The Producer Licensing (D) Task Force met via conference call Oct. 25, 2019. The following Task Force members participated: Larry Deiter, Chair, and Dan Nelson (SD); Mike Kreidler, Vice Chair, represented by Jeff Baughman (WA); Lori K. Wing-Heier represented by Chris Murray (AK); Ricardo Lara represented by Charlene Ferguson (CA); Michael Conway represented by Steven Giampaolo (CO); Trinidad Navarro represented by Ashley Webb (DE); David Altmaier represented by Matt Guy (FL); Vicki Schmidt represented by Lee Modesitt (KS); Nancy G. Atkins represented by Lee Webb (KY); James J. Donelon represented by Barry Ward (LA); Chloria Lindley-Myers represented by Carrie Couch (MO); Bruce R. Ramge represented by Kevin Schlautman (NE); John G. Franchini represented by Venessa DeJesus and Victoria Baca (NM); Jillian Froment represented by Karen Vourvopoulos (OH); Glen Mulready represented by Courtney Khodabakhsh (OK); Andrew Stolfi represented by Kirsten Anderson (OR); Todd E. Kiser represented by Randy Overstreet (UT); James A. Dodrill represented by Robert Grishaber (WV); and Jeff Rude (WY).

1. **Adopted its Summer National Meeting Minutes**

   Mr. Murray made a motion, seconded by Ms. Webb, to adopt the Task Force’s Aug. 3 minutes (see NAIC Proceedings – Summer 2019, Producer Licensing (D) Task Force). The motion passed unanimously.

2. **Adopted its 2020 Proposed Charges**

   Director Deiter said the next agenda item is to consider adoption of the Task Force’s 2020 proposed charges. Director Deiter said charge 1.H was changed to reflect that the white paper on the role of chatbots will be finalized by the 2020 Spring National Meeting. In addition, the reference to the year 2019 was changed to 2020 in charge 2.C and charge 3.A. Director Deiter said charge 1.I was added to develop procedures for amending the NAIC’s uniform producer licensing applications and uniform appointment form to ensure consistency with the NAIC membership’s goal of maintaining uniform and stable applications that encourage the efficient use of electronic technology. Director Deiter said this charge is consistent with other areas across the NAIC, which have developed more structured procedures for NAIC work products that are used by NAIC members for regulatory purposes. For example, Director Deiter said the Market Conduct Annual Statement Blanks (D) Working Group has guidelines regarding the process for amending or adding a new Market Conduct Annual Statement (MCAS) blank, and the Market Conduct Examination Standards (D) Working Group has guidelines for the discussion and adoption of revisions to the NAIC’s Market Regulation Handbook.

   Mr. Baughman made a motion, seconded by Ms. Khodabakhsh, to adopt the Task Force’s 2020 proposed charges (Attachment). The motion passed unanimously.

3. **Discussed Amendments to the NAIC Uniform Licensing Standards for Surplus Lines**

   Director Deiter said the Task Force circulated a proposal at the Summer National Meeting that would permit a state the flexibility to require: 1) both an underlying property/casualty (P/C) license and accident and health (A&H) license; 2) only an underlying P/C license; or 3) only an underlying A&H license prior to the issuance of a resident surplus lines license. Based upon the discussions of the Task Force at the Summer National Meeting, Director Deiter said there are three other options the Task Force should consider. The first option is for states to require an underlying P/C license prior to the issuance of a resident surplus lines license regardless of the type of insurance the surplus lines producer will be selling, soliciting or negotiating. This is the general standard in the market today. Director Deiter said the second option is for states to require an underlying P/C license prior to the issuance of a resident surplus lines license if the surplus lines producer is selling, soliciting or negotiating P/C insurance and require an underlying A&H license prior to the issuance of resident surplus lines license if the surplus lines producer will be selling, soliciting or negotiating A&H insurance. Director Deiter said there seemed to be some agreement around this option at the Summer National Meeting. Director Deiter said the third option is for states to require either an underlying P/C license or an underlying A&H license prior to the issuance of resident surplus lines license. Director Deiter said he does not believe this option was widely supported since almost all surplus business involves P/C risks.
Attachment One

Director Deiter said he thinks the second option is the most appropriate approach and requested state insurance regulators and interested parties to submit comments on the second option so the Task Force can make a final decision at the Fall National Meeting.

John Fielding (Council of Insurance Agents & Brokers—CIAB) said the CIAB wants to avoid a situation where a surplus lines producer has to obtain both an underlying P&C license and A&H license unless the surplus lines producer is selling both P&C and A&H insurance. Keri Kish (Wholesale & Specialty Insurance Association—WSIA) said she agrees with the position of the CIAB and believes the WSIA can support the second option. David Kodama (American Property Casualty Insurance Association—APCIA) asked if the second option would permit a surplus lines producer who is only selling A&H products to only obtain an underlying A&H license. Director Deiter said this is the intent of the second option. Director Deiter asked for any additional comments to be submitted by the middle of November.

4. Discussed the Role of Chatbots in the Distribution of Insurance

Tim Mullen (NAIC) said a draft outline of a white paper discussing the role of chatbots and artificial intelligence (AI) has been circulated. Mr. Mullen said the outline has four sections; 1) an introduction; 2) examples of chatbots and AI; 3) regulatory considerations for licensing requirements; and 4) regulatory considerations for marketplace practices.

Mr. Mullen said the white paper is not intended to establish public policy but rather explain current marketplace activities. Director Deiter said he would appreciate state insurance regulators and interested parties submitting comments and that a small drafting group might be formed to create an initial draft of the paper. Ms. Ferguson suggested the white paper include a section on cyber security and fraud. Mr. Kodama questioned if this work will overlap with the work of the Artificial Intelligence (EX) Working Group. Mr. Mullen said he is coordinating with the NAIC staff support for this Working Group and would ensure there is proper coordination between the two groups.

5. Discussed NAIC/FINRA Data Sharing

Mr. Mullen said the NAIC and the Financial Industry Regulatory Authority (FINRA) are finalizing a memorandum of understanding (MOU) for the sharing of information to enhance state insurance regulators’ awareness of actions FINRA has taken against security brokers who are also operating in the insurance industry. Similarly, the data sharing will enhance FINRA’s awareness of actions state insurance regulators have taken against insurance producers who are also operating in the securities industry.

Mr. Mullen said FINRA sends a file to the NAIC containing the following data fields for matching against the State Producer Licensing Database (SPLD): 1) first name; 2) last name; 3) year of birth; and 4) last four digits of the Social Security number (SSN). The file also contained FINRA’s Central Registration Depository (CRD) number active/inactive status. The NAIC retains matches and deletes all other information from FINRA. The NAIC then sends FINRA the National Producer Number and active/inactive status of matched individuals in the SPLD. Mr. Mullen said the NAIC and FINRA are exchanging this information for regulatory purposes and will not disclose each organization’s data to the public. Mr. Mullen said that the MOU should be finalized within the next 30 days and that state insurance regulators will be see new data fields for CRD and FINRA Active/Inactive status in the SPLD.

Having no further business, the Producer Licensing (D) Task Force adjourned.
REVISIONS TO THE 2018 STATE LICENSING HANDBOOK BY THE PRODUCER LICENSING UNIFORMITY (D) WORKING GROUP

Listed below are the suggested revisions that were presented to the Producer Licensing Uniformity (D) Working Group. The Working Group extended the biennial review of the State Licensing Handbook, and the 30 chapters found in the handbook were split up amongst the Working Group members to review for any additional revisions. The list below shows the areas that have been revised for the 2020 edition of the State Licensing Handbook.

Please Note: The Table of Contents and Appendix were pulled from the revision process. All technical/formatting edits will be completed during the publication.

- General update to all of handbook
  - Add exact producer licensing language when referenced throughout the handbook.
  - Section-by-section summary of the Producer Licensing Model Act (#218).


- Revisions to Chapter 1 – Concerning Uniformity Provision of the Federal Gramm-Leach-Bliley Act
  - Add web link for NAIC producer licensing and National Association of Registered Agents and Brokers (NARAB) status.
  - Update National Insurance Producer Registry (NIPR) language.

- Revisions to Chapter 2 – Concerning Uniformity Provisions of the PLMA
  - Add language to six major lines of authority.
  - Remove NIPR language concerning Contact Change Request (CCR).
  - Update Section 16, “Reciprocity,” to include language from Model #218.

- Revisions to Chapter 4 – Concerning Non-Resident Licensing
  - Update “reciprocal reciprocity” language to “reciprocity with other states.”
  - Update reciprocity examples.

