

# HOUSE BILL REPORT

## HB 1061

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### As Passed Legislature

**Title:** An act relating to the elimination of prelicensing education requirements for licensed insurance producers.

**Brief Description:** Eliminating prelicensing education requirements for licensed insurance producers.

**Sponsors:** Representatives Ryu, Corry and Reeves.

**Brief History:**

**Committee Activity:**

Consumer Protection & Business: 1/11/23, 1/24/23 [DP].

**Floor Activity:**

Passed House: 2/27/23, 96-0.

Passed Senate: 3/22/23, 48-0.

Passed Legislature.

### Brief Summary of Bill

- Eliminates prelicensing education requirements for insurance producer license applicants.

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### HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

**Majority Report:** Do pass. Signed by 13 members: Representatives Walen, Chair; Reeves, Vice Chair; Corry, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Chapman, Cheney, Connors, Donaghy, Hackney, Ryu, Sandlin, Santos and Volz.

**Staff:** Michelle Rusk (786-7153).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

### Insurance Producer License Requirements.

The Office of the Insurance Commissioner (Commissioner) licenses and regulates insurance producers. Individuals applying for a resident insurance producer license must apply to the Commissioner on a uniform application. Prior to approval of an application, the Commissioner must find that the applicant:

- is at least 18 years old;
- has not committed an act that is grounds for denial, suspension, or revocation under the insurance producer chapter;
- has completed a prelicensing course of study for the lines of authority for which the person applied;
- has paid requisite fees; and
- has successfully passed the examination for the lines of authority for which the person applied.

To satisfy the prelicensure requirement, applicants are required to complete 20 hours of prelicensing education for each line of authority for which the person applied.

### **Summary of Bill:**

The requirement that an applicant for a resident insurance producer license complete a prelicensure course of study for the lines of authority for which the person applied is removed from the findings the Commissioner must make prior to approval of an application.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **Staff Summary of Public Testimony:**

(In support) Training on the job is an enjoyable and memorable experience, and experiential work is where people learn most of what is needed to know to become a productive insurance producer. No longer having a prelicensing education requirement for insurance producer applicants does not mean applicants do not have to take the licensing exam, but instead allows flexibility for applicants to support their own study needed to pass the exam.

Half of the states do not require a prelicensing education course to be completed. The difference in passing or failing between those states that require prelicensing education and those that do not is about 5 percent. It is fully expected that any applicant preparing to take the insurance producer licensing exam will need to study because the exam covers complicated insurance principles and laws that govern the industry. Strong regulatory

frameworks are important so that all insurance producers possess adequate knowledge to serve the public. The licensing exam remains the most important and valid component for testing adequate knowledge. The prelicensing education requirement serves as somewhat of a barrier, particularly for those with life circumstances that make it difficult to find the circumstances to study for the program.

Each day in Washington, insurance companies pay out millions in benefits to spouses, families, loved ones, small businesses and even charities. But there is more to be done and there are still gaps in coverage. There is still a wealth gap. This policy removes a fairly easy barrier to let more people enter the insurance profession and extend the number of people out there selling insurance products and bringing them to communities across the state. Simply removing the prelicensing education mandate may attract a larger, qualified group of insurance producers. The industry is not producing enough insurance producers, and policies to increase the numbers of producers are beneficial. Many insurance producers are getting closer to retirement and we need to increase the number of insurance producer applicants going forward who can represent the industry in an ethical way and reach more diverse populations in this state at all income levels.

(Opposed) People wanting to join the insurance industry should commit to educating themselves before employment. More knowledge from prelicensing education means a future employee will learn more about insurance laws and contracts. It is an expensive proposition to be a small business employer, and small businesses in the insurance industry want a high standard for those entering the industry. By eliminating the prelicensing education requirement, the big companies win, not the smaller companies. Prelicensing education makes a difference in a fiercely competitive environment. Depth of knowledge, commitment to the profession, and high standards are what differentiates local independent agents from others in the industry.

**Persons Testifying:** (In support) Representative Cindy Ryu, prime sponsor; David Forte, Office of the Insurance Commissioner; John Mangan, American Council of Life Insurers; and Christopher Bandoli, National Association of Insurance and Financial Advisors of Washington.

(Opposed) Bill Stauffacher, Independent Insurance Agents and Brokers of Washington.

**Persons Signed In To Testify But Not Testifying:** None.