

PRODUCER LICENSING (D) TASK FORCE

Producer Licensing (D) Task Force March 26, 2021, Minutes

Producer Licensing Uniformity (D) Working Group March 18, 2021, Minutes (Attachment One)

Uniform Education (D) Working Group March 2, 2021, Minutes (Attachment Two)

Draft Pending Adoption

Draft: 4/15/21

Producer Licensing (D) Task Force
Virtual Meeting (*in lieu of meeting at the 2021 Spring National Meeting*)
March 26, 2021

The Producer Licensing (D) Task Force met March 26, 2021. The following Task Force members participated: Elizabeth Kelleher Dwyer, Co-Chair (RI); Larry D. Deiter, Co-Chair (SD); Lori K. Wing-Heier represented by Chris Murray (AK); Jim L. Ridling represented by Deborah Fike and Jimmy Gunn (AL); Ricardo Lara represented by Troy Dickinson, Charlene Ferguson and Tyler McKinney (CA); Michael Conway represented by JT Thompson (CO); Trinidad Navarro represented by Ashley Webb and Stacy Washburn (DE); David Altmaier represented by Matthew Guy and Matt Tamplin (FL); Doug Ommen represented by Jackie Russo and Andria Seip (IA); Dean L. Cameron represented by Lisa Tordjman (ID); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon represented by Lorie Gasior (LA); Kathleen A. Birrane represented by Erica Bailey and Shelley Taylor-Barnes (MD); Grace Arnold (MN); Troy Downing represented by Mary Arnold (MT); Mike Causey represented by Angela Hatchell (NC); Bruce R. Range represented by Tracy Burns and Kevin Schlautman (NE); Chris Nicolopoulos represented by Joan LaCourse and Christie Rice (NH); Russell Toal represented by Victoria Baca (NM); Judith L. French represented by Karen Vourvopoulos (OH); Glen Mulready represented by Courtney Khodabakhsh (OK); Andrew R. Stolfi represented by Kirsten Anderson (OR); Jessica K. Altman represented Adriane Force (PA); Doug Slape represented by Chris Herrick (TX); Scott A. White represented by Mike Beavers and Richard Tozer (VA); Mike Kreidler represented by Jeff Baughman (WA); Mark Afable (WI); James A. Dodrill represented by Greg Elam and Robert Grishaber (WV); and Jeff Rude represented by Bryan Stevens (WY). Also participating was: Rachel Chester (RI).

1. Adopted its 2020 Fall National Meeting Minutes

Mr. Baughman made a motion, seconded by Commissioner Clark, to adopt the Task Force's Nov. 13, 2020 minutes (*see NAIC Proceedings – Fall 2020, Producer Licensing (D) Task Force*). The motion passed unanimously.

2. Heard an Update on State Implementation of Online Examinations

Superintendent Dwyer said 32 states have implemented remote, proctored examinations since March 2020, and 16 states are in the process of implementing them. Superintendent Dwyer said only three jurisdictions have decided not to implement remote examinations. Superintendent Dwyer said Rhode Island has not experienced issues with pass rates or other anomalies from in-person exams. Superintendent Dwyer said the Producer Licensing (D) Task Force has requested the Producer Licensing Uniformity (D) Working Group to review the examination section of the NAIC *State Licensing Handbook* since the Handbook language is based on in-person examinations only. Superintendent Dwyer said she thinks remote exams will provide better access to exams.

3. Heard a Briefing on the NARAB Reform Act of 2015

Karen Hornig (National Insurance Producer Registry—NIPR) said nonresident producer licensing has been discussed for more than 150 years, and the issue of uniform and reciprocal producer licensing is often used as a criticism of the state insurance regulatory system. Ms. Hornig said the purpose of the National Association of Registered Agents and Brokers (NARAB) is to create a single, national standard for nonresident insurance producer licensing.

Ms. Hornig said the federal Gramm-Leach-Bliley Act (GLBA) was passed in 1999 and contained provisions for what is referred to as NARAB I. Under the GLBA, states were provided three years to implement either licensing uniformity or licensing reciprocity and, if they could not achieve this, NARAB would be formed. In response to this, the NAIC passed the *Producer Licensing Model Act* (#218) in 2000, and the NAIC certified 35 states as having implemented licensing reciprocity in accordance with the mandates of the GLBA. Despite this effort, there was a demand for greater licensing reciprocity and uniformity, which led to the NARAB Reform Act of 2015. The NARAB Board of Directors was supposed to be in place by May 2015; however, this did not occur. Ms. Hornig said the NARAB Board is to be comprised of 13 members appointed by the president of the U.S. and confirmed by the U.S. Senate. The 13 members will be comprised of eight insurance commissioners and five members from the insurance industry.