- Revisions to Chapter 5 – Concerning Activities Requiring Licensure
  - Exceptions to Licensing – Update language to be consistent with language in Model #218.

- Revisions to Chapter 7 – Concerning Application Review for Initial Licenses
  - Fingerprinting – Add web link to the Authorization for Criminal History Record Check Model Act (#222).

- Revisions to Chapter 8 – Concerning Testing Programs

- Revisions to Chapter 12 – Concerning Business Entity
  - Change “recent state assessment” to “previous state assessment.”

- Revisions to Chapter 14 – Concerning Continuing Education (CE)
  - Add “annuity” to list of CE standards derived from federal mandates.
  - Update language to clarify CE credit calculations.
• Revisions to Chapter 17 – Concerning Post Licensing Producer Conduct Reviews
  o Update language concerning reinstatement and reissuance of license.

• Revisions to Chapter 18 – Concerning Adjusters
  o Remove “new” from Public Adjuster Licensing Model Act (#228).

• Revisions to Chapter 29 – Concerning Title Insurance Agents
  o Update language throughout chapter to achieve consistent uniform language.
NAIC CONTINUING EDUCATION RECIPROCITY (CER) AGREEMENT - 2019 VERSION

Adopted by the Uniform Education (D) Working Group – Oct. 31, 2019

Whereas, the Commissioners find that it is in the best interest of each of their States and insurance producers to simplify the CER course approval process and reduce barriers to nonresident continuing education (CE) providers.

Whereas, the undersigned Insurance Commissioners of the NAIC, hereafter the Commissioners, have determined that it is redundant for each State to perform a substantive review of CE courses or individual instructors that have previously been approved by another State.

Definitions:

Home State: the state in which the CE provider organization maintains his, her or its principal place of residence or principal place of business.

Home State Course Approval: approval of a course that has had a substantive review in a home state.

Reciprocal State: state other than the home state and a party to this CER agreement.

Substantive Review: a thorough review of the course to confirm compliance with the home State’s applicable laws and regulations for the approval of insurance CE. The review includes a determination of whether the:

i. Subject matter meets the criteria for insurance education, to include approvable and non-approvable topic guidelines.

ii. Provider has procedures for reviewing course material in order to keep it up to date and timely.

iii. Course design and instructional strategies are appropriate for the method of delivery.

iv. Credit hours are properly calculated based on the instruction method.

v. Criteria for completing the course meets the standards applicable to the instruction method.

The Commissioners agree as follows:

1. Each state will conduct a substantive review of CE courses submitted for home state approval. When a CE provider has received a home state course approval, a reciprocal State will not conduct a substantive review of that same course as a condition of approval. A CE provider’s home state means the state in which the CE provider organization maintains his, her or its principal place of residence or principal place of business. If the laws or regulations of the home state restrict or limit the minimum or maximum number of credit hours for which a course may be approved for in that state, or restricts certain course topics, the CE provider may elect to recognize another home state in order to obtain a home state course approval.

2. Unless specifically limited by State laws and regulations, a reciprocal State will award a course the same number of credits as approved by the CE provider’s home State.

3. A reciprocal State agrees to approve a course submission within 30 days of receipt, provided that the course is filed using the NAIC Uniform CER Course Filing Form (Appendix A) or an equivalent electronic submission method and contains a home state course approval.

4. Each State will accept the NAIC Uniform CER Course Filing Form (Appendix A), or a substantially similar form, including an equivalent electronic submission method, and the required home state course approval document as the sole requirements for a reciprocal course submission.
5. Each State accepts and will use the following standards for substantive course reviews:
   
a. For classroom and webinar courses, one credit will be awarded for every 50 minutes of contact instruction.

b. For self-study/online courses, credit will be awarded based on the NAIC’s Recommended Guidelines for Online Courses (Appendix B).

c. The minimum number of credits that will be awarded is one credit; no partial credits will be awarded, and there is no maximum number of credits.

d. Credits will only be awarded for courses whose subject matter will increase technical knowledge of insurance principles, coverages, ethics, laws or regulations and will not be awarded for topics such as personal improvement, motivation, time management, supportive office skills or other matters not related to technical insurance knowledge. If any credits are awarded for sales and/or marketing, those credits will be separately noted on the course approval document. Credits for sales and/or marketing will only be awarded in States that are permitted by law or regulation to accept credit for those topics. Additional guidance can be found in the NAIC’s Recommended Approved/Not Approved Course Topics (Appendix C).

e. Each State will use its own method to determine if an instructor is qualified, and no instructor will be approved unless the CE provider has provided sufficient information to demonstrate that the instructor is qualified, according to that State’s laws and regulations, to teach the topics covered in the outline.

6. A State’s course approval document or approved course application will include, at a minimum, the following information: course title, credit hours, credit category, method of instruction, and if it is a home state approval.

7. Each State reserves the right to disapprove individual instructors or CE providers who have been the subject of disciplinary proceedings or have otherwise failed to comply with a State’s laws and regulations.

8. Each State agrees that it will notify other States when a CE provider or instructor has been the subject of a formal administrative action or other disciplinary action by that State.
**UNIFORM CONTINUING EDUCATION RECIPROCITY COURSE FILING FORM**

Please clearly print or type information on this form. Thank you for helping us promptly process your application.

<table>
<thead>
<tr>
<th>Provider Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider Name</td>
</tr>
<tr>
<td>FEIN # (if applicable)</td>
</tr>
<tr>
<td>Contact Person</td>
</tr>
<tr>
<td>E-mail Address of Contact Person</td>
</tr>
<tr>
<td>Phone Number</td>
</tr>
<tr>
<td>Fax Number</td>
</tr>
<tr>
<td>Home State</td>
</tr>
<tr>
<td>Home State Provider #</td>
</tr>
<tr>
<td>Reciprocal State</td>
</tr>
<tr>
<td>Reciprocal State Provider #</td>
</tr>
<tr>
<td>Mailing Address</td>
</tr>
<tr>
<td>City</td>
</tr>
<tr>
<td>State</td>
</tr>
<tr>
<td>Zip</td>
</tr>
<tr>
<td>Submitter Name (if different from provider contact person above)</td>
</tr>
<tr>
<td>Submitter Phone Number</td>
</tr>
<tr>
<td>E-mail Address of Submitter</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Course Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Course Title</td>
</tr>
<tr>
<td>Date of Course Offering (if applicable)</td>
</tr>
<tr>
<td>Existing Course Number (if applicable)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Method of Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Contact / Asynchronous</strong>*</td>
</tr>
<tr>
<td>Self – Study</td>
</tr>
<tr>
<td>Correspondence</td>
</tr>
<tr>
<td>On-Line Training (Self-Study)</td>
</tr>
<tr>
<td>Recorded Media</td>
</tr>
<tr>
<td>Other __________________</td>
</tr>
<tr>
<td>Word Count</td>
</tr>
</tbody>
</table>
| Mandatory Run-time ___________
(Interactive Components of Course) |

| **Contact / Synchronous*** |
| Classroom |
| Seminar/Workshop |
| Other ______________ |
| Webinar |
| Virtual Class/Webinar/Video Conference |
| Other ______________ |

**Measurement used for successful completion:**

| Attendance | Final Exam | Other __________ | Is this course open to the public? | Yes | No |

| National Designation? | Yes | No |

If yes, Designation Type: ________________________________
Difficulty (Check):  □ Basic    □ Intermediate    □ Advanced

**Credit Hours Requested and Course/Hours Decision**

<table>
<thead>
<tr>
<th>Course Concentration</th>
<th>Hrs Requested by Provider Sales/Mktg</th>
<th>Hrs Approved by Home State Sales/Mktg</th>
<th>Hrs Approved by Reciprocal State Sales/Mktg</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Producer Topics:</strong> (Circle Appropriate Course Concentration)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life / Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property / Casualty/Personal Lines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General (Applies to all lines)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Laws</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (LTC, NFIP, Viaticals, Annuities, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. Adjuster Topics</strong> (Circle Appropriate Course Concentration)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers Comp</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. Public Adjuster</strong> (Circle Appropriate Course Concentration)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Information Below is for Regulator Use Only**

| Approval Date | | |
| Course Number assigned | | |
| Course approval expiration date | | |
| Signature of Home State Regulator/Representative **OR ATTACH** Provider Home State Approval Form | | |
| Signature of Reciprocal State Regulator/Representative **OR ATTACH** Reciprocal State Approval Form | | |
INSTRUCTION SHEET

NOTE: This course may NOT be advertised or offered as approved in the state to which application has been made until approval has been received from the insurance department.

