

**NAIC PRODUCER LICENSING ASSESSMENT
AGGREGATE REPORT OF FINDINGS
FEBRUARY 19, 2008**

I. INTRODUCTION

The National Association of Insurance Commissioners, at the request of the membership and with the assistance of a dedicated team of producer licensing regulators, has successfully completed a membership-wide, comprehensive producer licensing assessment. In three short months, 12 state insurance regulators, along with ten NAIC staff, divided into teams of three and conducted on-site visits to 50 states, the District of Columbia and Puerto Rico to review certain components of a state's producer licensing laws, practices and processes. This effort involved significant preparation by the state's licensing staff as well as active participation by the Commissioners and their senior department officials in opening and exit interviews with the review team members. The results of this ambitious endeavor have produced an extremely useful nationwide assessment of producer licensing.

One of the primary purposes of this project was to review those states certified as compliant by the NARAB (EX) Working Group and to verify continued compliance with the NAIC's 2002 reciprocity standard which is based on the NARAB (EX) Working Group's interpretation of the NARAB provisions of the Gramm-Leach-Bliley Act (GLBA). Not only did this process confirm that states previously certified as compliant continue to meet the standard adopted in 2002, but it was also discovered that additional states may now be compliant with the 2002 reciprocity standard. Another key purpose was to review compliance with the NAIC Uniform Resident Licensing Standards and to document barriers to full compliance and implementation, such as opposition by local industry or interpretation issues. Another valuable component of this peer-to-peer program involved identifying and recommending to states areas for improvement or elimination of administrative practices and processes that limit full implementation of national standards as well as addressing industry-specified concerns.

States initially responded to an in-depth survey in areas ranging from GLBA reciprocity to uniform resident licensing standards to business entity practices. An independent legal review, on-site peer review and detailed licensing file reviews were then conducted to verify the states' legal citations and licensing practices and procedures. Each state has received a state-specific report with their detailed findings and recommendations.

This report aggregates these findings and provides a national picture of the state of producer licensing in order to identify those areas of success and/or identify roadblocks in reciprocity and uniformity compliance, in addition to areas for targeted improvement. This report puts these aggregated findings in context by first addressing the significant modernization accomplishments in producer licensing over the past decade. It also illustrates the NAIC's focus on continued producer licensing reform, by forming the NAIC/Industry Producer Licensing Coalition, by advocating elimination of the Secretary of State verification requirement, and by dedicating the necessary time and resources to this assessment process. Finally, the report identifies issues and areas recommended for further membership consideration and direction.

II. PRODUCER LICENSING MODERNIZATION

A. GLBA Reciprocity Certification Process – Exceeding the NARAB Threshold

The GLBA was signed into law on November 12, 1999. Section 321 of GLBA required a majority of states, not later than three years after its effective date, to enact: (1) uniform laws and regulations governing the licensure of individuals and entities authorized to sell and solicit the purchase of insurance within the state; or (2) reciprocity laws and regulations governing the licensure of non-resident individuals and entities authorized to sell and solicit insurance within those states.

More specifically, GLBA required that at least 29 jurisdictions meet the uniformity or reciprocity requirements of Section 321 by November 12, 2002, in order to avoid the preemption of certain state producer licensing laws and potentially triggering the formation of a federal body, the National Association of Registered Agents & Brokers (NARAB). The NAIC elected to pursue the reciprocity option with uniformity remaining the long-term goal for non-resident (and resident) producer licensing.

To pursue this goal, the NAIC formed the NARAB (EX) Working Group to conduct extensive research and analysis of the relevant provisions and legislative history of GLBA. The Working Group also identified and analyzed various state laws and processes regarding non-resident producer licensing requirements. Throughout this effort, the Working Group consulted with NAIC Legal Division as well as state insurance regulators experienced in the area of producer licensing. Interested parties were also given an opportunity to provide comments. As a result of this approach, the Working Group developed a reciprocity standard, which included a framework for measuring whether a state is reciprocal that is both reasonable and consistent with the spirit and intent of GLBA's reciprocity requirements.

On August 8, 2002, the NAIC adopted and issued the Report of the NARAB Working Group: Certification of States for Producer Licensing Reciprocity, which is included as **Exhibit A**. Through the adoption and issuance of this report, the NAIC initially certified 35 states as having met the reciprocity mandates of GLBA. An additional eight states have been deemed to have met the reciprocity mandate of GLBA since the initial certification, bringing the total of certified reciprocal states to 43.¹

¹ The following states have been certified by the NARAB Working Group: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming. After the NARAB Working Group dissolved, Montana and the District of Columbia requested reciprocity consideration and the NAIC Legal Division reviewed and recommended Montana and the District of Columbia as meeting the reciprocity requirements.

In order to be considered reciprocal for non-resident producer licensing, a state must satisfy the following four conditions:

- (1) Permit a producer with a resident license for selling and soliciting insurance in its home state to receive a license to sell or solicit the purchase of insurance as a non-resident to the same extent that the producer is permitted to sell or solicit insurance in its home state, if the home state also licenses reciprocally, without satisfying any additional requirements other than submitting (A) a request for licensure; (B) the application for licensure submitted to the home state; (C) proof of licensure and good standing in home state; and (D) payment of any requisite fee;
- (2) Acceptance of a producer's satisfaction of its home state's continuing education requirements as satisfying that state's continuing education requirements, provided that the home state recognizes continuing education satisfaction on a reciprocal basis;
- (3) No requirements are imposed upon any producer to be licensed or otherwise qualified to do business as a non-resident that have the effect of limiting or conditioning that producer's activities because of its residence or place of operations (excepting countersignature requirements); and
- (4) Each state meeting (1), (2), and (3) grants reciprocity to residents of all other states that satisfy (1), (2), and (3).

