

California Department of Insurance Four-Hour Annuity Training Course Development and Review Guidelines

Topics to be included in the Four-Hour Annuity Training Courses

Background

Section 1749.8 of the California Insurance Code took effect on January 1, 2005. This law states that life agents who sell annuity products must first complete eight (8) hours of annuity training that is approved by the California Department of Insurance (CDI) followed by four (4) hours of CDI approved annuity training every license renewal period thereafter.

After an agent completes the initial eight hours of training, the agent must complete a four-hour annuity training course beginning with their subsequent license term. For instance, if a life agent completes the eight-hour training in December 2008 and the life agent's renewal is in February 2009, that life agent will be required to complete the four-hour training requirement on or before his or her February 2011 renewal. This training should be consistent with the initial 8-hour annuity training (i.e. Section II, III, V, VI, VII, IX, and Section X of the Eight Hour Annuity Training Outline which is available on CDI's Web site at www.insurance.ca.gov).

Section 1749.8 of the California Insurance Code took effect on January 1, 2005. This law requires that California resident and non-resident life agents who sell annuity products must first complete eight (8) hours of annuity training that is approved by the California Department of Insurance (CDI). In addition, the law also requires life agents who sell annuity products to satisfactorily complete an additional four hours of annuity training every two years prior to their license renewal. For resident agents, this requirement is part of, and not in addition to, their continuing education requirements.

In addition, Assembly Bill (AB) 689 (Chapter 295, Statutes of 2011) Insurance Annuity Transactions became effective January 2, 2012. AB 689 adds Section 10509.915(a) to the California Insurance Code which states that an insurance producer shall not solicit the sale of an annuity product unless the insurance producer has adequate knowledge of the product to recommend the annuity and the insurance producer is in compliance with the insurer's standards for product training. Insurance producers may rely on insurer-provided product-specific training standards and materials to comply with the product-specific training requirement. Please note that AB 689 does not change the annuity training requirements which are stated in Section 1749.8 of the California Insurance Code. The annuity product-specific training is a separate requirement from the eight and four-hour annuity training noted above.

There will be two alternatives to develop a four-hour annuity training course: 1) follow the training course Guidelines provided below; or, 2) follow the Four-Hour Annuity Training Course Specific

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Topic Outlines that will soon be available on the California Department of Insurance's Web site at www.insurance.ca.gov.

1) ~~Four-Hour Annuity Training Course Guidelines~~

Four-hour annuity training course topics may include, but are not limited to, the following:

- ~~Comparison of fixed, variable, indexed annuities and their impact on consumers (Section V);~~
- ~~Annuity contract provisions and their impact on consumers (Section V);~~
- ~~Required disclosures; fair and unfair sales practices (Section IX);~~
- ~~Annuity sales practices and prohibitive sales practices (Section IX); and,~~
- ~~Policy Cancellation and Refunds (Section IX)~~

2) ~~Four-Hour Annuity Training Course Specific Topics Outlines~~

- ~~Primary Uses of Annuities, Types of Annuities, The Senior Market (Section II, III, X)~~
- ~~How Fixed, Variable, and Index Annuity Contract Provisions Affect Consumers (Section V)~~
- ~~Annuity Sales Practices (Section IX)~~
- ~~Taxation and Suitability of Annuities (Sections VI, VII, IX)~~
- ~~New Laws that provide annuity specific topics **Annuity Suitability Transactions**~~

These topics will have specific outlines as an alternative for education providers to use when developing their specific four hour annuity course. When the education provider submits one of these courses, the provider will use the outlines to cross reference their material with the required items stated in the outline, prior to submitting the course to the CDI.

Attachment III – Penalties

Attachment III identifies the sections of the California Insurance Code (CIC) relative to AB 689, the consequences of violating these sections, and the corresponding CIC text. Attachment III shall be included as part of all four-hour annuity training courses.

Required Attachment Checklist as appears on Course Approval Application (LIC 446-3):

Annuity Course Questions to submit with Annuity Course Application

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- ~~1) Illustrate with examples how this course provides an enriched and more thorough education than the training in Section V or Section IX of the Eight Hour Annuities Training outline.~~
- ~~2) Point out where in the course the examples of how annuity contract provisions impact the senior consumer (Section V) OR where in the course there are examples of proper and improper annuity sales practices discussed (Section IX).~~
- ~~3) Explain how this course contributes to an agent's understanding of the laws governing the design of annuities and the sale of annuity products to seniors in California.~~
- ~~4) Describe where in the course there are tools provided to assist an agent to identify when an annuity product and/or an annuity sales practice are out of compliance with the law.~~

~~To be approved, an annuities training course must reinforce a producer's competence in describing and selling annuity products, must illustrate the financial impact of annuity products on the senior consumer, and must contribute to a producer's understanding of the laws governing the sales of annuity products in California.~~

~~Four-Hour Training Course Approval Requirements~~

~~Contact Course (Interactive)~~

~~**Content:** To be approved, an annuities training course must reinforce a producer's competence in describing and selling annuity products, must illustrate the financial impact of annuity products on the senior consumer, and must contribute to a producer's understanding of the laws governing the sales of annuity products in California.~~

~~**Credit Hours for Contact Courses:** Our guideline for assigning credit hours to contact courses is based on a 50-minute hour of classroom instruction. No credit is given for breaks. The student can receive credit for only eight hours or 480 minutes of instruction per day. This equates to nine hours of classroom credit per day.~~

~~Partial credit hours will not be awarded and will be rounded down to the nearest whole credit hour.~~

~~The student is required to be attentive and participate. It is the instructor's discretion or judgment to determine if the student should receive credit based on his attention and participation.~~

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~~Additionally, the instructor may give credit if the student participates in at least 80 percent of class instruction.~~

~~No credit is given for review. Credit is given for examinations only if it is mandatory to pass the examination to receive credit for the course.~~

~~**Other Interactive Courses:** Interactive video, compact diskette (CD), or digital versatile disc (DVD), computer chat room courses or other similar forms designed for the exchange of information electronically are based on the “Credit Hours for Contact Courses” noted above.~~

~~**Non-Contact Course (Non-Interactive)**~~

~~**Content:** To be approved, an annuities training course must reinforce a producer’s competence in describing and selling annuity products, must illustrate the financial impact of annuity products on the senior consumer, and must contribute to a producer’s understanding of the laws governing the sales of annuity products in California.~~

~~**Credit Hours for Non-Contact Courses:** One credit hour is approved for 10 pages of text with a minimum of 44 lines per page and 12 words per line.~~

~~For the examination, an additional 15 percent of the approved credit hour(s) is added to arrive at the total credit hours for the non-contact course. The examination must have a minimum of three to five questions for each credit hour approved.~~

~~Partial credit hours will not be awarded and will be rounded down to the nearest whole credit hour.~~

~~**Other Non-Interactive Courses:** Non-Interactive video, online, compact diskette (CD) and digital versatile disc (DVD) courses are reviewed in a similar manner using screen prints or script as described in “Credit Hours for Non-Contact Courses” noted above.~~

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