1. If you are a PROVIDER filing for approval from the Home State:
   1.1 Complete all the fields in the “Provider Information” section except “Reciprocal State” and the adjacent “Provider #” fields.
   1.2 Complete the Course Information Section.
   1.3 In the “Credit Hours Requested and Course/Hours Decision” section, complete the “Hrs. Requested by Provider” columns, detailing in the respective columns the number of hours for sales – and marketing-related instruction and the number of hours for other insurance-related instruction. Please note the following:
      1.3.1 When using this application, which is governed by the NAIC CE Reciprocity Agreement in conjunction with ‘states’ laws, only whole numbers of credit hours will be approved – partial hours will be eliminated.
      1.3.2 States that approve sales/marketing topics will consider the hours in the “sales/Mktg” column and the hours in the “Insurance” column when deciding the number of hours to approve. States that do not permit sales/marketing topics as part of continuing education credit hours will only consider the hours shown in the “Insurance” column when making their credit-hour approval decisions.
      1.3.3 Contact the individual state to determine whether there are any state specific requirements for submitting courses.
   1.4 Submit the application form along with required course materials, a detailed course outline, instructor information, if required, and the required course application fee.

2. If you are a PROVIDER filing for approval from a Reciprocal State:
   2.1 Make a sufficient number of photocopies of the Home State approval form to enable you to submit a copy of this application to each of the Reciprocal States where you are seeking credit.
   2.2 On each application, write the Reciprocal State and the provider number assigned to you by that state in the “Reciprocal State” and adjacent “Provider #” fields.
   2.3 Send the CER application, home state approval, if home state issues one, a detailed course outline, and the required fee to the reciprocal state. If this is a National Course *, the Providers will be allowed to submit an agenda that must include date, time, each topic and event location in lieu of a detailed course outline.
   2.4 Subsequent national course offerings should only be reported for events that are conducted in the “home” state.

* National Course is defined as an approved program of instruction in insurance related topics, offered by an approved provider, and leads to a national professional designation or is a course offered to individuals who must update their designation once it is earned.

3. If you are the HOME STATE or designated representative of the Home State:
   3.1 After reviewing the course materials, complete the “Hrs Approved by Home State” column.
      3.1.1 Multiple types of credit and delivery methods can be approved using one CER Form.
   3.2 Enter the date of approval, course # assigned, course approval expiration date. Sign the CER Form OR attach the home state approval form.
   3.3 If the course is not approved, note it on the bottom of the CER Form.

4. If you are the RECIPROCAL STATE or designated representative of the Reciprocal State:
   4.1 After reviewing “Hrs approved by Home State” complete the “Hrs Approved by Reciprocal State”.
      4.1.1 It is unnecessary for each State to perform a substantive review of continuing education courses that have previously been approved by the Home State.
      4.1.2 Reciprocal states cannot award different credits than the home state unless certain aspects are not allowed by state law.
   4.2 Enter the date of approval, course number assigned, course approval expiration date. Sign the CER Form OR attach the reciprocal state approval form.
   4.3 If the course is not approved, note it on the bottom of the CER Form.
   4.4 The reciprocal state agrees to approve the CER submission within 30 days of receipt.

Substantive Review – A thorough review of the course to confirm compliance with the home state’s applicable laws and regulations for the approval of insurance continuing education. The review includes a determination whether the:

1. Subject matter meets the criteria for insurance education, to include approvable and non-applicable topic guidelines;
2. Provider has procedures for reviewing course material in order to keep it up to date and timely;
3. Course design and instructional strategies are appropriate for the method of delivery;
4. Credit hours are properly calculated based on instruction method;
5. Criteria for completing the course meets the standards applicable to the instruction method.

*Drafting Note: The instructor information matrix was eliminated in 2018 as this information should be readily available on individual state/jurisdiction websites.

© 2018 National Association of Insurance Commissioners
Continuing Education Recommended Guidelines for Online Courses
Adopted by NAIC Membership March 18, 2015

Goal: To deliver functional computer-based internet courses that offer quality insurance and/or risk management material in a password-protected online environment.

Key Components:
- Material that is current, relevant, accurate, and that includes valid reference materials, graphics and interactivity.
- Clearly defined objectives and course completion criteria
- Specific instructions to register, navigate and complete the course work
- Technical support/provider representative should be available during business hours and response provided within 24 hours of initial contact.
- Instructors/subject matter experts must be available to answer student questions during provider business hours
- Process to authenticate student identity such as passwords and security prompts
- Method for measuring the student’s successful completion of course which includes the material, exam and any proctor requirements.
- Process for requesting and receiving CE course-completion certificate and reporting student results to the appropriate regulator
- Require each agent to enroll for the course before having access to course material.
- Prevent access to the course exam before review of the course materials.
- Prevent downloading of any course exam.
- Provide review questions at the end of each unit/chapter and prevent access to the final exam until each set of questions are answered at a 70% rate.
- Provide final exam questions that do not duplicate unit/chapter questions.
- Prevent alternately accessing course materials and course exams. This does not apply if the state allows for “open book” exams.
- Have monitor affidavit containing specific monitor duties and responsibilities printed for monitor’s use to direct the taking of the final exam. Monitor will complete the affidavit after the exam is completed. (This only for states that require a monitored exam).

Final Assessment (exam) Criteria:
- Minimum of 10 questions for 1 credit hour course with additional 5 questions for each subsequent credit hour and a score of 70% or greater
- At least enough questions to fashion a minimum of 2 versions with a least 50% of questions being new/different in each subsequent version
- Inability to print the exam or to view the exam prior to reviewing material
- Proctor, if required by the state, who verifies identity by photo identification and processes affidavit testifying the student received no outside assistance

Procedures to determine Appropriate Number of Credit Hours:

Word Count/Difficulty Level
- Divide total number of words by 180 (documented average reading time) = number of minutes to read material
- Divide number of minutes by 50 = credit hours
- Course difficulty level is identified by the CE provider on the CER form and should be based on the NAIC CE Standardized Terms-Definitions for basic, intermediate and advanced course difficulty levels.
- Multiply number of hours by 1.00 for a basic level course; 1.25 for an intermediate level; 1.50 for an advanced course for additional study time = total number of credit hours (fractional hours rounded up if .50 or above and rounded down if .49 or less)

Interactive Course Content
- Elements included in the online course, in addition to text, such as video, animation, interactive exercises, quizzes, case studies, games, and simulations.
- Interactive elements should be applicable to course material and facilitate student learning.
- Only mandatory interactive elements should be included in the calculation of CE credit hours.
- Calculation of CE hour credits should be based on the run time of the interactive elements.
- CE providers will indicate run time of the interactive elements in the course content and upon request provide access to the state for review of the course.

Professional Designation Course
- Course that is part of a nationally recognized professional designation
- Credit hours equivalent to hours assigned to the same classroom course material

Final Assessment
- Time spent completing the final assessment should not be used in calculation of CE credit hours.

Adopted by the NAIC Membership 2015
COURSE GUIDELINES FOR CLASSROOM WEBINAR/WEBCAST DELIVERY
Adopted by the NAIC Membership August 2014

- These guidelines are intended to apply to courses conducted and viewed in real time (live) in all locations and are not intended to apply when courses have been recorded and are viewed at a later time or to other online courses.

- Each student will be required to log in to the webinar using a distinct username, password and/or email. Students that view webinars in group settings which is two or more individuals should alternatively verify their participation in the form of sign-in and sign-out sheets submitted by a monitor with an attestation or verification code.

- The provider will verify the identity and license number, or National Producer Number (NPN), of all students.

- A provider representative, using computer-based attendance-monitoring technology, must monitor attendance throughout the course.

- The provider must have a process to determine when a participant is inactive or not fully participating, such as when the screen is minimized, or the participant does not answer the polling questions and/or verification codes.

- For webinars not given in a group setting, no less than two polling questions and/or attendance verification codes must be asked, with appropriate response provided, at unannounced intervals during each one-hour webinar session to determine participant attentiveness.

- The provider will maintain an electronic roster to include records for each participant’s log-in/log-out times. If required by states chat history and polling responses should be captured as part of the electronic record.

- When a student is deemed inactive or not fully participating in the course by the course monitor or failure to enter appropriate polling question response or verification codes, continuing education (CE) credit is denied.

- All students and the instructor do not need to be in the same location.

