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Dear Mr. Welker:

The member companies of the American Council of Life Insurers (ACLI) wish to thank you for your continued focus on the Licensing Handbook, particularly Chapter 8 - Testing. Thanks to the continued leadership your committee and its predecessors, the states have made great strides toward the Handbook's goal of making sure candidates for an insurance license have a *"fair and equitable opportunity to pass an exam, regardless of which state exam they take."* As just three examples, we have found that a majority of states now administer one-part exams, nearly 20 provide pass rate data to the public and nearly all have pre-licensing requirements of 0 or 20 hours. That progress would not have happened without your work.

While the Handbook continues to be a tremendous resource, we do believe there are a few areas in need of updates. We are submitting this memo, as well as the accompanying line-by-line suggestions, for your consideration. The changes closely track the testimony our organization has provided your committee on a several occasions in the last year.

CHANGE ONE: Establish Clear Procedures for Reviews

When the Handbook was updated around 2013, one major focus was getting states to conduct annual exam reviews. Impressively, the number of states now conducting such reviews has grown to near 40. While that is good news, the industry has observed that the procedures, people and policies that are employed in these reviews can vary greatly from state-to-state.

As detailed in the tracked changes, the industry is asking the Committee to adopt some broad criteria for reviews in order to bring uniformity to the process and ensure these important events are executed in a meaningful manner that is consistent with the goals of maintaining fair, entry-level exams. Industry is particularly interested in seeing the Handbook include more language stressing the need to involve recently licensed producers in reviews and to ensure a system is in place to make sure all questions get reviewed over a reasonable course of time. (We raise this point in an effort to address a situation we see in some states where reviews always begin with the Life & Health Bank and routinely run out of time before getting to the Life-only questions).

CHANGE TWO: Establish Procedures for Reviewing the Impact of Exam Delivery and/or Scoring Changes on the Ability to Pass

Another hot topic in 2013 was ensuring cut scores were properly set. Thankfully, there has been tremendous progress in this area as well. Most, if not all, states that had passing scores above 70 established by rule or law have made changes to get rid of their arbitrary scores. That said, we now see an emerging issue gaining more and more prominence that has also introduced arbitrary factors into the testing process. This issue has gained prominence as the major exam vendors have moved away from fixed form exams to new methods of test delivery which are meant to reduce opportunities for cheating but are unintentionally affecting candidates' ability to pass.

These new test generation systems vary by exam vendor. Some systems rely on scaling and scoring multiple forms. Other systems rely on computers and algorithms to produce multiple forms of each exam, sometimes even unique tests for each tester. While the test assembly systems rely on powerful computers, these computers work within clearly defined constraints set by humans, including parameters for selecting individual and form questions based on their difficulty. There is evidence, such as changes in pass rates following a transition to a new vendor, that the new test delivery systems are raising or lowering the bar to entry to the profession for reasons that have nothing to do with the job. (If needed, ACLI is happy to share the data we have collected).

The industry believes it is important for the Handbook and Standards to create more transparency around this issue and to address how states should approach setting the parameters and constraints that govern test delivery methods. Our suggested change asks states to monitor pass rates, as pass rates can be the best "symptom" that something has changed in the test. If a symptom presents itself, the change asks states to investigate and share the results of the investigation with stakeholders.

CHANGE THREE: Clarify that Public Reports Should Include Pass Rates

The best practices at the end of the chapter currently require states to produce reports that include "first-time pass success." While success rates are a real statistic, first-time pass success is not a commonly used term. We believe this should read "first-time pass rate."

Sincerely,



David Leifer