea where individuals need help. Resent being harrassed.
- Creates education industry irrelevant to agents practice.
- Another attempt to legislate professionalism, futile attempt.
- Government has no business forcing the issue, agent should be free to choose.
- Government creates nothing but problems. Spare us the grief. Not necessary there is no precedent for continuing education, strongly oppose any attempts.
- Assinine to require licensed, experienced agents to do so.
- No way to accurately police such requirements. Would lead to dishonesty.
- Big insurance companies will find a way around, small will suffer.
- Unfair and biased - does state require lawyers, doctors? No, why insurance agents? Associations not state should oversee education, government too involved already.
- Mandated education will do little or nothing to raise overall quality.
- Agents who are very specialized (i.e. crop insurance) will not benefit.
- Have always kept up on changes, do not favor law regarding periodic exam. Most courses do not help in day to day business.
- Difficult to administer such a program, who determines courses material?
- Classes, exams are not always a good barometer of knowledge. Company keeps well informed, constantly updating, etc.
- Can we truly regulate self improvement or force it? Would enjoy product seminars on a voluntary basis.
- Another waste of tax dollars with no practical purpose.
- State-run courses teach very little practical, workable, information.
- The Bureau should not be concerned with over regulation of agents.
- Would be very concerned about quality of instruction.
- Classroom knowledge is not always applied.
- Compliance with regulation can be faked. Good agents will educate themselves.
- Competition will eliminate unprofessional agents.
- Annual exam is not necessary, day to day training is more valuable.
- Hands on experience is the best teacher, will keep you updated.
- Unqualified agents will fall with the weight of their ineffectiveness. Nothing replaces experience, agents must themselves keep up with changes. Mandatory study is not proper. Favor requiring companies to educate their agents on products.
- Information taught in required courses does not apply to workday.
- Most agents would not attend class.

### Bureau should be more concerned with policing/consumer education

- Agent are lying, cheating, stealing, no amount of education will change.
- Should be companies' responsibility.
- State should police more, twisting and replacements deserve more of your time.
- The answer is not more education but enforcement of laws, ethics, judgment.
- Consumer protection and enforcing existing laws is more important.
- Ignorance on the part of the consumer is the big problem.
- Public needs to be schooled in insurance, for own protection.

### Need stricter licensing requirements, not education

- Against mandatory education, support voluntary, initial license requirement more strict.
- Requirements for entering industry should be made more demanding.
- Stricter requirements to be licensed needed.
- More education should be required before licensed. Follow up survey with interviews.
- Current 45 hour course is not worthwhile.
- Agents should be required to have minimum college education before license.
- Licensing requirements should be stricter.
- Need qualified instructors for current requirements.

### Support concept but prefer different requirements

- Should be special consideration & opportunities for home service agents.
- Credit hours 8 is too much.
- Recommend industry self-certification.
- Perhaps additional requirement for new agents but not veterans.
- Need different class of license for clerical people.
- Good idea but should be a limit to years it is required.
- Preferred alternative would be 1 course every 3 years.
- Agents holding licenses must show they are active.
- Would prefer every other year.
- Agents with 10+ years or a professional designation should be exempt.
- Favor education but should not be mandatory or as many hours as suggested.

### Unnecessary - already have education

- Not necessary, as keep up on own.
- All companies give updated information guides to agents regularly.
- Company training and update provide sufficient education.
- Should be continuing education but company should provide program.
- Each company should have a continuing education requirement.
- Company provides education, however, some agents may need courses. Not satisfactory for all agents. Those licensed less than 3 years need most. Companies have been very good in providing courses and meetings.

- Should be company course dealing with own products.
- Company gives instruction & information necessary to serve clients.
- Company holds 4 seminars and training periods each month. P & C agents should be left alone Make it harder for L & H.
- Association and companies are being very active in educating agents.
- Education should be left to agent and agency principals.
- Associations do a fine job of educating agents.
- Our agency requires enough courses would, squeeze out small agencies.
- SCC should make the companies institute the requirements.
- Company has plenty of educational courses, state should not make mandatory.
- Agency should be responsible for educating each agent.
- Job experience/training is best education training should be left to industry.
- Every employee in this agency is required to take some course every year.
- Associations do an excellent job of educating members and nonmembers.
- Market itself is a continuous education.
- Our agency involves every agent in at least 6 hours per month of education.
- Competent agents already educate themselves.
- State operated education is unnecessary, companies do a superb job.
- If you work in the field everyday you don't need continuing education.
- Company should be responsible for education but advise Bureau of Insurance of program.

#### Burdensome in time and cost

- Availability of courses in the area is a major problem. (Northern VA)
- Ease, convenience, worthwhile course, does not exist in Western VA.
- Time output would be greater than financial return.
- Pressure to sell, need to study, difficult to balance properly.
- After 31 years do not need to put further time and money into education.
- Education is necessary, but per employee is too high for out of office class time.
- Might put undue, and unbelievable demands on time, keep voluntary.
- Concerned about cost to large agencies, would like to know more.
- Already spend time trying to get licensed don't make it impossible.
- Working agents do not have a lot of time.
- Agent already has severe lack of time, practical experience more important.
- Competition requires agents to keep up on own after spending 10 to 12 hours per day in the field there is no time left.
- Difficult enough to keep up with changes without added requirements.
- Time would either have to be taken away from business or family.
- Requirements could hinder pace of career.