Ms. Hornig said a licensed insurance producer may become a NARAB member and, once a member, would have the equivalent of a nonresident produce license. She said this is a similar concept to a driver's license. Ms. Hornig said there are membership requirements, which include an individual holding a valid resident producer license and satisfying a national criminal background check.

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Ms. Hornig said NARAB preempts state nonresident producer licensing laws, as well department of insurance (DOI) and secretary of state registration requirements for nonresident business entities. She said a state cannot impose continuing education (CE) or training requirements on nonresident producers who are members of NARAB; however, all state enforcement authority and licensing fees are preserved.

Ms. Hornig said a producer would have the option to either obtain nonresident licenses through NIPR and the state system or through NARAB membership. To clarify the CE requirements, Ms. Hornig said NARAB will set CE requirements for NARAB membership comparable to the CE requirements in the majority of states. In response to a question from Mr. Baughman about preemption of state training requirements, Ms. Hornig said a state could not impose flood training, suitability training or long-term care (LTC) training on a nonresident producer who is a NARAB member.

4. Adopted the Reports of the Producer Licensing Uniformity (D) Working Group and the Uniform Education (D) Working Group

Mr. Murray said the Producer Licensing Uniformity (D) Working Group met March 18 to discuss licensing standards for pet insurance. He said the Working Group will provide a comment period for two weeks and meet to discuss three options for the licensing of individuals selling pet insurance: 1) confirm that the current Uniform Licensing Standards (ULS) for pet insurance are the correct policy direction; 2) recommend that pet insurance become a core limited line that all states should adopt; and 3) recommend that the major lines of authority of property/casualty (P/C) be required to sell pet insurance.

Ms. Chester said the Uniform Education (D) Working Group met March 2 and took the following action: 1) discussed the 2019 Continuing Education Reciprocity (CER) Agreement, which 44 states have signed; 2) discussed the posting of exam pass rates to the NAIC website; and 3) discussed state requirements for course instructors. Ms. Chester said the Working Group will create more uniform guidelines concerning course instructor requirements. In response to a question from Director Deiter regarding the posting of exam pass rates, Ms. Chester said the information would be posted on a state-basis, by examination vendor. Ms. Chester said there should not be any concerns with this since the information is already publicly available.

Mr. Stevens made a motion, seconded by Mr. Baughman, to adopt the reports of the Producer Licensing Uniformity (D) Working Group (Attachment One) and the Uniform Education (D) Working Group (Attachment Two). The motion passed unanimously.

5. Received a Report from the NIPR Board of Directors

Director Deiter said the NIPR established the COVID-19 Resource Center, a communication hub to share information about the state credentialing orders and bulletins issued by state insurance regulators. NIPR worked with 48 states on implementing more than 100 separate bulletins and orders to extend license renewal deadlines, issue temporary licenses and allow online testing.

Director Deiter said NIPR launched a major upgrade to its Attachment Warehouse application used to enable insurance producers and other licensees to upload licensing-related documents for review by state insurance regulators. This new capability for allowing additional documents to be submitted by the industry will streamline and improve the licensing application review process for the states in lieu of having the documents submitted separately. NIPR processed 38 million credentialing and report transactions in 2020, a 5.2% increase from 2019. NIPR had \$47.9 million in revenue in 2020, a 5.7% increase from 2019.

Director Deiter said the NIPR Board of Directors approved a 2021–2023 NIPR Strategic Plan – Our Bridge to the Future. The plan has the following three pillars connected to NIPR’s values of teamwork, excellence, trust and innovation: 1) an engaged and empowered team; 2) customer-focused excellence; and 3) high-quality and reliable technology.

Director Deiter said NIPR has been working to bring more products and services to state and industry customers. NIPR is excited to announce that contact change requests for business entities will soon be available online through NIPR. Currently, only individual licensees may update their contact information, which includes the physical address, e-mail and phone number through NIPR. The new capability will enable business entities to utilize NIPR’s online product and eliminate the need for a separate state by state notification process for updating the entity’s contact information. Arizona, North Carolina, North Dakota and Rhode Island are expected to be implemented on April 5. NIPR plans a phased state rollout plan. NIPR is also launching a chat feature for the customer call center. Finally, NIPR has been working with California and Hawaii to implement adjuster licensing online through NIPR.

