

DRAFT FOR DISCUSSION
PRODUCER LICENSING STANDARD FOR PET INSURANCE

I. Charge

The Producer Licensing Uniformity (D) Working Group is charged to “monitor and assess the state implementation of the Uniform Licensing Standards (ULS) and update the standards, as needed.”

II. Summary of Recent NAIC Discussion

In 2017, the Producer Licensing (D) Task Force discussed the licensing standards for pet insurance. The Producer Licensing Task Force requested the Property and Casualty Insurance (C) Committee to review pet insurance products and the complexity of the product before a decision would be made on what type of producer license should be required to sell pet insurance. Based upon a referral from the Producer Licensing Task Force, the Property and Casualty Insurance (C) Committee appointed a Pet Insurance (C) Working Group, which drafted a white paper (https://naic.org/prod_serv/PIN-OP-19.pdf) reviewing the coverage options, product approval, marketing, rating and claims practices for pet insurance.

The Pet Insurance (C) Working Group is now drafting a Pet Insurance Model Law. During this Working Group’s call of Oct. 21, 2020, the Working Group adopted a motion to remove Section 6 of the draft model and replace it with a drafting note that reads: “When each state considers adopting this model, they should review the NAIC *State Licensing Handbook* and other guidance adopted by the Producer Licensing (D) Task Force with respect to licensing issues.”

The Task Force requested the Producer Licensing Uniformity (D) Working Group review the uniform licensing standards for pet insurance.

III. Relevant NAIC Uniform Licensing Standards (*emphasis add on phrase “pet insurance”*)

A. Uniform Licensing Standard 14 (Lines of Authority Issued)

Six major lines of authority consistent with the definitions found in the NAIC’s PLMA. A state’s definition of a major line of authority should not expand or reduce the products that can be offered under the major lines defined by PLMA. Each major line of authority must be offered independently and cannot be offered as a limited line (such as industrial life or fire or personal lines or auto).

A state may require a life license requirement for a resident producer seeking variable products authority. States that adopt surety as a separate line must designate it as a limited line since surety is typically included within the casualty line of authority.

If an applicant is in good standing in his or her home state for the line(s) of authority requested, the nonresident state shall grant the line(s) of authority without further verification of eligibility for the authority. This standard does not limit the state’s ability to deny the license based on integrity/personal qualifications and background check standards.

Core limited lines as defined in Standard 33 (31). If a state elects to offer other non-core limited lines, such as legal expense insurance or *pet insurance*, it shall do so in accordance with Standard 37 (35).

B. Uniform Licensing Standard 31 (Definitions of Core Limited Lines)

A state shall have nine or fewer limited lines, which include the core limited lines. A state shall adopt definitions for car rental, credit, crop, and travel that are consistent with the definition of the core limited lines adopted by the NAIC in Appendix A. The state must have Credit as defined in PLMA.

C. Uniform Licensing Standard 35 (Standards for Non-Core Limited Lines)

A state is not required to implement any non-core limited line of authority for which a state does not already require a license or which is already encompassed within a major line of authority; however states should consider products where the nature of the insurance offered is incidental to the product being sold to be limited line insurance products. If a state offers non-core limited lines such as *pet insurance* or legal expense insurance, it shall do so in accordance with the following licensing requirements.

- A. A limited line license for non-core limited lines identified by the Insurance Commissioner may be issued to a person or entity, inclusive of profit and non-profit, who sells solicits, or negotiates the limited line insurance.
- B. A business entity may act as a Limited Line Insurance Producer if it:
 - (1) Has obtained the Limited Lines Insurance Producer License by submitting the appropriate application form and paid all applicable fees as set forth in applicable state law;
 - (2) The business entity has designated an individual Limited Lines Insurance Producer to act as the business entity's Designated Responsible Producer (DRP) and who would be responsible for the business entity's compliance with insurance laws, rules and regulations of the business entity's resident state.
 - (3) The designated individual must meet the requirements for a DRP pursuant to the insurance laws, rules and regulations of the business entity's resident state.
 - (4) The business entity DRP and officers must comply with the fingerprint requirement applicable to insurance producers in the resident state of the business entity; and
 - (5) The licensed business entity keeps a register of each employee that offers Insurance on the licensed business entity's behalf. The licensed business entity shall also certify that the registered employees comply with 18 USC 1033. The licensed business entity shall submit such Register within 30 days upon request by the state insurance department.
- C. An employee of the limited lines insurance producer business entity that offers and disseminates limited line insurance on behalf of the business entity and under the direction of a Limited Line Insurance Producer is not required to be licensed if the employee:
 - (1) Receives a program of instruction or training subject to review by the insurance department prior to receiving permission to operate on behalf of the business entity and under the direction of the DRP; and
 - (2) Does not receive a commission or compensation that is dependent on the placement of the insurance product.
- D. Individuals who sell, solicit or negotiate insurance or who receive commission or compensation that is dependent on the placement of the insurance product must obtain a limited line insurance producer license. The individual applicant must:
 - (1) Obtain the Limited Lines Insurance Producer License by submitting the appropriate application form and paying all applicable fees as set forth in applicable state law; and
 - (2) Receive a program of instruction or training subject to review by the insurance department
- E. No preclicensing or testing shall be required for the identified non-core limited lines insurance. All employees offering the products; individuals licensed to sell, solicit or negotiate; insurance producers and all DRP's shall receive a program of instruction.

Definitions for legal expense and *pet insurance* are provided for guidance and states are encouraged to adopt the same or substantially similar terms.

States may elect to add a miscellaneous limited line to issue a nonresident license for those nonresidents who have requested a line of authority outside the major or core limited lines and not offered by the state. A state must issue the nonresident a license in compliance with GLBA.

D. Appendix A – Recommended Definitions for Certain Non-Core Limited Lines (Adopted August 2011)

- (1) "Limited Lines *Pet Insurance Producer*" means an insurer designee, such as a managing general underwriter, managing general agent, or limited lines producer of Pet Insurance.
- (2) "*Pet Insurance*" means health insurance coverage including but not limited to coverage for injury, illness, and wellness, for pets such as birds, cats, dogs, and rabbits.

IV. Pet Insurance Producer Licensing Policy Options for Discussion

- A. Confirm current Uniform Licensing Standards for Pet Insurance is correct policy direction.
- B. Recommend Pet Insurance become a core limited line all states shall adopt.
- C. Recommend the major lines of authority of Property and Casualty be required to sell Pet Insurance.

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