Additionally, the savings provision of Section 321(f) provides that state laws or regulations purporting to regulate insurance producers (including laws on unfair trade practices, consumer protections, and countersignatures) need not be altered or amended for purposes of satisfying the reciprocity criteria unless that law or regulation is inconsistent with a specific requirement noted above and only to the extent of the inconsistency. While unfair trade practices and consumer protections laws were specifically mentioned, these types of laws are afforded no heightened protection and also are subject to the requirement of consistency with Section 321(c). Once a state is certified as reciprocal, it has a continuing obligation to remain compliant with the above-referenced obligations and the NAIC has a continuing obligation to certify states' compliance.

B. Producer Licensing Model Act

In order to provide states with a model for meeting these reciprocity requirements, the NAIC adopted the Producer Licensing Model Act (PLMA) in 2000. The PLMA serves as the primary vehicle for states not only to achieve reciprocity, but also to take major steps toward reaching uniformity. With respect to reciprocity, the PLMA provides for streamlined administrative licensing requirements, reciprocal recognition of continuing education, and reciprocity for surplus lines and limited lines producers, and creates uniform standards for key areas of producer licensing. The model provides for the following:

- Creates uniform definitions for “negotiate,” “sell,” and “solicit.”
- Creates a uniform application process for both resident and non-resident applications by referencing the use of the NAIC Uniform Application for both.
- Establishes uniform definitions for the six major lines of insurance: (1) Life, (2) Accident and Health, (3) Property, (4) Casualty, (5) Variable Life and Variable Annuity, and (6) Personal Lines.
- Establishes uniform exemptions from completing pre-licensing education and examinations for licensed producers who apply for a non-resident license.
- Establishes uniform standards for license denials, non-renewals and revocations.
- Establishes uniform standards regarding what entities may or may not receive as commission related to the sale of an insurance policy.
- Establishes uniform standards for agent appointments. (The adoption of these provisions is optional for states.)
- Establishes uniform procedures as to how regulators, companies, and agents should report and administratively resolve “not for cause” and “for cause” terminations.
- Encourages the use of the NAIC’s State Producer Licensing Database (SPLD) and the electronic processing of applications.

The review teams encouraged the states to continue to consider full adoption and implementation of the PLMA where variances exist from the NAIC model.

C. Uniformity Standards

In December 2002, subsequent to the adoption of the PLMA, the NAIC adopted the Uniform Resident Licensing Standards, which are included as **Exhibit B**. These standards focus on the following broad areas: (1) licensing qualifications, (2) pre-licensing education, (3) licensing testing, (4) integrity/background check standards, (5) license application process, (6) appointment process, (7) continuing education requirements, and (8) limited lines. The NAIC encouraged and monitored state adoption of the Uniform Resident Licensing standards and pursued the adoption of key Uniform Resident Licensing standards and procedures that were not addressed in the PLMA. This effort was carried out with industry input and was designed to help achieve the NAIC’s long-term goal of licensing uniformity among the states.

The NAIC’s Producer Licensing (D) Working Group (PLWG) is charged with ongoing monitoring of state implementation of the Uniform Resident Licensing Standards. A special Uniformity Subgroup was formed to review the state survey results concerning compliance and to reach out to states in order to identify and overcome possible barriers.

D. Electronic Processing/Automation

The NAIC and its members recognized the benefits of automating the producer licensing process well over a decade ago. One of the first steps was the creation of the State Producer Licensing Database (SPLD) to track general demographic and regulatory actions taken against all producers in the United States. Today, every state and the District of Columbia report producer licensing information to this database. In addition, the following statistics provide a snapshot on how states are utilizing electronic tools provided through the NAIC and its affiliate, the National Insurance Producer Registry (NIPR), to enhance and simplify the licensing process for producers:

- 46 states electronically process non-resident licenses;
- 32 states electronically process non-resident renewals;
- 12 states electronically process resident licenses;
- 8 states electronically process resident license renewals;
- 41 states electronically process appointments and terminations;
- 6 states electronically process appointment renewals;
- 47 states utilize National Producer Numbers;
- 50 states have eliminated paper certifications; and
- 45 states electronically accept Address Change Requests.

It is evident in these figures that in many cases, a majority of states leverage the automation, standardization and cost efficiency gained from utilizing NIPR's services as well as relying upon the NAIC's State Producer Licensing Database. The NAIC recognizes that some states have made significant investment in alternative systems thereby being slower to implement NIPR's full suite of products. The NAIC also recognizes there are states that do not require certain of the transactions offered through the NAIC and NIPR. Bottom line, the NAIC and its affiliate, NIPR, have had tremendous success in creating a virtual one-stop shop for producers and companies to come to one location to conduct licensing transactions across multiple jurisdictions.

E. How Things Have Changed

State producer licensing has changed dramatically over the past decade. The majority of states have changed from using varying applications to utilizing the NAIC Uniform Applications for both individuals and business entities. States have made huge progress moving from a paper-based, forms-intensive environment to an efficient electronic processing environment. States have streamlined the non-resident licensing process and have eliminated old barriers to this process, such as bond requirements, state-specific applications and retaliatory licensing fees. Through licensing reciprocity, a non-resident applicant may obtain a license by providing proof of good standing in his/her home state, submitting or transmitting the Uniform Application and submitting the required fees. Additionally, producers no longer need to expend the time and money to obtain and submit proof of good standing in hard copy, as this is accomplished electronically through states' access to the NAIC's SPLD.

