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**NOTICE**

TO: All Admitted Insurers, **California Resident** Agents and Brokers
DATE: October 28, 2013
SUBJECT: Ethics Training Requirement

Background

Currently, most **California Resident** licensed agents and brokers are required to complete 4 hours of ethics training every two-year license term. Specifically, individuals licensed for property, casualty, life, health or any combination of these lines are subject to this training requirement, which is a part of, and not in addition to, the 24-hour continuing education (CE) requirement that **California Resident** agents and brokers must complete every license term.

In addition, **California Resident** individuals licensed to transact only personal lines or automobile insurance are currently required to complete 2 hours of ethics training every two-year license term. This training is also a part of, and not in addition to, these licensees' 24-hour CE requirement.

Meanwhile, the current standard adopted by the National Association of Insurance Commissioners (NAIC) is 3 hours of ethics training every two-year license term for all insurance agents and brokers regardless of the lines of insurance the individuals are licensed.

Change in Number of Ethics Training Hours

To comply with the NAIC standard and to promote consistency among the different types of agent and broker licenses, the number of ethics training hours to be completed by all **California Resident** insurance agents and brokers will be changed to 3 hours beginning on January 1, 2014.

Assembly Bill 1391 (Chapter 321, Statutes of 2013), amended several sections in the California Insurance Code to specify that the ethics requirement is 3 hours every license term for individuals licensed to transact any of the following lines of insurance: property, casualty, life, health, personal lines, and automobile insurance.

What this means is beginning on January 31, 2014, individuals who hold a property and/or casualty, a life and/or accident/health agent license will have their ethics training requirement reduced from 4 hours to 3 hours. In contrast, individuals who hold a personal lines or limited lines automobile insurance **California Resident** license will have their ethics training requirement increased from 2 hours to 3 hours.

Frequently Asked Questions

To provide clarification for implementing this change, below are six questions that we anticipate may be asked by **California Resident** licensed agents who are required to complete the ethics training requirement. After each question is CDI's response.

Question 1 - Sally is a newly licensed **California Resident** property and casualty broker-agent. She just learned that the ethics training requirement changed from 4 hours to 3 hours. She is uncertain as to whether the new 3-hour ethics requirement is a part of her 24-hour CE requirement or if she is to complete 24 hours of property/casualty CE and 3 hours of ethics training to meet her CE requirements?

Response: The 3-hour ethics training requirement is a part of, and not in addition to, Sally's 24-hour property and casualty CE requirement.

Question 2 - Scott is an individual who has been licensed for several years as a **California Resident** life, accident and health agent. Since his license renews on January 31, 2014, Scott completes his 4-hour ethics CE requirement in December 2013. Can Scott "carryover" one hour of ethics earned for credit towards a future license term so that he only has to take 2 hours of ethics in the future license term?

Response: No. Although all 4 hours will count towards the 24 hours Scott needs to renew his license and will meet the 3-hour ethics training requirement, he may not "carryover" one hour of ethics training for use in a future license term to reduce the future license term's ethics requirement.

Question 3 - William is a **California Resident** personal lines broker-agent. In June 2013, William completed 2 hours of ethics training. His **California Resident** license renews on February 28, 2014. Because William finished the 2 hours of ethics training prior to the law taking effect, does William still have to complete one additional hour of ethics training to meet the 3-hour ethics training requirement?

Response: Yes, William must complete 1 additional hour of ethics training to meet the 3-hour ethics training requirement. To identify a 1-hour ethics training course for him to complete, William can search for these courses using the Education Provider and Course Search link (<https://interactive.web.insurance.ca.gov/providercourselookup/index.jsp>). On that web page, William may select the following from the drop down menus to receive and review the approved ethics courses:

License Type: "Any";
Education Type: "Continuing Education";
Instruction Method: "Any"; and,
Category Type: "Ethics".

Question 4 – Lisa holds a **California Resident** property/casualty broker-agent and an independent insurance adjuster license. On and after January 1, 2014, how many ethics training hours is Lisa required to complete?

Response: Lisa is required to complete 3 hours of ethics training which will satisfy both Lisa's property/casualty and her independent insurance adjuster ethics training requirements.

Question 5 – Brad is a **California Resident** life, accident and health agent and has completed a 4-hour ethics training course. Recently he passed the license examination for a property and casualty broker-agent license. Will Brad have to complete an additional 3 hours of ethics training because he is adding the property and casualty broker-agent qualification to his license?

Response: No, Brad has satisfied the 3-hour ethics training requirements for all of his license qualifications.

Question 6 – Mary holds a **California Resident** limited lines automobile agent license. Her license renews on November 30, 2013. How many ethics training hours does Mary have to complete before she renews her license.

Response: Mary is required to complete 2 hours of ethics training as her license will expire prior to the January 1, 2014 implementation date of the change. However, for subsequent license renewals (i.e., November 30, 2015, November 30, 2017), Mary will need to complete 3 hours of ethics training.

If you have any questions regarding this notice, please e-mail the Producer Licensing Bureau at <https://interactive.web.insurance.ca.gov/pli/servlet/InformationRequest> or call the CDI's Producer Licensing Bureau at (800) 967-9331. Please be sure to include your name, telephone number, license number and e-mail address in all correspondence with the CDI.