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Chairman Deiter & Vice-Chair Mulready:

In 2022, American Council of Life Insurers, the National Association of Insurance and Financial Advisors and FINSECA joined together to produce a workplan to identify and remove unnecessary barriers to producer licensure. The goal of the project was to identify workstreams on which industry, regulators and legislators could focus to achieve shared objectives such as creating more uniformity among states and encouraging more individuals from underserved and underrepresented communities to enter the insurance profession.

Our organizations appreciate the time and attention the NAIC and many states have given to many of the topics raised in the workplan. Among the greatest successes has been the renewed focus on mandatory pre-licensing education hours. Since 2022, eight states have rolled back or reduced their pre-licensing requirements. A handful of other states are on track to do the same.

While ACLI, NAIFA and FINSECA remain grateful to the NAIC and states for their attention to unnecessary, burdensome pre-licensing mandates, other areas of our workplan, specifically two areas involving licensing exams, have yet to experience similar progress. In fact, they are moving in the wrong direction. Through this letter, we would like to highlight these two workstreams for the NAIC and states with the hope that they can be areas of shared focus on the months and years ahead.

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

Our first concern is the availability of online, or remote, testing. At the start of the year, several states stopped offering remote exams. It is our hope that whatever issues led these states to pull back their remote options will quickly be addressed. The presence of remote testing is critical to maintaining a resilient producer licensing ecosystem. As the pandemic showed, producer licensing can grind to a halt without an online option. In addition, remote testing is essential for producers who may live far away from testing centers or have obligations that make testing from home or work a bitter fit.

Our second concern is exam pass rates. While the NAIC has yet to release its collection of 2023 pass rates, evidence gathered by industry suggests that Life producer exam pass rates remain down significantly in many states since the pandemic. Jurisdictions experiencing declines include a mix of states with and without pre-licensing mandates. The NAIC handbook states that first-time pass rates should generally fall between 60 and 80 percent. While most states fell within that range pre-2020, many have now fallen out and have not improved. Concerns about pass rates by demographic also remain. Year after year, data from states show that the communities most underrepresented in the insurance industry are the least likely to efficiently make it through the licensing process.

Our three organizations wish to stress to the NAIC and regulators that pass rates are not random outcomes, or simply a reflection of who takes the test and how they prepared. Pass rates are the result of a series of deliberate policy decisions, including decisions about procurement, difficulty levels, passing scores, content and other topics. We urge regulators to focus more on these decisions and their ultimate impact on uniformity and efforts to diversify and grow the insurance salesforce.

In closing, ACLI, NAIFA and FINSECA wish to thank the NAIC and states for their partnership. As we said in our workplan, removing barriers to the producer licensing process will take time and incremental steps. Two years since we published the workplan, the progress in some areas is undeniable. In other areas, we wish to call regulators and legislators to action.

Sincerely,

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