In an effort to address privacy concerns and move away from state-specific licensing numbers, 47 states have moved away from the use and disclosure of Social Security Numbers and have implemented, through NIPR, the use of a National Producer Number (NPN).

Prior to 2007, licensed producers operating in multiple states had to individually notify each state insurance department if his/her address changed through a paper process. Today, 45 states have implemented the electronic, centralized Address Change Request system through which a producer may notify all appropriate states.

Appointment and termination enhancements have also been put in place with 41 states using NAIC/NIPR to electronically process appointments and terminations with six states, and soon to be more, electronically processing appointment renewals. Only two other states require appointment and termination transactions, but do not leverage NIPR.

Finally, in terms of consumer protection, state insurance departments now utilize the SPLD to track general demographic and regulatory actions taken against all producers in the United States. This has dramatically eliminated the ability of rogue producers to cross state lines without detection. According to the NAIC's 2006 Insurance Department Resources Report, states took the following actions against producers:

- 1,694 License Suspensions;
- 1,509 License Revocations;
- 473 Cease and Desist Orders; and
- 1,108 License Denials.

In addition, states levied fines of \$19,824,776 against producers and recovered \$61,562,994 in restitution for consumers.

III. PRODUCER LICENSING COALITION

Producer licensing reform was identified as one of the NAIC's key strategic issues in 2007. The Executive Committee devoted significant time to this issue and next steps, and renewed the Commissioners' focus on what needs to be done to realize producer licensing uniformity. In June 2007, the NAIC/Industry Producer Licensing Coalition was formed as a partnership of regulators and national trade organizations, to focus and facilitate producer licensing uniformity initiatives. The Coalition was organized with ten Commissioners and 12 national trade associations, including the American Council of Life Insurers, America's Health Insurance Plans, the Council of Insurance Agents & Brokers, the CPCU Society, Independent Insurance Agents & Brokers of America, LIMRA, National Association of Insurance and Financial Advisors, Million Dollar Roundtable, National Association of Health Underwriters, Professional Insurance Agents, Society of Financial Service Professionals, and the Property Casualty Insurers Association of America.

The Coalition began its discussions by focusing on the key issues facing regulators and industry. One of these issues is the battles states face when introducing the NAIC uniform licensing standards in state legislatures, with varying viewpoints and legislative goals between the national

and local trade lobbyists and members. The Coalition has also discussed the concern that desk drawer practices and differences in administrative procedures sometimes conflict with uniformity and reciprocity standards.

Regulator representatives of the Coalition asked the trades on numerous occasions to outline a set of national professional standards for their constituents by which the producer licensing profession would agree to be measured. Regulators also urged the national producer licensing trade associations to play a bigger role in state implementation of these standards by endorsing and communicating the standards amongst their respective memberships. Each time, the national trade representatives have stated their respective codes of conduct are the most appropriate in their current form, and that they see no benefit, value or need for developing or adopting a common set of professional standards.

Most vocal on this has been the IIABA, suggesting they are not willing to spend political capital on the NAIC uniform standards or a common set of professional standards until all states implement the reciprocity standards of the PLMA. Rather, they prefer a few key fixes, including the reciprocity in all states (specifically California, Florida and New York), streamlining of business entity licensing, or alternatively, effective deregulation through a federally-mandated “driver’s license” approach to producer licensing.

The trades have also focused on identifying specific areas of non-compliance with GLBA reciprocity requirements, alleging a number of states certified as GLBA compliant in the past may have fallen out of compliance due to statute changes or administrative practice. The primary focus by the trades is their position that the Secretary of State corporate registration requirements for business entities do not comply with GLBA reciprocity provisions.²

With regard to business entity licensing, the NAIC members began work in August 2007 to simplify the process. As a result, many states are eliminating the Secretary of State corporate registration requirements as a prerequisite to issuing the business entity insurance license, as discussed in this report. While the NAIC is not suggesting the insurance department no longer reconcile this information with the Secretary of State or that corporate registration with the Secretary of State is not required, the NAIC has recommended this validation happen after the issuance of the license and not as a prerequisite to the insurance license.

IV. OVERVIEW OF PRODUCER LICENSING ASSESSMENT PROCESS

The producer licensing assessment program was designed as a comprehensive regulator-to-regulator self-assessment and peer review process patterned, to a large extent, after the NAIC’s flagship accreditation program. The Executive Committee set forth the following goals for this program:

1. To validate each state’s compliance with the NAIC’s 2002 reciprocity standard;

²In 2002, the NARAB (EX) Working Group stated in its report that verification of the foreign corporation registration requirement did not violate GLBA reciprocity requirements as it transcended issues of insurance licensing and related to basic police powers of States to require registration of business entities.

2. To validate each state's compliance with the NAIC Uniform Resident Licensing standards and identify the barriers and solutions to full implementation;
3. To identify and recommend the elimination of desk drawer administrative practices that limit our ability to fully implement national standards;
4. To identify areas for improvement and document best practices for incorporation into a national handbook; and
5. To understand any disparate interpretations of key provisions of the Producer Licensing Model Act.

