

1 Memorandum

2 To: Ms. Anne Marie Narcini (Chair - Producers Licensing Working Group)

3 cc.: Mr. Greg Welker

4 From: ARELLO Examination Accreditation Committee

5 Date: August 2, 2010

6 Re: NAIC Public Hearing on Producer Licensing Testing and Examination Development

7 Thank you for the opportunity to: (1) provide brief testimony regarding the potential ways an
8 independent review (accreditation) of licensing exam development programs can help the
9 National Association of Insurance Commissioners (NAIC) enhance the validity of such exams
10 and (2) extend an offer to consider whether the NAIC has an interest in the possibilities and
11 member benefits of utilizing a test accreditation program as identified in the Association of Real
12 Estate License Law Officials (ARELLO) communication to Ms. Anne Marie Narcini (Chair -
13 Producers Licensing Working Group) dated December 4, 2009.

14 A primary public policy and practical concern of regulators is that licensing exams measure what
15 they are supposed to measure—that they are valid—and are legally defensible. Establishing the
16 **validity** of a licensing exam relies primarily on “evidence” that the subject area content reflects
17 the job-related knowledge required to perform the activities of the profession in conformance
18 with standards of practice, laws and prescriptive rules. This type of validity is essential to
19 protecting the public by helping to ensure that those who demonstrate mastery of the content are
20 qualified to practice the profession.

21 There is a lot at stake in developing licensing examinations. Since licensing examinations
22 determine who can earn a living in the industry, licensing agencies, industry, consumers and
23 examinees all want assurance that the exam is valid, fair, and reliably determines that only those
24 who demonstrate the required knowledge are licensed to practice. And, like employment
25 examinations, legal challenges to the **validity, fairness and reliability** of licensing examinations
26 can arise in numerous contexts. Thus, regulatory agencies must be in a position to defend them.
27 A recent decision of the United States Supreme Court highlights the vital importance of being
28 able to provide evidence that exams are fair (i.e., are absent of bias and appropriate for all
29 qualified examinees irrespective of race, religion, national origin, gender, or age) and valid (i.e.,
30 the exam content subject areas and exam questions have a high degree of "job relatedness.") (See
31 **Exhibit “A”** – U.S. Supreme Court case summary prepared for ARELLO members.)

32 In review of the NAIC’s *State Licensing Handbook*, Chapter 8 on *Testing Programs* (2008) the
33 importance of fostering validity and fairness is evident in the statement of best practices that:
34 *Items developed must also be legally defensible to protect the state in the event of a legal*
35 *challenge. To protect the state from liability, each exam should be critically reviewed from a*
36 *content and psychometric perspective to ensure that the exam was developed according to*
37 *recognized standards. States should require testing vendors to follow and document standardized*
38 *methods.*

39 The ARELLO accreditation program provides its members with an independent review, from a
40 content and psychometric perspective, of critical aspects of examination development, including
41 the items/questions on sample forms of the exam, thus ensuring that the exam development
42 program adheres to recognized standards. Submissions for accreditation must be found to be in
43 compliance with the *Guidelines for Accreditation* (see **Exhibit “B”**) and *Item Writing Principles*.
44 (see **Exhibit “C”**).

45 Some agency jurisdictions may lack capability to ensure that exams are developed according to
46 recognized standards. An independent accreditation could be a significant link in the chain of
47 evidence for validity and legal defensibility of a licensing examination should any organization
48 or agency be called upon to defend its program.

49 The ARELLO Examination Accreditation Program has operated successfully for 19 years and
50 has gained recognition and widespread acceptance among the members of the association as a
51 beneficial service for improving real estate licensing exam quality and ensuring that such exams
52 meet established standards. The Examination Accreditation Program is the only service of its
53 type in North America, basing accreditation decisions on a thorough review of exam *content* as
54 well as technical adequacy and adherence to professionally accepted standards for development.
55 ARELLO’s program offers accreditation based on a unique rigorous, independent review of
56 exam content and development methodologies that ensure conformance to the ARELLO
57 copyrighted exam development standards as well as the requirement for subsequent periodic
58 reviews. In 2010, 86% of U.S. jurisdictions (regulating real estate) require ARELLO
59 accreditation of real estate licensing exams.

60 Private exam services providers AMP, PSI and Pearson Vue who develop and offer real estate
61 exam services to regulatory agencies in the U.S. have sought and maintain the accreditation
62 offered by the ARELLO Examination Accreditation Program. These private sector examination
63 companies have maintained support of the program and have acknowledged the benefits of
64 participation.

65 ARELLO representatives would be pleased to meet with you for further discussion on exam
66 accreditation should you have an interest in possible business relationship models.

67 In summary, the ARELLO Examination Accreditation Program provides:

- 68 • Independent Review and Evaluation of Exam Development
- 69 • Confidence and Protection
- 70 • Defensible and Valid Standards
- 71 • Enhanced Exam Quality
- 72 • Facilitation of Uniformity, License Recognition/Reciprocity
- 73 • Increased capability and efficiencies of jurisdictional members

74 For more information on accreditation procedure, please go to [ARELLO's Examination](#)
75 [Accreditation Program webpage](#) and review [Program Procedures](#).