

**SUBJECT:** Continuing education for agents selling annuities or Medicare products

**COMMITTEE:** Insurance — favorable, without amendment

**VOTE:** 8 ayes — Smithee, Eiland, Hancock, Nash, Sheets, L. Taylor, Torres, Vo

0 nays

1 absent — Walle

**WITNESSES:** For — (*Registered, but did not testify:* Jennifer Cawley, Texas Association of Life and Health Insurers; Frank Galitski, Farmers Insurance Group; Robert (Bo) Gilbert, USAA; Patricia Kolodzey, Texas Medical Association; Lee Loftis, Independent Insurance Agents of Texas; Lee Manross, Texas Association of Health Underwriters; Brenda Nation, American Council of Life Insurers (ACLI); Susan Ross, State Farm; Des Taylor, National Association of Insurance & Financial Advisors of Texas; Joe Woods, Property Casualty Insurers Association of America)

Against — None

On — Douglas Danzeiser, Texas Department of Insurance

**BACKGROUND:** Current law allows an insurance agent who has continuously held a license to sell, solicit, or negotiate an insurance contract for more than 20 years to be exempt from the continuing education (CE) requirements under the Texas Insurance Code, sec. 4004.52(b). The exemption does not apply to a continuously licensed insurance agent with more than 20 years of experience if the agent is engaged in the sale of annuities or Medicare-related products.

**DIGEST:** HB 2154 would amend the Insurance Code to exempt insurance agents who have maintained a license for the last 20 years and are engaged in the sale of annuities or Medicare-related products from the continuing education (CE) requirement.

The bill also would amend sec. 4004.202(b) to allow agents with less than 20 years of experience who sold annuities to complete the CE requirement

relating to annuities every two years when they renewed their licenses, rather than annually.

The bill would take effect September 1, 2011.

**SUPPORTERS  
SAY:**

HB 2154 would help bring consistency to the timing and exemption rules for continuing education (CE) requirements for certain insurance agents so that they reflected the industry standard. HB 1294 and HB 2456, enacted in the 2009 regular session of the 81st Legislature, sought to protect consumers from insurance companies and agents that used misleading and fraudulent tactics when promoting life insurance or annuity products to seniors. The legislation strengthened the certification, training, and CE requirements for those wishing to sell annuities and Medicare-related products. These were important protections to implement, but unfortunately, the legislation failed to bring certain requirements in line with the rest of the Insurance Code. HB 2154 would bring about consistency with the rest of the industry.

The differences in the CE requirements for various insurance and annuity products create unnecessary compliance costs for insurance agents with more than 20 years of experience in Texas. Many agents voluntarily seek out annual training in areas that have the biggest impact on their businesses. Experienced agents who sell annuities and Medicare-related products do not benefit from the CE exemption for other types of insurance and are forced to duplicate training, wasting limited time and resources.

Annuity sales is the only CE subject matter that carries a “per year” requirement. This provision does not conform to other CE requirements in the Texas Administrative Code and creates an unnecessary hardship on a special class of agents. HB 2154 would create consistency in CE requirements for all agents in the state, regardless of the type of product with which they worked.

The proposed changes to the CE requirements outlined in HB 2154 would not exempt any agent from having to complete any of the training or certification requirements for annuities or Medicare-related products if the agent were entering the market for the first time. An agent still would have to complete at least four hours of relevant training and submit proof to the Texas Department of Insurance before the agent could solicit customers.

OPPONENTS  
SAY:

Annuities and Medicare-related products are expensive and complicated, and the rules for these products change frequently. Many senior citizens live on fixed incomes and may face additional financial challenges that require them to protect and grow their life savings. To help seniors in Texas make the most of their resources, the state needs reputable advisors who are adequately trained to help retirees plan responsibly for their future.

The annual CE requirements for annuities and Medicare-related products were written into law in 2009. The legislation specifically targeted these products because they were deemed so complex that they required a sufficient level of expertise to ensure that agents were equipped with the skills and knowledge necessary to assist customers appropriately. However, data collected by the Texas Department of Insurance (TDI) revealed that there were nearly 1,800 complaints connected to annuities from 2009-10. In the same period, more than 65 percent of all complaints made for Medicare-related products involved agent misrepresentation. Agents serving Texas consumers, particularly seniors, should be required to keep up with latest information on these complex financial products.

Sec. 4004.053 of the Insurance Code requires agents who are licensed to sell several insurance products (including general life, accident, and health) to complete 15 hours of CE annually in the product area in which they specialize. These agents must prove to TDI that they have completed the CE requirements when they renew their licenses every two years, having completed 30 hours in total. Under HB 2154, the CE requirement related to annuities for agents selling annuities would be halved to four hours every two years, rather than four hours annually (or eight hours total). Given the complexity of these products and their potential impact on consumers, the CE requirements should not be reduced for agents involved in this market.