The NAIC's producer licensing assessment process commenced with the state's self-assessment. In July 2007, states were asked to update their initial NARAB reciprocity response from 2002 as well as their uniformity compliance checklist. In October 2007, states completed the producer licensing assessment survey, which formed the basis for the NAIC legal review, the review team's on-site appraisal and state-specific findings. Each on-site review team completed a similar review program including: (1) an opening meeting with Commissioner and/or senior department staff; (2) a review of the state's survey and review team questions by interviewing licensing staff for on-site verification; (3) a review of specific industry concerns; (4) observation of resident and non-resident licensing and renewal files; and (5) an exit conference with Commissioner and/or senior department staff. Similar to the NAIC's accreditation program and other regulatory matters, the NAIC treats the state-specific details from this peer-to-peer self assessment program as confidential and the NAIC will not release the state-specific reports. However, this report, and specifically Section V., captures the significant findings and issues arising from each state review, along with recommended next steps.

The program leveraged the significant work of the NARAB (EX) Working Group (disbanded in September 2002) and the PLWG and its subgroups, including the Uniformity Subgroup, as these regulatory bodies set many of the standards that form the basis of the assessment.

The GLBA component of the producer licensing assessment was intended to verify that the 43 states previously certified by the NAIC as reciprocal still meet the reciprocity requirements under the standard established by the NARAB (EX) Working Group in 2002, and that the standard continues to be appropriate. The NAIC Legal Division again reviewed the states' producer laws and regulations to confirm continued compliance, to document any changes since original certification, and to note any issues not fully addressed in the 2002 standard. The review teams followed up with the states to confirm their responses and verify that their administrative practices were consistent with their laws and regulations. For those states that were not originally certified as reciprocal, their laws, regulations, and practices were also reviewed under the reciprocity framework.

Shortly after the adoption of the PLMA, the PLWG focused its attention on uniformity and the development of Uniform Resident Licensing standards for implementation nationwide. The purpose of this effort was to create a general set of uniform standards for resident licensing in order to streamline the process for the regulated industry and give all states assurance that minimum licensing standards are in place across the nation. Uniformity in resident licensing gives a state confidence that non-resident applicants are being licensed in their home states under similar standards as the state's own residents.

The Uniform Resident Licensing Standard component of the producer licensing assessment was intended to verify compliance with the 37 uniformity standards. As part of this assessment, the NAIC Legal Division reviewed the state's laws and regulations as provided in the state survey responses, to verify the state's requirements. During the on-site visit, the review team interviewed the department's licensing staff to confirm their responses and document reasons for non-compliance. The review team also observed how the state processed resident and non-resident licenses and renewals by reviewing a sampling of processed license application and renewal files. Based on this work, the review team made recommendations with regard to compliance and non-compliance, which were included in the state-specific report of findings to each individual state and updated uniformity checklists.

The producer licensing assessment also provided the opportunity to better understand how many states adopted key provisions of the PLMA as well as how they were interpreting these provisions in practice. This process verified whether the state adopted several of the provisions of the PLMA including, among others, Section 7 with regard to the lines of authority definitions; Section 12 with regard to the grounds for denial or revocation of a license; and Section 13 with regard to commissions.

Another key component of this assessment was to gather information on business entity licensing. The comprehensive survey gathered information on several aspects of business entity licensing including whether states require proof of Secretary of State registration, whether states require business entity appointments or licensing of branch locations, how states identify the designated responsible producer, and whether states must approve business entity names.

Industry has communicated their concern with many aspects of the state producer licensing process. At the NAIC/Industry Producer Licensing Coalition, industry representatives have raised general concerns regarding business entity licensing and disparate rules and practices among the states. Coalition industry representatives were invited to provide their state-specific concerns to the NAIC and these were highlighted as a part of the on-site assessment. For those states where concerns were listed, the review team brought these issues to the state's attention, provided them an opportunity to respond, documented cases where such concerns could not be validated, and encouraged the state to revisit any concerns validated as part of the assessment. It is also important to note the specific and targeted communication from the NAIC leadership team to all states throughout 2007, asking for careful consideration of reforms in these areas and/or relating to any inefficient or ineffective processes or practices.

This effort would not have been possible without the dedication and many volunteer hours of twelve individuals and the support of their respective Commissioners and staff at home. These producer licensing regulators included Linda Brunette (AK), John Braun (UT), John Chaskey (NY), Keith Kuzmich (CA), Rosanne Mead (IA), Ann-Marie Narcini (NJ), Robert Perkins (MS), Barbara Richardson (NH), Teri Taylor (LA), Karen Vourvopoulos (OH), Laurie Wolf (ND), and Treva Wright-Donnell (KY). The review teams were divided by zones and worked in teams of two regulators and one NAIC staff person to visit state insurance departments between November 1, 2007 and February 1, 2008, some traveling to as many as 15 states in this three month time period. The NAIC extends its sincere appreciation and admiration to these volunteers

for their tremendous effort and support to this process – they all did outstanding work and in record time.

The consensus among review team members and comments made by Commissioners and their producer licensing staff indicated this process has had tremendous value by providing a better understanding of areas for needed improvement and also provided an exchange of ideas and best practices for further streamlining of processes.