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6. Received Comments from the ACLI on Race and Insurance

David Leifer (American Council of Life Insurers—ACLI) said the ACLI has made race and insurance a priority issue. Mr. Leifer said the ACLI is working on strategies to recruit minority insurance producers. He encouraged the NAIC to think about whether there are regulatory and licensing standards, such as certain background check processes, that should be reviewed. He said the ACLI supports strong background checks but questioned if certain process, such as 1033 Waivers, could be done differently. Mr. Leifer said the implementation of remote, proctored exams is a good development and suggested states may also consider eliminating the requirement for pre-licensing education. He said pre-licensing education requirements may deter economically, disadvantaged individuals from seeking a producer license and that there does not appear to be a correlation to pre-licensing education requirements and examination pass rates. Mr. Leifer said greater uniformity in resident licensing standards eliminates expenses for companies and helps companies recruit and train new candidates for producer licensing examinations.

Birny Birnbaum (Center for Economic Justice—CEJ) said he supports the ACLI's efforts on racial justice but questioned whether the direction suggested by the ACLI will benefit communities of color. Mr. Birnbaum said the Producer Licensing (D) Task Force should review the reasons a producer licensing may be denied, suspended or revoked and whether the reason disproportionately affects communities of color due to the historically bias policing practices.

7. Discussed Procedures for Amending the NAIC Producer Licensing Applications

Director Deiter said the procedures were circulated for comment in November 2020, and comments were received from California, Washington, and the Professional Insurance Agents (PIA).

Ms. Ferguson asked what will happen to the changes the Producer Licensing (D) Task Force adopted in 2018. Director Deiter and Superintendent Dwyer said these changes were not approved by the Executive (EX) Committee and that they would work with NAIC staff to determine the appropriate next steps due to the procedures being developed. Ms. Ferguson suggested reversing steps 2 and 3 of the procedures to allow the Producer Licensing Uniformity (D) Working Group to review suggested changes and prior to the NAIC and NIPR staff providing a time and cost estimate to implement a change. Ms. Ferguson said the procedures should also address what happens if the Producer Licensing Uniformity (D) Working Group cannot agree on a suggested change. Mr. Baughman said initial conversation of changes should start with the Producer Licensing Uniformity (D) Working Group prior to the NAIC and NIPR review. Director Deiter said he understood the preference of state insurance regulators but said it also is important to understand how the suggestions might affect the business and resources of the NAIC and NIPR.

Lauren Pachman (PIA) said the timing for approving changes to the Uniform Applications is inconsistent with the timing for approving changes in the Producer Licensing (D) Task Force charges. Tim Mullen (NAIC) said he would review the procedures and charges to ensure they are consistent. Director Deiter and Superintendent Dwyer said they would work with Mr. Mullen to review the comments and circulate a revised draft of the procedures.

8. Discussed Any Other Matters

Superintendent Dwyer said the Producer Licensing (D) Task Force will be receiving a referral from the NAIC's Special (EX) Committee on Race and Insurance and the Cannabis Insurance (C) Working Group on whether prior criminal charges are impeding individuals from obtaining an insurance producer license. Superintendent Dwyer said Rhode Island does not deny too many licenses for criminal convictions, unless it involves a felony. Because of the importance of how criminal convictions may be affecting insurance producer applicants, Superintendent Dwyer suggested the NAIC may want to review the NAIC's *Guidelines for State Insurance Regulators to the Violent Crime Control and Law Enforcement Act of 1994*. Superintendent Dwyer said she would contact Commissioner Trinidad Navarro (DE), chair of the Antifraud (D) Task Force, for further coordination on this issue.

Having no further business, the Producer Licensing (D) Task Force adjourned.

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Draft: 4/21/21

Producer Licensing Uniformity (D) Working Group
Virtual Meeting
March 18, 2021

The Producer Licensing Uniformity (D) Working Group of the Producer Licensing (D) Task Force met March 18, 2021. The following Working Group members participated: Chris Murray, Chair (AK); Courtney Khodabakhsh, Vice Chair (OK); Crystal Phelps, Letty Hardee and Peggy Dunlap (AR); Charlene Ferguson, Troy Dickinson and Tyler McKinney (CA); Matt Guy (FL); Lisa Tordjman (ID); Shelley Taylor-Barnes (MD); Chris Aufenthie, Janelle Middlestead and Stephanie Butz (ND); Gina Goodro and Kevin Schlautman (NE); Vitoria Baca (NM); Hermoliva Abejar, Stephanie Kerry and Stephanie McGee (NV); Karen Vourvopoulos, Lee Washburn and Michelle Brugh Rafeld (OH); Rachel Chester (RI); Maggie Dell (SD); Randy Overstreet (UT); Mike Beavers and Richard Tozer (VA); Jeff Baughman (WA); and Melody Esquivel and Rebecca Rebholz (WI). Also participating was: Bryan Stevens (WY).