- Students in all locations must be able to interact in real time with the instructor. Students should be able to submit questions or comments at any point during the webinar session.

- The course pace must be set by the instructor and does not allow for independent completion.

- Instruction time is considered the amount of time devoted to the actual course instruction and does not include breaks, lunch, dinner or introductions of speakers.

- One credit will be awarded for each 50 minutes of webinar/webcast instruction, and the minimum number of credits that will be awarded for webinar/webcast courses is one credit.

- The provider must have a procedure that informs each student in advance of course participation requirements and consequences for failing to actively participate in the course.

- A comprehensive final examination is not required.
Approved Topics

1. Actuarial mathematics, statistics and probability – in relation to insurance
2. Assigned risk – in relation to insurance
3. Claims adjusting
4. Courses leading to and maintaining insurance designations
5. Employee benefit plans – in relation to insurance
6. Errors and omissions – in relation to insurance
7. Estate planning/taxation – in relation to insurance
8. Ethics
9. Fundamentals/principles of insurance (including but not limited to: annuities, crop and hail, life, accident and health, property/casualty [P/C], etc.)
10. Insurance accounting/actuarial considerations
11. Insurance contract/policy comparison and analysis
12. Insurance fraud
13. Insurance laws, rules, regulations and regulatory updates
14. Insurance policy provisions
15. Insurance product-specific knowledge
16. Insurance rating/underwriting/claims
17. Insurance tax laws
18. Legal principles – in relation to insurance
19. Long-term care/partnership
20. Loss prevention, control and mitigation – in relation to insurance
21. Managed care
22. Principles of risk management – in relation to insurance
23. Proper uses of insurance products
24. Real Estate Settlement Procedures Act (RESPA) – in relation to insurance
25. Restoration – addresses claims, loss control issues and mitigation – in relation to insurance
26. Retirement planning – in relation to insurance
27. Securities – in relation to insurance
28. Suitability in insurance products
29. Surety bail bond
30. Underwriting principles – in relation to insurance
31. Viaticals/life settlements – in relation to insurance

Other topics approved that contribute substantive knowledge relating to the field of insurance and expands competence of the licensee.
Not Approved Topics

1. Automation
2. Clerical functions
3. Computer science
4. Computer training/skills or software presentations
5. Courses on investments – stocks, bonds, mutual funds, Financial Industry Regulatory Authority (FINRA)/U.S. Securities and Exchange Commission (SEC) compliance (National Association of Securities Dealers [NASD]/SEC), etc.
6. Courses that are primarily intended to impart knowledge of specific products of specific insurers
7. Customer service
8. General management training
9. Goal-setting
10. Health/stress/exercise management
11. Marketing/telemarketing
12. Motivational training
13. Company and vendor-specific product launches
14. Office skills or equipment or procedures
15. Organizational procedures and internal policies of an individual insurer
16. Personal improvement
17. Prospecting
18. Psychology
19. Relationship building
20. Restoration – promoting products or services
21. Sales training
22. Service standards or service vendors
23. Time management

Other topics or courses not related to insurance knowledge or competence of the licensee.
Whereas, the Commissioners find that it is in the best interest of each of their States and their insurance producers to simplify the continuing education (CE) reciprocity course approval process and reduce barriers to non-resident CE providers that reside in a State.

Whereas, the undersigned Insurance Commissioners of the National Association of Insurance Commissioners, hereafter the Commissioners, have determined that it is redundant unnecessary for each State to perform a substantive review of continuing education courses or individual instructors that have previously been approved by another State.

Whereas, the Commissioners find that it is in the best interest of each of their States and their insurance producers to simplify the continuing education (CE) reciprocity course approval process and reduce barriers to non-resident CE providers that reside in a State.

Definitions

**Home State**: the state in which the CE provider organization maintains his, her, or its principal place of residence or principal place of business.

**Home State Course Approval**: approval of a course that has had a substantive review in a home state.

**Reciprocal State**: state other than the home state and a party to of this continuing education reciprocity agreement.

**Substantive Review**: a thorough review of the course to confirm compliance with the home State’s applicable laws and regulations for the approval of insurance continuing education. The review includes a determination whether the:

i. Subject matter meets the criteria for insurance education, to include approvable and non-approvable topic guidelines;

ii. Provider has procedures for reviewing course material in order to keep it up to date and timely;

iii. Course design and instructional strategies are appropriate for the method of delivery;

iv. Credit hours are properly calculated based on instruction method;

v. Criteria for completing the course meets the standards applicable to the instruction method.

The Commissioners agree as follows:

1. Each state will conduct a substantive review of continuing education courses submitted for home state approval. Once a CE provider residing in a State has received a home state course approval, the provider will not conduct a substantive review of that same course as a condition of approval. However, if the laws or regulations of the CE Provider’s home state restrict or limit the minimum or maximum number of credit hours for which a national course may be approved for in that state, or restricts certain course topics, the CE Provider may elect to recognize another home state in order to obtain a home state course approval for the filing of its national courses in order to obtain the maximum credits allowed. A CE Provider that elects another home state in which to file its national courses shall elect a state that conducts a substantive review of its courses.
2. Unless specifically limited by State law and regulations, a reciprocal State will award a course the same number of credits and will accept all course topics as approved by the CE provider’s home State.

3. A reciprocal State will agree to approve a course submission within 30 days of receipt, provided that the review and approval process for a course that is filed using the NAIC Uniform Continuing Education Reciprocity Course Filing Form (Appendix A) or an equivalent electronic submission method, and contains a home state course approval. A CE provider who wishes to offer topics that are not approvable by the home State may still file a course directly with a State by completing a specific State’s course approval form.

4. Each State will accept the NAIC Uniform Continuing Education Reciprocity Course Filing Form (Appendix A), or a substantially similar form, including an equivalent electronic submission method, and the required home state course approval document as the sole requirements required by for a reciprocal course submission: non-resident CE provider.

5. Each State accepts and will use the following standards for substantive course review:

   a. For classroom and webinar courses, one credit will be awarded for each 50 minutes of contact instruction. Each State will use its own method to award credit for self-study courses.

   b. For self-study/online courses, credit will be awarded based on the NAIC’s Recommended Guidelines for Online Courses (Appendix B).

   c. The minimum number of credits that will be awarded is one credit, no partial credits will be awarded and there is no maximum number of credits.

   d. Credits will only be awarded for courses whose subject matter will increase technical knowledge of insurance principles, coverages, ethics, laws or regulations and will not be awarded for topics such as personal improvement, motivation, time management, supportive office skills or other matters not related to technical insurance knowledge. If any credits are awarded for sales and/or marketing those credits will be separately noted on the course approval document. Credits for sales and/or marketing will only be awarded in States that are permitted by law or regulation to accept credit for those topics. Additional guidance can be found in the NAIC’s Recommended Approved/Not Approved Course Topics (Appendix C).

6. Each State will use its own method to determine if an instructor is qualified and no instructor will be approved unless the CE provider has provided sufficient information to demonstrate that the instructor is qualified, according to that State’s laws and regulations, to teach the topics covered in the outline.

7. A reciprocal State will not review an instructor’s qualifications once that instructor’s qualifications have been reviewed and approved by the CE provider’s home State.

8. A State’s course approval document or approved course application will include, at a minimum, the following information: course name, whether the method of instruction is self-study, whether a course is part of a national or professional designation program and the contact person. A National Course is defined as an approved program of instruction in insurance related topics including a course leading to a National Professional Designation or an insurance course at an institution offered as part of a degree conferring curriculum, presented by an approved CE Provider organization title, credit hours, credit category, method of instruction, and clearly indicate if it is a home state approval.

9. Each State reserves the right to disapprove individual instructors or CE providers who have been the subject of disciplinary proceedings or who have otherwise failed to comply with a State’s laws and regulations.

10. Each State agrees that it will notify other States when a CE provider or instructor has been the subject of a formal administrative action or other disciplinary action by that State.
Drafting Note: The Producer Licensing Working Group needs to make a formal request to NAIC staff to ensure the proper programming and electronic systems are in place through which a provider/instructor is assigned a unique identifier number and notification can be made through the use of electronic means. Can this become part of the NAIC’s Regulatory Information Retrieval Systems and the Personalized Information Capture System.