V. KEY FINDINGS AND CONCLUSIONS

A. Gramm Leach Bliley Act Reciprocity

One of the key goals of this effort was to assess whether the states certified by the NAIC as GLBA compliant are still compliant with the reciprocity standard established by the NARAB Working Group in 2002. While this process found that all states certified by the NARAB Working Group remain in compliance with the 2002 reciprocity standard, it also discovered at least three other states that have made changes to their laws, regulations and practices such that they now appear eligible for certification. The NARAB Working Group was dissolved and at this time, there is no regulatory group identified to review and opine on requests for GLBA certification. The review teams recommend the NAIC membership consider reconstituting a regulatory body to review states seeking GLBA certification³, similar to the membership of and process followed by the NARAB Working Group in 2002 as well as issues raised below that were not fully considered by the NARAB Working Group in 2002.

Another valuable byproduct of this assessment was to identify various requirements imposed upon non-residents that were not specifically addressed within the reciprocity standard established by the 2002 NARAB Working Group. These include:

- Requiring an underlying life license prior to the issuance of a non-resident variable life license;
- Verifying legal work authorization for non-resident applicants who are non-U.S. citizens;
- Requiring the designated responsible producer to be licensed or appointed prior to the issuance of a non-resident business entity license;
- Requiring a non-resident business entity to submit articles of incorporation;
- Requiring individuals seeking a fraternal non-resident license to have an accident/health license and have a fraternal certificate from a company;
- Requiring non-resident producers to renew licensure annually, while resident producers renew biennially; and
- Verifying an applicant for a non-resident license renewal has paid all undisputed taxes and unemployment insurance contributions.

The review team members believe it is important for these issues to be reviewed by the NAIC membership in order to determine whether they impact GLBA reciprocity requirements.

³ Montana and the District of Columbia are included in the total number of states (43) considered NARAB reciprocal based on the review and recommendation of the NAIC Legal Division after the NARAB Working Group dissolved. It is recommended this regulatory body review these two states for purposes of reciprocity certification.

B. Uniform Resident Licensing Standards

The program's legal and on-site peer review process has provided a very valuable measurement of the aggregate level of compliance with the Uniform Resident Licensing Standards. By meeting face-to-face with a department's licensing staff, this process has produced the most accurate picture, not only of each state's compliance with each standard, but perhaps more importantly, the reasons why states are not achieving full compliance. The Uniformity Standards Compliance Report is included as **Exhibit C** to illustrate the current status of compliance based on this state-by-state assessment.

i. Areas of High Compliance

Of the 37 Uniform Resident Licensing Standards, the producer licensing assessment found high compliance among the states with respect to 26 of these standards. For purposes of this report, a standard is considered to achieve high compliance if 35 or more states are compliant with the standard. The assessment process revealed that states took compliance with these standards seriously and have been making legislative, regulatory, and processing changes where possible to achieve compliance in many areas. The following are the standards with high compliance.

- **Standard No. 1, Age:** Applicant must be 18 years of age;
- **Standard No. 2, Citizenship:** No U.S. citizenship is required but applicant must have legal work authorization if he/she is not a U.S. citizen;
- **Standard No. 3, Education:** No high school diploma is required;
- **Standard No. 5, Training Method:** States must accept both classroom study and verifiable self-study;
- **Standard No. 6, Verification of Completion:** A uniform method as to how a person verified the completion of his/her pre-licensing education will be established;
- **Standard No. 10, Exam Content/Subject Area Standards:** Standard to be determined by each state;
- **Standard No. 11, Testing Administration Requirements:** Monitored, independent proctored testing with adequate supervision and flexible testing hours;
- **Standard No. 12, Failure of Exam/Re-testing:** Standard to be determined by each state;
- **Standard No. 13, Integrity/Personal Qualifications:** As defined in Section 12 of the PLMA;
- **Standard No. 14a, Background checks:** Background checks will follow the following three steps: (1) states will ask and review the standard background questions contained on the Uniform Applications; (2) states will run a check against the NAIC RIRS/SPLD and SAD, and (3) moving forward and on an electronic basis, states will fingerprint their resident producers and will process electronic fingerprints through NIPR during the initial, resident producer licensing process. Producers will bear the cost of electronic fingerprinting. The timeframe in which prints will be re-checked against the database has not been resolved. (This Standard has been separated into two components as 46 states comply with the first two steps of this Standard and therefore are found in high compliance. However, there is low compliance with the third step pertaining to electronic fingerprinting of resident producers with only 13 states compliant. See further discussion in Section V.B.ii. of this report.)

- **Standard No. 17, License Term:** Perpetual based on payment of fee and completion of resident CE, as set forth in Subsection 7B of the PLMA;
- **Standard No. 19, Enforcement:** Denial/revocation standards as established in Section 12 of the PLMA;
- **Standard No. 20, Fee:** No Uniform Resident Licensing fee will be established. Non-resident licensing fee must not be so high as to be a barrier to entry as set forth in GLBA;
- **Standard No. 21, Process:** Follow the appointment and termination process as defined in the Uniform Appointment Process;
- **Standard No. 22, Appointment Renewal Cycle:** Continuous Appointments where a fee, if applicable, is calculated as of a date certain;
- **Standard No. 24, Term of Compliance:** Biennial CE compliance period coinciding with the producer's license continuation date;
- **Standard No. 25, Lines of Authority:** CE required for the six major lines of authority contained in the PLMA;
- **Standard No. 27, Repeating of CE Courses:** May repeat CE course for credit but will not be permitted to take a course for credit more than once in a license continuation period;
- **Standard No. 28, CE Study Method:** States must accept both classroom study and verifiable self-study;
- **Standard No. 29, Verification of Completion:** Producer or CE provider must submit original certificate of completion or verification of completion to the insurance department of the producer's home state through a hard copy submission or electronic transmission;
- **Standard No. 31, Course Approval Standards and Process:** Follow the standards set forth in the Midwest Declaration Regarding CE Course Approval;
- **Standard No. 32, Advertising of CE Programs:** CE hours should not be advertised until state course approval is received;
- **Standard No. 34, Testing Requirement:** Generally, there will be no testing requirement for limited lines although states may choose to test for certain limited lines, such as surety and crop, as long as test pertains to the subject matter;
- **Standard No. 35, CE Requirement:** CE will not be required for limited lines;
- **Standard No. 36, E&O/Bonds:** The requirement for either E&O coverage or a bond will be left to each individual state's deference;
- **Standard No. 37, Surplus Lines Standard:** States require an underlying property and casualty license prior to the issuance of a resident surplus license.