1. Discussed the Pet Insurance Licensing Standards

Mr. Murray said the Producer Licensing (D) Task Force has asked the Working Group to review the current pet insurance licensing standards and provide a recommendation on whether changes should be made. Mr. Murray said a reminder notice was sent out notifying everyone that the materials can be found on the Working Group web page. These materials include a discussion document that summarizes the work that has been completed in addition to the status of the pet insurance licensing standards. Mr. Murray said the Working Group's goal is to discuss this topic and adopt a recommendation that can be taken back to the Task Force.

Mr. Murray said the Working Group's task is not to discuss the pet insurance product but to focus on licensing related to pet insurance. He said discussions concerning pet insurance began in 2010 and 2011, and then they picked back up in 2017 by the Task Force. There were some concerns voiced by industry about the direction pet insurance was taking. The consensus from Task Force discussions was that those around the table did not have enough information about the product to make an informed decision. The Task Force asked the Property and Casualty Insurance (C) Committee to look at pet insurance. The Committee formed a Pet Insurance (C) Working Group, which has been working on this topic for some time now. This Working Group created a white paper on pet insurance, which was referred to the Producer Licensing (D) Task Force. The Pet Insurance (C) Working Group is also working towards the creation of a model law for pet insurance, which will deal with consumer protection and aspects related to policy.

Mr. Murray said pet insurance is currently addressed in the NAIC Uniform Licensing Standards (ULS), which list pet Insurance as a non-core limited line. The ULS non-core limited line states that a state is not required to implement any non-core line of authority for which a state does not already require a license or that is not already incorporated with a major line of authority. Mr. Murray said if a state offers a non-core limited line such as pet insurance or legal expenses, it shall do so with specific licensing requirements listed in the ULS. Basically, a state does not have to implement a non-core limited line for which a state does not already issue that license. Mr. Murray said at this time, four states have made pet insurance a non-core limited line license. The remaining states have this license sold under a property/casualty (P/C) license. This is consistent with current ULS non-core limited lines. The goal of the Producer Licensing Uniformity (D) Working Group is to determine whether this is the correct path or if other requirements should be looked at.

Mr. Murray said the Working Group will need to look at three different potential recommendations: 1) confirm that current ULS for pet insurance is correct policy direction; 2) recommend that pet insurance become a core limited line all states shall adopt; or 3) recommend that the major lines of authority of P/C be required to sell pet insurance.

Mr. Murray said the purpose of today's meeting is to initiate an open discussion with state insurance regulators and industry to find common ground in order to move forward with confirming the best recommendation. He said the pet insurance product is currently a P/C product at this time, and it is not within in the Working Group's scope of authority to change this but to review the standards.

Ms. Tordjman said Idaho licenses pet insurance as a non-core limited line. She said pet insurance is not a limited line and is not considered incidental insurance. Ms. Tordjman said more work needs to be done and to determine if it belongs under P/C lines. She said the products generated from pet insurance are more complicated and mimic some provisions of health insurance.

Mr. Baughman said Washington has been very vocal concerning pet insurance. He said Washington thinks it should be a P/C license rather than limited line due to the complexity of the product, much like health insurance. Mr. Baughman said a pet is considered property and not a person. Therefore, it belongs under the P/C line of authority. Mr. Guy said Florida echoes Washington's comments and that Florida has concerns for nefarious characters that may take advantage of these complex products. Mr. Guy said he does have concerns regarding the marketing of this product.

Ms. Chester said Rhode Island has pet insurance as a limited line due to the history with how the product is sold. She said it would be helpful to understand how this product has changed from the way it was traditionally marketed.

Mr. Murray said the pet insurance white paper outlines some of the concerns with this product and encourages everyone to review and make themselves aware of the concerns and changes in this product that have made it a relevant discussion at this time. He said to his knowledge, there are no specific questions for pet insurance on a P/C examination.

Ms. Ferguson said California added pet insurance objectives to its P/C license examination based off the information found in the pet insurance white paper concerning disclosures and requirements.

Mr. Baughman said there are a lot of policies that are not included into an exam for other licenses. He said this is something to keep in mind when reviewing the pet insurance licensing standards. Mr. Baughman said Washington language says that if someone wants a pet insurance license, it would be provided under a P/C license and, therefore, would not have oversight over pet insurance specifically.

Ms. Ferguson said the authority of the individual is granted in the resident state if an investigation goes on or if a consumer complaint is received. She said the nonresident state would then need to contact the home state, which caused more of a reactive instead of proactive stance.