Drafting Note: The Producer Licensing Working Group needs to discuss how to proceed with getting these changes officially agreed upon by states and replacing the existing Midwest Zone Guidelines and Filing Form. The working group also needs to discuss the impact these changes will have for the Uniform Regulation Through Technology.
APPENDIX A
INSERT NAIC CER FORM AND INSTRUCTIONS
APPENDIX B
INSERT NAIC - RECOMMENDED GUIDELINES FOR ONLINE COURSES

© 2019 National Association of Insurance Commissioners
APPENDIX C
INSERT NAIC COURSE GUIDELINES FOR CLASSROOM WEBINAR/WEBCAST DELIVERY
APPENDIX E
INSERT RECOMMENDED APPROVED/NOT APPROVED TOPICS FOR CE CREDIT
MEMORANDUM

TO: Barbara D. Richardson, Chair, Producer Licensing (D) Task Force

FROM: James J. Donelon, Chair, Surplus Lines (C) Task force

DATE: August 4, 2018

RE: Referral on Surplus Lines Licensure

The Surplus Lines Task Force (SLTF) formed the Accident & Health Drafting Group (Drafting Group) following a nonadmitted and disability insurance presentation to the Task Force and subsequent survey of the states. The survey results indicated that nonadmitted accident and health (A&H) coverages were being written in a number of states. However, there were limitations in available coverages and several states appeared willing to address this market concern. As a result, the Drafting Group’s charge was to produce draft guidelines that will assist the states in addressing A&H coverages in the non-admitted market.

Per the State Licensing Handbook, Page 220, Standard 39 - Surplus Lines Standards indicates, “States shall require an underlying property and casualty license prior to the issuance of a resident surplus lines license.” The draft Nonadmitted A&H Guidelines, Section 2 – Background, outlines certain types of A&H coverages where a producer may be required to hold an Accident & Health license. The Drafting Group would like to raise the point that a producer holding one of these licenses may not possess a property and casualty license, and therefore, not qualify for a surplus lines license.

The SLTF recommends the Producer Licensing (D) Task Force consider whether the requirement of an underlying property and casualty license needed to qualify for a surplus lines license should also allow an Accident & Health license to fulfill the requirement. If it is determined that the underlying licensure requirement to qualify for a surplus lines license should be expanded to include Accident & Health, it is recommended that State Licensing Handbook, Standard 39 - Surplus Lines Standards be changed to reflect the inclusion.

If there are any questions regarding the proposed recommendation, please contact me or NAIC staff (Andy Daleo at adaleo@naic.org or Bob Schump at rschump@naic.org) for clarification.

Thank you for your consideration.
Proposed Revisions to Uniform Licensing Standards for Surplus Lines and
NAIC State Licensing Handbook

SURPLUS LINE STANDARDS – FROM UNIFORM LICENSING STANDARDS

37. Surplus Line Standards:
States shall require an underlying property & casualty license prior to the issuance of a resident surplus lines license if the surplus lines producer is selling, soliciting, or negotiating property and casualty insurance.

States shall require an underlying accident and health or sickness license if the surplus lines producer is selling, soliciting, or negotiating accident and health insurance.

State shall require underlying property, casualty, and accident and health or sickness licenses prior to the issuance of a resident surplus lines license if the surplus lines producer is selling, soliciting, or negotiating both property and casualty insurance and accident and health insurance.

38. Surplus Line Exam
States may, but are not required to have a surplus line examination.

EXCERPT FROM STATE LICENSING HANDBOOK

Under the ULS, a producer who wishes to engage in the sale of surplus lines insurance (SLI) must first obtain a surplus lines producer license. Under the ULS, this is considered a license type and not a line of authority; however, in some of the states, it is treated as a line of authority. The ULS require that a resident producer hold both property and casualty lines of authority or an accident and health or sickness line of authority, depending upon which type of policy (P&C or AHS) is being sold, solicited, or negotiated before an SLI producer license can be issued. Under the previous reciprocity provisions of the GLBA, surplus lines producers were entitled to reciprocal licensing if they were licensed for surplus lines and in good standing in the producer’s home state. The NAIC uniform application is to be used for application as a surplus lines producer.

W:\National Meetings\2019\Fall\TF\PLTF\Surplus Lines Proposal 10.29.19.docx
SURPLUS LINES COMMENTS

NOVEMBER 20, 2019

States Submitting Comments

1. Alaska
2. California
3. Oregon
4. Texas
5. Virginia
6. West Virginia
7. Wisconsin

Interested Parties Submitting Comments

2. Excess Line Association of New York
3. Frost Brown Todd
4. National Association of Professional Insurance Agents
Good Morning Tim,

Alaska would be in favor of the option of requiring either an underlying P&C license, or an underlying Accident and Health or Sickness license, or both, dependent upon what sort of business the licensee is engaging in in the surplus lines market.

Alaska also recommends amending the second line of Rule 37 to read: “States shall require an underlying accident and health or sickness license prior to the issuance of a resident surplus lines license if the surplus lines producer is selling, soliciting, or negotiating accident and health insurance. “

Please let me know if you have any questions or need additional clarification.

Thanks,

Chris Murray SILA-A
AK DOI Licensing Program Coordinator II
Based on California’s producer licensing laws, California must vote “no” on the Surplus Line Task Force’s recommendation to add the accident and health license as an underlying authority prior to the issuance of a resident surplus line license to NAIC’s Uniformity Standards, Item 37 and NAIC’s State Licensing Handbook, Section 10. Specifically, in California, an accident and health agent is appointed by an admitted insurer or endorsed to a business entity to act as an agent of the insurer to have authority to transact insurance products (California Insurance Code (Cal. Ins. Code) Section 1704(a)). An agent cannot act as a broker for a non-admitted insurer (Cal. Ins. Code Sections 1731 and 1732).

Thank you.

Charlene Ferguson
Chief, Licensing Services Division
California Department of Insurance
(916) 492-3010
Tim,

Under Oregon law, A&H under a surplus lines license would not be allowed pursuant to ORS 731.144 and 735.450. Due to some concerns and considerations, it is unlikely that Oregon would propose to amend our laws to allow for A&H policies to be offered through the surplus lines market.

Ryan

Ryan Keeling, CFE
Senior Financial Analyst - Insurance Institutions
Oregon Department of Consumer & Business Services - Division of Financial Regulation
www.insurance.oregon.gov
Good morning Mr. Mullen,

Before Texas can make an informed decision on whether to support the changes to the uniform licensing standards, we need more information regarding the impact to the market, including the effect on reciprocity if the A&H line of authority is added as a qualifier for a surplus lines license. In discussions in the summer meetings in New York, Director Wing-Heier indicated that this would be a limited activity for surplus lines producers and that the change may actually limit availability because the surplus lines producer may not find it useful to obtain an A&H license to assist very few clients.

Before this major change is required, it would be helpful to understand the full impact to the market including:

- understanding what types of A&H business is currently needed or being placed in the surplus lines market,
- if that business be placed through a P&C agent currently, and
- how agent licensing reciprocity will be affected for those states without a law that allows a surplus lines agent license to be issued to an agent that only has an A&H license.

Texas has not been informed of issues in our market caused by needed coverage that could not be placed in either the admitted or surplus lines markets.

Chris Herrick

Chris Herrick, CFP®
Deputy Commissioner
Customer Operations Division
(512) 676-6476
Chris.herrick@tdi.texas.gov

Stay connected with the Texas Department of Insurance:
Twitter | Facebook | LinkedIn | YouTube | Subscribe
Virginia Comments

- The proposed language makes it clear that residents are required to hold an underlying PC, A&H or both. However, it does not address nonresidents. When applying, we would not know if the SL Broker intends to sell L&H, P&C or both. Have any states mentioned how they intend to address this issue?

Michael T. Beavers, CFE, CPCU, CIC, CIE
Deputy Commissioner
Agent Regulation Division
(804) 371-9076 Office
Good morning, please see comments below from West Virginia.

The matter of licensing is not the only issue here. The model act limits surplus lines to property and casualty. It’s optional to expand surplus lines to other lines.

NAIC Model Laws, Regulations, Guidelines and Other Resources—June 2002
© 2002 National Association of Insurance Commissioners 870-1

NONADMITTED INSURANCE MODEL ACT

Section 3. Definitions

N. “Surplus lines insurance” means any property and casualty insurance in this state on properties, risks or exposures, located or to be performed in this state, permitted to be placed through a surplus lines licensee with a non-admitted insurer eligible to accept such insurance, pursuant to Section 5 of this Act.

Drafting Note: If a state chooses to adopt the alternative Section 5B, this definition of “surplus lines insurance” should be consistent with the acceptable coverage listed in Section 5B. States may choose to extend the definition of “surplus lines insurance” beyond property/casualty insurance.