For those states that may not have been compliant in the above-listed standards, many of them indicated they would change their processes to become compliant. For instance, four states identified were not checking work authorizations for resident applicants who were non-U.S. citizens. These states indicated they learned of this area of non-compliance through the on-site assessment and would immediately change their processes. Another example were states not consistently checking the RIRS/SPLD and SAD for both paper and electronic resident license applications. Again, seven of these states have already confirmed they have changed their processes and systems since the on-site visit and are now checking RIRS/SPLD and SAD. The assessment was not only a learning experience for the review team but also for the states, as they gained a better appreciation of the requirements of the standards and where changes—often changes in process—need to be made.

ii. Areas of Low Compliance

There are 12 Uniform Resident Licensing Standards where compliance is low, meaning that less than 35 states were found in compliance with these respective standards. One of the most useful outcomes of the assessment was to document the reasons for non-compliance with these standards. With regard to these 12 standards, the reasons for non-compliance were much more complicated than simply changing an administrative process.

The reasons for non-compliance fall into three general categories. The first category represents legislative hurdles where regulators, both at the NAIC level and in their states, have advocated adoption of the standard and, usually, such standard requires a legislative change. Review teams often identified opposition to the standard at the state level, primarily from local industry. The fingerprint requirement is a prime example of this category.

The second category of non-compliance is one of interpretation of the uniform licensing standards, arising from certain standards that do not provide specific enough guidance to the states. When interpreting whether a state's practices was consistent with a uniform standard, there were examples where a state licensing staff had a different interpretation of compliance than the review team, and examples where we identified different interpretations of compliance among the review teams. These interpretation issues arose in a handful of circumstances and the standards relating to lines of authority were a key example. Interpretation differences are inevitable when dealing with a brief, concise standard that may have multiple implementation approaches or a variety of different scenarios associated with it. As a result, the statistics in the Uniformity Standards Compliance Report represent the facts gathered and the interpretation of each review team, which may skew the compliance statistics slightly. However, the review teams have consistently asked the states and continue to ask the reviewers of this report to look beyond the compliance statistics themselves and focus on the underlying process contemplated by each standard and whether the state's process represents the most effective and efficient practice.

The third category of non-compliance represents states where local industry have not requested changes or complained about the state's non-compliant requirement. The continuing education standards fall into this category, where full exemption or fewer hours are required for producers who are over 65 or have been licensed for 30 years or more. In many instances, states have adopted the standard requirement of 24 hours of continuing education with 3 hours of ethics but are identified as non-compliant because they exempt or require less hours for this population of producers.

The remainder of this section of the report provides a more specific discussion of the reasons for non-compliance with key standards.

a. Major Lines of Authority

There are 19 states the review teams determined to be out of compliance with **Uniformity Standard No. 8, Lines of Authority**.⁴ Thirteen states have not adopted all or part of the PLMA definitions of the six major lines. Seven of the 19 states do not issue personal lines as a major line of authority and therefore were considered to be non-compliant by review teams. Eight states only issue and test property and casualty licenses in combination, which review teams determined to be out of compliance with Standard No. 8, because the state does not also test and issue the Property and Casualty lines separately. The teams determined that Standard No. 8 requires individual testing for all of the major lines, with the exception of variable lines. Four states do not issue variable life and annuities as a major line of authority. The four states that do not issue variable lines as a major line require an underlying life license to sell variable products. Lastly, five states include surety as an additional major line.

Sixteen states were identified to be out of compliance with **Standard No. 16a, Lines of Authority Issued**,⁵ regarding adoption of the six major lines of authority as defined by the PLMA. Five states were determined not to have adopted PLMA definitions in whole and therefore were determined to be non-compliant. Nine states were found to be non-compliant because they only issue certain licenses, mostly property and casualty in combination. Four states were noted to be out of compliance for only issuing variable with an underlying life license. Eight states were considered to be non-compliant for not offering one or more of the PLMA major lines. Finally, three states were considered to be out of compliance due to having additional major lines of authority.

The general consensus of the regulator review team members was that the lines of authority, both major and limited, are areas where achieving uniformity is critical. It also became evident that these standards are in need of additional interpretive guidance. For the most part, the review teams reviewed compliance with these standards using a “substantially-similar” approach where the state’s definitions for the major lines of authority were required to be substantially similar to the PLMA definitions. Many review teams marked states non-compliant if they had additional major lines of authority such as surety or marine. States were also marked non-compliant if they adopted the major lines of authority and their definitions but were not offering them as separate lines of authority. It would benefit states for the Producer Licensing Working Group to address some of these interpretation issues, along with further defining “substantially similar” to assure consistent guidance as states implement changes to come into compliance with these standards.

b. Limited Lines of Authority

Based upon a review of the review team findings reports, state producer licensing profiles and review team legal review and worksheets, there was some inconsistency in the teams’

⁴ **Uniformity Standard No. 8, Lines of Authority:** Six major lines as defined in the Producer Licensing Model Act (PLMA). These are as follows: Life, Accident and Health or Sickness, Property, Casualty, Variable life and variable annuity products and Personal lines.