Mr. Murray said that the issues that have been raised have been addressed with the way it is written currently. He said he asks what there is with the pet insurance license that would suggest the current standards need to be changed.

Ms. Chester said it is an incidental product. A pamphlet in a veterinarian office is different from a call center for other products. Ms. Chester said they are not seeing this in Rhode Island, but it may be taking place in other states.

Mr. Stevens asked if the Working Group starts reviewing pet insurance, would that open the door for other incidental products to be pieced out. Mr. Murray said while this is a relevant concern, the Working Group has been given the task to review this standard specifically.

Mr. Baughman said out of 55 jurisdictions, there are 51 that have this as P/C. This would cause these 51 jurisdictions to change legislation in order to add this as a limited line. Mr. Murray said this is current and significant for the Working Group to consider when reviewing the different options for recommendations.

LeeAnn Goheen National Association of Insurance and Financial Advisors—NAFIA) said they support a limited line approach but think it should be a robust testing and exam standards.

Paul Williams (Unum) said Unum's perspective, as a company that operates in life and health, is that there is a lot of interest in pet insurance. He said Unum is not able to offer this product because its agents are not licensed in P/C. Mr. Williams said this prohibits growth potential. He said Unum supports pet insurance being made into a core limited line, which would allow it to offer this product.

Mr. Murray said one of the ways that pet insurance is growing is through employer benefit programs. He said it is important for the Working Group to recognize this when reviewing our recommendation.

Jack Chaskey Society for the Prevention of Cruelty to Animals—SPCA) said one of the advantages of limited lines is the point of sale and the ability to make the financial responsibility with the insurance product. Mr. Chaskey said this is when the consumer needs protection. He said the appropriate standards will not only protect consumers, but also, they will provide appropriate avenues to provide this product safely.

Jeanie Keller said that licensure is not a barrier to sales of insurance products. Licensure is a consumer protection and fail-safe to make sure that trained people are offering the product.

Ms. Ferguson said one item of interest for the P/C producers who do sell pet insurance is if those in the insurance industry who are selling pet insurance become an education provider. She said to have them offer courses specific to pet insurance, which will provide an avenue to learn what they need to know. Ms. Ferguson said this would add to the 24 hours of continuing education (CE) that the person would need to complete anyway. She said this would be part of the education course, which would assist this individual with gaining knowledge on this product.

Mr. Murray said the next step will be to send out an email soliciting comments on the pet insurance standards. He said the comments will be discussed and a survey request will be distributed for the Working Group members to provide their preference. Mr. Murray said the Working Group will then meet to adopt the best recommendation. He said once the Working Group adopts the recommendation, it would be presented to the Task Force for consideration.

Having no further business, the Uniform Education (D) Working Group adjourned.

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Draft: 4/20/21

Uniform Education (D) Working Group
Virtual Meeting
March 2, 2021

The Uniform Education (D) Working Group of the Producer Licensing (D) Task Force met March 2, 2021. The following Working Group members participated: Rachel Chester, Chair (RI); Mike Beavers, Vice Chair (VA); Chris Murray (AK); Charlene Ferguson (CA); Vanessa Miller (MS); Karen Vourvopoulos (OH); and Jeff Baughman (WA).

1. Discussed the CER Agreement Signature Status

Ms. Chester provided a brief overview of the 2019 Continuing Education Reciprocity (CER) Agreement. Ms. Chester said the Working Group has received 43 signatures from state insurance commissioners on the 2019 CER Agreement. She said she will continue working with NAIC staff to reach out to states and obtain the remaining signatures.

2. Discussed Exam Pass Rates

Ms. Chester said the tracking of exam pass rates has been a topic of discussion off and on for the past few years. She said originally NAIC staff went directly to the states to request the pass rate data. She said the decision was made a few years ago that the testing vendors would send the states' first-time pass rate data to NAIC staff, which would compile and post on the Working Group website. Ms. Chester said a new format was created and advised the Working Group members that she would be speaking to the testing vendor directly to clear up any confusion and simplify the process.

3. Discussed the Creation of Course Instructor Requirements.

Ms. Chester said she has been working with NAIC staff to review the RegEd instructor qualifications document created in 2020, which lists each state and its specific qualifications. Ms. Chester said the plan is to review these qualifications to determine common denominators that can be used for the creation of NAIC uniform course instructor requirement guidelines. Ms. Chester said the Working Group will meet in May to further discuss and begin the first steps to finalize this project.

Having no further business, the Uniform Education (D) Working Group adjourned.

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