There are states that cannot allow surplus lines to offer accident and sickness coverage without a statutory change. There will be conflicts between licensing uniformity and statutory limits on the line of authority to be sold in the surplus lines market. These conflicts should be worked out before adopted as uniform licensing standard.

Thank you for the opportunity to comment on this.

Rob Grishaber, PIR
Director of Licensing & Education
West Virginia Offices of the Insurance Commissioner
Good morning.

In Wisconsin, health policies cannot be sold as a surplus lines product therefore, we would suggest that language be included that the decision lies with the state on whether or not this is allowed.

Feel free to reach out with any questions or concerns. Thank you.

**Melody Esquivel | Insurance Supervisor**  
Agent Licensing  
bureau of Market Regulation  
WI Office of the Commissioner of Insurance  
Direct: (608) 264-8132  General: (608) 266-8699  
[Melody.esquivel@wisconsin.gov](mailto:Melody.esquivel@wisconsin.gov)
November 15, 2019

Director Larry Deiter
NAIC Producer Licensing Task Force, Chair
C/O Tim Mullen, NAIC Director of Market Regulation
tmullen@naic.org

Re: Proposed State Licensing Handbook/Surplus Lines Amendments

Dear Director Deiter:

The Wholesale & Specialty Insurance Association (WSIA) and the Council of Insurance Agents & Brokers (The Council) appreciate the opportunity to provide comments on the proposal pending before the Task Force related to surplus lines licensing with respect to the sale of A&H products.

On the Task Force’s October 25 call, you requested comments on the following proposed language:

Require an underlying property and casualty license prior to the issuance of a resident surplus lines license if the surplus lines producer is selling, soliciting, or negotiating property and casualty insurance. Require an underlying accident and health license prior to the issuance of resident surplus lines license if the surplus lines producer will be selling, soliciting, or negotiating accident and health insurance.

It is our understanding that the proposed language would require a licensee to hold an underlying license based on the type of product being sold, solicited, or negotiated. This means a surplus lines producer would be required to hold an underlying property and casualty license if a property and casualty policy were being sold, solicited, or negotiated; or an underlying accident and health license if an accident and health policy were being sold, solicited or negotiated. A surplus lines producer would NOT be required to hold both underlying licenses UNLESS that surplus lines producer were selling, soliciting, or negotiating BOTH P&C and A&H surplus lines products. Requiring a surplus lines producer to hold both underlying licenses regardless of the type of product offered would impose unnecessary licensing burdens and expenses on the surplus lines producer, and we would have significant concerns about imposing such a standard.

As we stated on your October 25 Task Force call, this is the best option because it allows surplus lines producers to obtain only the license(s) necessary to support the actual products they assist in distributing. Having said that, as we noted in our previous comments and during the October 25 discussion, our members remain concerned that additional licensing requirements focused on a very small part of the market could have a significant impact on surplus lines licensees, resulting in the imposition of unnecessary licensing requirements and costs, which could lead to some market disruption in some areas.
The product that has given rise to this licensing question is an uncommon product, with features that are not necessarily similar to those that the underlying A&H license traditionally covers. For that reason, states may wish to consider how they view this product when they decide if they wish to require the surplus lines licensee to obtain an underlying A&H license for these types of policies.

Thank you for the opportunity to reiterate our comments from the October 25 conference call. If you have any additional questions or if we can assist in providing additional information, please contact us directly.

Sincerely,

Keri A. Kish
WSIA, Director of Government Relations
keri@wsia.org
816.799.0855

John Fielding
The Council, General Counsel
john.fielding@ciab.com
202.350.5864
November 13, 2019

Director Larry Deiter
Chair of the Producer Licensing Task Force
c/o Tim Mullen
NAIC Director of Market Regulation
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Proposed State Licensing Handbook / Surplus Lines Amendments

Dear Commissioner Dieter,

Thank you for the opportunity to comment on the proposed Handbook amendments noted above.

The Excess Line Association of New York (“Elany”) is a statutorily created entity charged with the duty to facilitate and encourage compliance with the New York excess line law. As part of Elany’s function, every excess line transaction is filed with Elany for review to verify compliance with the excess line law.

New York permits two products in the excess line market that one might consider “fringe” disability products. The first is “non-appearance coverage” referred to as “contract frustration” in the insurance law, which New York characterizes as a form of credit insurance. Essentially, if an entertainer, sports star or executive cannot fulfill its contract due to illness, death or disability, either party to the contract can purchase coverage to protect against risk of financial loss. While it is a small book of business in New York, it falls under a property/casualty class of coverage.

The other disability type product is labeled “salary protection”. It generally is limited to “high earners” who cannot buy adequate limits of disability insurance from licensed insurers.

In 2018, there were 2759 policy and endorsement transactions in this category out of a total of 343,521 filed in New York that year. Also only 11 producers filed these policies out of 837 active excess line brokers. I believe New York is probably a good indication of the size of the market when extrapolated to a U.S. wide figure.

In light of the very limited size of the market for this product, Elany respectfully recommends a postponement in acting on the proposed amendments at this time. There appears to be no traditional accident and health business written in the surplus line market but that would be great
information to gather in advance of any proposal to change or suggest producers to acquire additional licenses. Elany’s concern is that some regulators may be under the misimpression that surplus lines carriers are seeking to sell traditional accident and health products. If it turns out the market is truly limited to a small number of “fringe” disability products not written by admitted markets then that should be the known and accepted scope of the matter.

To the extent there are states already permitting these disability type risks to be placed, what have they done, if anything, to address this issue? What is the experience in those states? Have those states encountered any trouble?

In New York only an excess line broker is permitted to make an excess and surplus lines placement but it can be for any coverage the law permits in the excess line market. New York requires a retail broker which uses a wholesale excess line broker to have a broker’s license for property and casualty business. However for salary protection a licensed “life broker” is also permitted to place salary protection coverage through a wholesale excess line broker. In this manner a broker does not have to apply for, acquire and pay for an additional license. This is important because the 837 active excess line brokers acted on behalf of approximately 7500 retail brokers in New York in 2018.

Elany is concerned that requiring additional licenses for a medium or large size brokerage can mean 50 new licenses or more when multiple employees have licenses. Even if a broker only had to obtain one license per state, this could impact a large portion of New York’s 7500 active retail brokers. As such brokers may well be discouraged to serve an insured’s needs for a small number of accounts by deciding not to obtain additional licenses and to forego the business. This would not be a consumer friendly approach. Thank you for your time and consideration.

Sincerely,

Daniel F. Maher
Executive Director
November 18, 2019

VIA ELECTRONIC MAIL

NAIC Producer Licensing (D) Task Force  
Attn: Director Larry Deiter, South Dakota Insurance Commissioner  
Task Force Chair  
Via Email to Tim Mullen, NAIC Director of Market Regulation at tmullen@naic.org

Re: Referral from Surplus Lines Task Force on Surplus Lines Licensure

Dear Mr. Deiter:

Thank you for the opportunity to submit comments for your consideration as the Producer Licensing (D) Task Force works to implement the referral from the Surplus Lines Task Force (SLTF) re surplus lines licensure. As you know, the SLTF undertook the drafting of a Guideline on Nonadmitted Accident and Health Coverages (the “Guidelines”) after determining that high-income individuals, individuals in high-risk occupations, foreign nationals visiting the U.S., and U.S. residents traveling abroad were unable to obtain adequate disability and travel medical coverage from admitted carriers. On August 4, 2018 SLTF issued a referral to the Producer Licensing Task Force to review the draft Guidelines and consider whether the requirement of an underlying P/C license needed to qualify for a surplus lines license should be expanded to also allow an A/H license to fulfill the requirement.

Since the issuance of that referral the Property and Casualty Insurance (C) Committee has gone on to finalize and adopt the Guidelines, which encourage states to update their laws to allow short term medical, international major medical, excess disability, high-risk disability and other similar accident and health coverages to be procured in the nonadmitted market either independently or through surplus lines brokers.¹

¹ The Guidelines noted that comprehensive health plans, Medicare supplement insurance and standard disability insurance coverages were not suitable for the nonadmitted market. A copy of the Guidelines is enclosed for your review.
We are writing to express our support for the adoption of modifications to the USL that would permit a producer to obtain a surplus lines license if the producer holds either an underlying P/C license or an A/H license, provided that the producer must hold the underlying license appropriate to the type of policy being sold, solicited, or negotiated in the nonadmitted market. Under such a system a producer with only an A/H license would be able to obtain a surplus lines license and export eligible A/H coverage on a surplus lines basis, but the same producer would not be permitted to place P/C coverage on a surplus lines unless the producer first obtained a P/C line of authority.