⁵ **Uniformity Standard No. 16a, Lines of Authority Issued:** Six major lines are defined in the Producer Licensing Model Act (PLMA).

interpretations of *Standard No. 16b, Lines of Authority Issued*⁶ and *Standard No. 33, Definitions of Core Limited Lines*.⁷ Specifically, some states were considered to be out of compliance if they licensed one or more limited lines outside of the core lines. Other teams did not mark non-compliance for additional limited lines, and therefore, some states that have additional limited lines were considered out of compliance and others were not. Additionally, some states were marked out of compliance for not having certain limited lines. This inconsistency applies equally to both Standards No. 16b and No. 33. Finally, several teams deemed a state to be out of compliance for Standard No. 16b if it had not adopted the core limited lines definitions, but did not consider them to be non-compliant for Standard No. 33, which directly applies to definitions. As discussed above with the major lines of authority, it would benefit states for the Producer Licensing Working Group to address some of these interpretation issues, and additional interpretive guidance would assist states as they implement changes to come into compliance with these standards.

c. *Fingerprint Requirements*

The respective review teams found 39 states out of compliance with *Standard No. 14b, Background Checks Fingerprinting*.⁸ Twelve of these states noted that there would be opposition to any fingerprinting requirements from their local industry, trade, and producer groups, while an additional three states noted opposition to fingerprinting by their state legislatures. Ten states noted that they did not believe they would be able to comply with this standard until a central repository or database containing the fingerprints could be initiated on a national approach, while six states noted technology concerns or the inability of state police to collect the fingerprints as a reason for non-compliance with this standard.

There is also an area of inconsistency in the reports of the review teams. Four states do not currently submit fingerprints on a completely electronic basis but were found to be in compliance with the uniformity standard, while two other states have initiated fingerprint processes which are not totally electronic but were found to be out of compliance with this standard. Beyond the numbers, there is consensus among the review teams the NAIC should rejuvenate the nationwide resident fingerprint initiative, where all states have uniform legislation and processes to fingerprint and background check resident applicants. The NAIC membership has been supportive in the past of a centralized fingerprint system but this initiative was not fully realized because of opposition by producer trade associations.

⁶ **Uniformity Standard No. 16b, Lines of Authority Issued:** Core limited lines as defined by the Uniform Producers Licensing Initiatives Subgroup. Other limited lines as determined by each state. States are encouraged to eliminate as many limited lines of authority as possible.

⁷ **Uniformity Standard No. 33, Definitions of Core Limited Lines:** Follow the definitions established by the Limited Lines Licensing Subgroup (definitions attached). The definitions for Industrial Fire and Surety may be deleted from the list of core limited lines.

⁸ **Uniformity Standards No. 14b, Background Checks:** ... (3) Moving forward on an electronic basis, states will fingerprint their resident producers and will process electronic fingerprints through NIPR during the initial, resident producer licensing process. Producers will bear the cost of electronic fingerprinting. The timeframe in which prints will be re-checked against the database has not been resolved.

d. Use of NAIC Uniform Application

There are 22 states that the review teams determined to be out of compliance with **Standard No. 15, Uniform Application**.⁹ Eleven states will accept the NAIC Uniform Application for non-resident applicants, but use a state-specific application for resident applicants, which often contain additional questions specifically required under state statutes, regulations or administrative practices, but may not contain all of the background questions on the NAIC Uniform Application. Four states use state-specific applications for both residents and non-residents. Nine states reported that they use state-specific applications for lines of insurance that are not major lines (e.g., title insurance, car rental, surplus insurance and other limited lines). Four states do not use the NAIC Uniform Application for renewals, while two states noted that they do not use the uniform application for applications submitted through their licensing vendor, and another two states were determined to be using old, outdated applications.

This area is one in which many states indicated they would consider eliminating additional applications in favor of the NAIC Uniform Application for Residents. The Producer Licensing Working Group may wish to use the information gathered through this process to address the identified reasons that states are using applications other than, or in addition to, the NAIC Uniform Application.

e. Pre-licensing and Continuing Education Requirements and Waivers/Exemptions

In the areas of pre-licensing education and continuing education, it appeared that the review teams were generally consistent in their interpretation of the relevant uniform standards. The only areas with some inconsistency of interpretation were (1) how to characterize the state practice of limiting credit for self-study to a prescribed number of hours, and (2) whether states should be deemed compliant where the renewal terms for continuing education and licensure coincide, but do not reflect the uniform standard of biennial renewal tied to birth date or birth month as directed by **Standard No. 18, Continuation Process**.¹⁰

The more common link among states that were non-compliant in these areas was that the standards were interpreted consistently, but the states have variances due to local practice and industry opposition to change. Specifically, states tended to require excessive amounts of pre-licensure education and lack exemptions from pre-licensure education based on professional designations. Likewise, states require continuing education hours in excess of the uniform standard. The most prevalent variance in this area is the presence of continuing education exemptions based on age and length of licensure—31 states were found to be non-compliant with **Standard No. 30, Waiver/Exemption**.¹¹ With little to no exception, states described this type of variance as difficult to change due to local industry and/or legislative opposition. The variances in this area may rise to the level of Commissioner attention, specifically with regard to whether political and regulatory efforts are better spent on other matters that would have more local support and greater impact on a national scale. Some of the specific uniform standards in this

⁹ **Uniformity Standard No. 15, Application:** NAIC Uniform Application as set forth in the PLMA.