This licensing structure would permit flexibility, as A/H producers would not be forced to obtain P/C licenses merely to obtain access to the A/H nonadmitted market. At the same time, proper alignment would be maintained between the credentials and expertise of the surplus lines broker and the type of coverage being placed.

Our proposed revisions to the ULS appear below.

37. Surplus Line Standards:
States shall require either underlying Property & Casualty licenses or an underlying Accident and Health or Sickness license prior to the issuance of a resident surplus lines license. States shall require Underlying Property & Casualty licenses to sell, solicit, or negotiate Property & Casualty surplus lines insurance. States shall require an underlying Accident and Health or Sickness license to sell, solicit, or negotiate Accident and Health or Sickness surplus lines insurance. A State shall not require Property & Casualty licenses to sell, solicit, or negotiate Accident and Health or Sickness surplus lines insurance. The determine of the underlying license should align with the appropriate Type of Insurance (“TOI”) of the product in question.

We appreciate the opportunity to provide comments and look forward to the opportunity to discuss these issues with the Working Group.

Sincerely,

FROST BROWN TODD, LLC

Greg E. Mitchell
Member

Enclosure
GUIDELINE ON NONADMITTED ACCIDENT AND HEALTH COVERAGES

Table of Contents

Section 1. Purpose
Section 2. Background
Section 3. Definition
Section 4. Consumer Protection
Section 5. Eligibility Criteria for Nonadmitted Insurers
Section 6. Lines Open for Export; Export Lists
Section 7. Exemption from Filing Rates and Forms; Policy Language
Section 8. Licensing of Producers and Surplus Lines Brokers
Section 9. Requirements for Placement
Section 10. Premium Taxes and Reporting Requirements
Section 11. Home State Regulation

Section 1. Purpose

This guideline provide assistance to states updating laws and establishing procedures for allowing accident and health coverage to be procured in the nonadmitted market either independently or through surplus lines brokers. States considering any action to allow accident and health coverage placement with nonadmitted insurers should consider this guideline during a review of existing laws, regulations, and procedures, with particular attention to whether existing insurance laws, tax laws, or regulations expressly prohibit the export of accident and health coverage, contain restrictive definitions with a similar effect, or include substantive provisions that specifically refer in some manner to property and casualty insurance. Amending or interpreting some of these laws to permit placement of accident and health coverage while leaving other property and casualty-specific laws in place in their current form could result in conflicts or unintended consequences.

The types of accident and health coverage that some states are permitting in their nonadmitted market include but are not limited to the following: short term medical, international major medical, excess disability, high-risk disability and other similar coverages. It should be noted that comprehensive health plans, Medicare supplement insurance and standard disability insurance coverage are not suitable for the nonadmitted market.

Section 2. Background

The term “nonadmitted insurance” refers to coverage that is not found in the admitted insurance market and can lawfully be sold on a nonadmitted basis. Nonadmitted insurance coverage is typically utilized to insure against a loss that exceeds the maximum limits or benefits found in coverages available within the admitted market.

While nonadmitted insurance coverages are traditionally found within the property and casualty market, there is an increasing need to supplement the admitted market for certain types of accident and health coverages. The federal Nonadmitted and Reinsurance Reform Act of 2010 (NRRA), passed as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, applies only to property and casualty insurance.

Nonadmitted accident and health coverage can be utilized to fulfill the risk mitigation needs of certain potential insureds. However, as discussed in more detail in Sections 4 and 6, the greater flexibility found in the nonadmitted market involves tradeoffs with less stringent consumer protections. The following background highlights certain coverages and identifies why the coverage may not be available from admitted insurers:

- There are high-income individuals who cannot procure sufficient disability income coverage in the market as admitted carriers may only offer maximum limits that would replace a lower percentage of these individuals’ income than they might require to sustain their needs in case of a disability.

- Individuals in high-risk occupations, such as sports, entertainment, and aviation, are often not eligible for adequate disability coverage in the admitted market.
International major medical insurance is insurance coverage provided to individuals while outside of their home country. This is a specialty line that might have limited or no availability in the admitted market. Comprehensive health plans issued in the U.S. often restrict or exclude coverage for health care obtained while the covered U.S. resident is visiting another country, for a short or long duration. Also, a foreign national visiting the U.S. may not be eligible for medical coverage from U.S. insurers. In either case, an individual’s medical insurance from his or her home jurisdiction may not provide coverage in other countries.

International travel insurance is designed to provide coverage to U.S. residents traveling abroad where domestic insurers do not provide coverage. It should be noted that this insurance may be subject to coverage requirements of the laws of the jurisdiction where it is effective (i.e., destination country) that may differ from the U.S. These policies contemplate the unique risks involved in travel and can be tailored to fit a particular destination or activity: (e.g., a traveler backpacking in several European countries or a student participating in a study abroad program). In addition, this coverage may be purchased to satisfy insurance requirements for entry into a destination country or to qualify for a student visa.

States have already established laws and processes to which carriers and brokers of surplus lines insurance must adhere. There are jurisdictions that have created a list of types of coverages that may be exported to the nonadmitted market, or that specifically prohibit certain coverage types from being exported to a surplus lines insurer. Additional requirements also apply, such as the obligation to exercise due diligence before a surplus lines broker can place coverage, which may be subject to specific procedures in some states.

Section 3. Definition

Some states have enacted laws that recognize the types of insurance that are eligible for placement with nonadmitted insurers. The NAIC Nonadmitted Insurance Model Act (#870), states in part:

“Surplus lines insurance means any property and casualty insurance in this state on properties, risks or exposures, located or to be performed in this state, permitted to be placed through a surplus lines licensee with a nonadmitted insurer eligible to accept such insurance….”

A state’s definition of “Surplus Lines Insurance” or “Nonadmitted Insurance” will often specify the types of insurance permitted by law. A state could elect to expand these definitions to include accident and health coverages. For states that identify specific coverages within their definitions of surplus lines or nonadmitted insurance, this list could be revised to describe the types of accident and health coverage the state has chosen to permit or prohibit.

Section 4. Consumer Protection

The admitted market is closely regulated and features strong, prescriptive consumer protection measures. States should take into consideration the differences between these regulatory philosophies when deciding which types of Accident and Health coverages may be offered in the nonadmitted market. Steps to ensure consumer protection can be implemented at a statutory level (slowly expanding a restrictive list of allowed coverage in nonadmitted markets) or at a consumer level by requiring disclosures that the coverage is issued by a nonadmitted insurer and what that means for the consumer. These disclosures are particularly important for types of coverage that might be marketed as alternatives to comprehensive health plans, where consumers may expect a high level of consumer protection. This is the tradeoff states should address if they are considering allowing coverage such as short-term medical plans, limited-benefit medical plans, or stop-loss insurance to be offered in the nonadmitted market.

Section 5. Eligibility Criteria for Nonadmitted Insurers

States should review their laws and regulations that set forth eligibility requirements for nonadmitted insurers domiciled in United States jurisdictions to ascertain whether the state’s thresholds are adequate for accident and health coverage. Although nonadmitted alien insurers may be eligible on an individual state basis, the NRRA mandates that inclusion on the NAIC’s Quarterly Listing of Alien Insurers provides eligibility across all jurisdictions for nonadmitted property and casualty insurance. Many states have incorporated this provision into state law. States that maintain an eligibility listing of nonadmitted insurers should consider whether these procedures should be modified to address accident and health insurers.

Section 6. Lines Open for Export; Export Lists
In some states, current law provides broad authority for the Commissioner to designate a particular type of coverage to be eligible for export without compliance with certain conditions, such as satisfying a diligent search requirement. In some states, these laws could permit accident and health coverages to be included on the export list. But other states have explicit prohibitions against exporting accident and health coverage or other provisions that might operate to limit the scope of their export list laws.

Section 7. Exemption from Filing Rates and Forms; Policy Language

Existing state laws establish a regulatory system for transacting nonadmitted insurance. Fundamental to the nature of this business is the exemption from rate and form filings for all types of nonadmitted insurance. Many states have specific provisions that are required or prohibited in some or all nonadmitted policies, but the mechanism for enforcing these requirements is not through a mandatory rate and form review procedure. Some types of accident and health insurance, by contrast, are subject to specific rate and form filing requirements, in some cases mandated by federal laws or regulations. States need to determine how to accommodate these requirements if they are considering allowing these types of coverage to be offered in the nonadmitted market.

Section 8. Licensing of Producers and Surplus Lines Brokers

States need to assess licensing requirements for producers and surplus lines brokers for placement of accident and health coverage. Existing laws might specifically require property and casualty authority as a necessary prerequisite for surplus lines authority.

Section 9. Requirements for Placement

States should review any statutory and regulatory requirements for a diligent search in the admitted market by a producer or surplus lines broker for the type of coverage the customer has requested. Some states may have further restrictions on eligibility for export, such as limitations on the amount of insurance that is procurable over the amount available from admitted insurers. Furthermore, some states do not allow export for the purpose of securing certain advantages, such as lower premium rates or more favorable terms of the insurance policy.

Section 10. Premium Taxes and Reporting Requirements

States should review their existing laws regarding nonadmitted insurance premium tax and consider applying the same tax rate for the calculation and reporting of premium taxes for all nonadmitted insurance. Otherwise, states should amend those laws with specific provisions for the calculation of premium tax for accident and health insurance.

State laws and procedures for consumer notices, reporting policy transactions, premium tax payments, filing affidavits, reports, and other required documents could be expanded to apply to accident and health coverages.

Section 11. Home State Regulation

The NRRA enacts a federal definition of “home state” and provides that the placement of nonadmitted insurance is subject solely to the statutory and regulatory requirements of the insured’s home state. This provides for a consistent method of determining jurisdiction for the regulation of nonadmitted insurance. Many states have incorporated this framework into state law. States should consider applying it to nonadmitted accident and health coverages.
November 15, 2019

Via email to Tim Mullen, NAIC Director of Market Regulation at tmullen@naic.org

Director Larry Deiter, South Dakota Insurance Commissioner
Chair, Producer Licensing (D) Task Force
National Association of Insurance Commissioners
444 N. Capitol Street, NW, Suite 700
Washington, DC 20001

Re: Revised Surplus Lines Proposal

Dear Director Deiter:

On behalf of the National Association of Professional Insurance Agents (PIA National)¹, thank you for the opportunity to comment again on the important issue of surplus lines licensure in the context of non-admitted accident and health (A&H) insurance coverages.

We greatly appreciate the extent to which you and the other members of the Task Force have listened to your fellow regulators and interested parties, considered the comments provided from all sources, and permitted everyone to participate in the debate with an eye toward obtaining the best possible result for all involved. The revised language now being considered by the Task Force represents an improvement in the content and clarity of the surplus lines standards, and we are gratified by your adoption of these changes.

Specifically, these changes alleviate our members’ concerns that A&H licensees would be insufficiently educated about P&C surplus lines to sell that coverage. These revisions will protect consumers from producers who lack specific education and experience in some surplus lines products, and they will help to protect the reputations of surplus lines producers.

As we have noted previously, PIA National supports the goal of making A&H surplus lines coverage more widely available. While we support the proposed changes, we include below minor recommendations for technical improvements to the existing revised language.

---

¹ PIA is a national trade association founded in 1931, which represents member insurance agents in all 50 states, Puerto Rico, Guam, and the District of Columbia. PIA members are small business owners and insurance professionals who can be found across America.
Our recommended technical changes are highlighted in yellow:

---

**SURPLUS LINE STANDARDS – FROM UNIFORM LICENSING STANDARDS**

37. Surplus Line Standards:

States shall require an underlying property & casualty license prior to the issuance of a resident surplus lines license if the surplus lines producer intends to selling, soliciting, or negotiating property and casualty insurance.

States shall require an underlying accident and health or sickness license prior to the issuance of a resident surplus lines license if the surplus lines producer intends to selling, soliciting, or negotiating accident and health insurance.

States shall require underlying property and casualty and accident and health or sickness licenses prior to the issuance of a resident surplus lines license if the surplus lines producer intends to selling, soliciting, or negotiating both property and casualty insurance and accident and health insurance.

38. Surplus Line Exam

States may, but are not required to have a surplus line examination.

**EXCERPT FROM STATE LICENSING HANDBOOK**

Under the ULS, a producer who wishes to engage in the sale of surplus lines insurance (SLI) must first obtain a surplus lines producer license. Under the ULS, this is considered a license type and not a line of authority; however, in some of the states, it is treated as a line of authority. The ULS require that a resident producer hold both a property and casualty line (P&C) of authority or an accident and health or sickness (AHS) line of authority, depending upon which type of policy (P&C or AHS) is being sold, solicited, or negotiated before an SLI producer license can be issued. Under the previous reciprocity provisions of the GLBA, surplus lines producers were entitled to reciprocal licensing if they were licensed for surplus lines and in good standing in the producer’s home state. The NAIC uniform application is to be used for application as a surplus lines insurance producer.

PIA recognizes and appreciates the consideration that the Task Force is giving to this issue, and we are grateful for the opportunity to provide the independent agent perspective. Please contact me at laurenpa@pianet.org or (703) 518-1344 with any questions or concerns. Thank you for your time and consideration.
Sincerely,

Lauren G. Pachman  
Counsel and Director of Regulatory Affairs  
National Association of Professional Insurance Agents
Conference Calls

PRODUCER LICENSING UNIFORMITY (D) WORKING GROUP
October 30, 2019 / October 10, 2019 / September 26, 2019 / September 12, 2019 / August 29, 2019 / August 21, 2019

Summary Report


1. During its Oct. 30 call, the Working Group:

2. During its Oct. 10, Sept. 26, Sept. 12, Aug. 29 and Aug. 21 calls, the Working Group:
   a. Reviewed the comments received on the Handbook.
   b. Agreed to schedule 2–3 conference calls a month to finalize its review and consider adoption of the final revisions to the Handbook. Once adopted by the Working Group, the revisions will be forwarded to the Producer Licensing (D) Task Force for its consideration.
Conference Calls

UNIFORM EDUCATION (D) WORKING GROUP
October 31, 2019 / August 22, 2019

Summary Report


1. During its Oct. 31 call, the Working Group:
   a. Adopted the NAIC 2019 Continuing Education Reciprocity (CER) Agreement.

2. During its Aug. 22 call, the Working Group:
   a. Finalized the review of the CER Agreement and adopted the revisions.
   b. Discussed comments received on the CER Agreement.

W:\National Meetings\2019\Fall\TF\PLTF\Working Groups\Ntl Mtg Summary\UEWG Summary 12.7.19.docx
November 8, 2019

Director Larry Deiter  
Chairman, Producer Licensing (D) Task Force  
National Association of Insurance Commissioners  
1100 Walnut Street  
Suite 1500  
Kansas City, MO 64106-2197

Re: NAIC-FINRA Data Sharing

Dear Director Deiter:

The National Association of Insurance and Financial Advisors (NAIFA) writes regarding the forthcoming NAIC and FINRA collaboration to share information on the licensing status and other data on registered representatives and insurance producers. NAIFA commends the NAIC and FINRA for working together on this effort, and we generally support efforts by securities and insurance regulators to improve communications between their respective departments.

Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is the oldest, largest and most prestigious association representing the interests of insurance professionals from every Congressional district in the United States. Our mission – to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members – is the reason NAIFA has consistently and resoundingly stood up for agents and called upon members to grow their knowledge while following the highest ethical standards in the industry.

During the NAIC Producer Licensing (D) Task Force conference call on October 25, 2019, NAIC staff indicated that the NAIC and FINRA will soon finalize a Memorandum of Understanding (MOU) outlining the process by which both entities will share certain information covered in the MOU on insurance and securities professionals, notably the licensing status of the financial professional. However, with respect to the sharing of information between the insurance and securities regulators, we would urge regulators to not make any final determinations or conclusions or take any action against an advisor based solely on the notification by another regulator that an individual’s license is no longer active. An individual may have opted to not renew a securities or insurance license for a variety of reasons, such as retirement or having voluntarily left the industry, and therefore an individual’s inactive status
may not be a result of a state or federal authority concluding that the advisor engaged in malfeasance or improper conduct.

If this collaborative effort between the NAIC and FINRA evolves into additional information sharing, we welcome the opportunity to further provide our perspective. We applaud the NAIC and FINRA for undertaking this effort, and we thank you for your time and consideration of our views. Should you have any questions, please contact me in the NAIFA Government Relations office at skline@naifa.org or (703) 770-8187.

Sincerely,

Steve Kline  
Director – Government Relations  
National Association of Insurance and Financial Advisors  
(703) 770-8187  
skline@naifa.org