¹⁰ **Uniformity Standard No. 18, Continuation Process:** Individual licenses will continue on a biennial basis on the licensee's month of birth or date of birth. Business entity licenses will continue on a date certain.

¹¹ **Uniformity Standard No. 30, Waiver/Exemption:** None, except as provided in subsection 7D of the PLMA.

area may be ripe for PLWG consideration of whether to clarify or eliminate the standards where uniformity appears to be unattainable.

The areas of continuing education and pre-licensing requirements are a prime example of the need for the producer industry, not only at the national level but also at the local level, to prioritize and commit to professional standards and support states with implementation. Many of these standards require legislation and many times cannot be done without the support of the local producer community.

C. Secretary of State Registration Requirements

A major issue identified by the producer industry trade representatives on the NAIC/Industry Producer Licensing Coalition is the requirement in some states that a non-resident business entity first register with the non-resident state's Secretary of State or comparable corporate authority. These industry trade groups have raised several arguments for eliminating this requirement including: (1) the corporate registration requirement as a prerequisite to the issuance of a non-resident producer insurance license violates GLBA reciprocity; (2) non-resident insurance agencies are not required to register as foreign corporations under state corporate law; (3) non-resident insurance agencies should not be required to register as foreign corporations because they are subject to regulation by the various state insurance departments; and (4) state insurance departments should not be requiring non-resident business entities to obtain licenses at all.

In order to address the policy issues surrounding the foreign corporation registration requirement, the NAIC conducted a member survey in Summer 2007 to identify what foreign corporation registration requirements are in place and the nature of those requirements. In response to the survey, 25 states stated that registration with their respective state's Secretary of State equivalent was a prerequisite to issuance of a non-resident insurance license. Seventeen states indicated that the requirement was statutory, two indicated it was by regulation, and six were a matter of administrative practice.

NAIC Legal staff reviewed the statutory citations provided in response to the original survey. Based on that review, it appeared that the requirement for Secretary of State registration is usually found in general corporate law and not in the insurance code. Follow-up e-mails were sent to the 17 states that identified a statutory requirement to ask them to review their law and practice to determine: (1) if the corporate registration requirement could be removed as a prerequisite to licensing; (2) if the department could validate compliance with Secretary of State registration requirements after the issuance of an insurance producer license; or (3) if the department could look at alternative ways of providing information to and receiving information from the Secretary of State concerning business entity applicants.

On-site assessment teams were asked to review any applicable process or practice related to Secretary of State registration as part of their review. Information gathered during those on-site assessments, as well as in response to NAIC inquiries on this issue, shows that 14 states which previously reported a corporate registration requirement no longer have one in place,¹² seven

¹² Arkansas, Indiana, Michigan, Minnesota, Montana, New Hampshire, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Virginia, and West Virginia.

states have committed to reviewing the requirement and implementing a statutory, regulatory or practice change if appropriate,¹³ and four states have not yet made a change in law or practice and have no current plans to do so.¹⁴ Of these four states, only Kentucky, Texas and Virginia would require an insurance statutory change, and Virginia has been successful with legislation in one House.

D. Business Entity Licensing

The NAIC membership understands the top priority of the national producer trades is the streamlining of business entity licensing. There is continued debate regarding the consumer protections afforded consumers through the business entity licensing process. Some have argued that business entities should not be licensed and that states should focus on licensing only the individual who ultimately sells, solicits or negotiates insurance and has direct contact with consumers. In addition to arguments about consumer protections associated with business entity licensing, there are issues related to duplicative regulatory processes whereby a business entity must be licensed with the insurance department and register with the Secretary of State. Additionally, we found most states indicate the purpose of business entity licensing is (1) the enforcement and oversight regulatory concern when a business entity is marketing the product to consumers of a state and there is no other identifying information for the individual licensee to track and (2) enforcement concerns related to handling of premiums by business entities. For example, a business entity may market a product to consumers in a state without any specific identification of an individual producer. In addition, business entities may also process premium payments and, without the proper licensure and oversight, regulatory actions would become more difficult. From the insurer perspective, the licensure of a business entity facilitates and eases the payment of commissions to one legal entity and helps eliminate concerns of paying commissions to an unlicensed entity or person.

The on-site assessment found a variety of requirements for licensing business entities. These include licensing requirements for branch locations; affiliation requirements; designation of a responsible producer (DRP); filing of organizational documents; and name approval/registration. The uniformity initiatives have brought standardization to many areas of the resident and non-resident individual licensing process across multiple jurisdictions. Business entity licensing would benefit from greater consistency and uniformity. Below are some statistics that were gained from the producer licensing assessment on state requirements for business entities.

i. Licensing of Branch Locations

Forty-three jurisdictions issue a business entity that includes all branch locations of the business entity. Nine jurisdictions require each branch location of a business entity to be separately licensed. An additional 16 jurisdictions, while not requiring the licensure of each branch location, require a business entity to register or list each branch location.

¹³ Alabama, Delaware, Hawaii, Kentucky, Maryland, Massachusetts, and Mississippi.

¹⁴ New Mexico, New York, Puerto Rico and Texas.

ii. Affiliations

Twenty-two jurisdictions are “affiliation jurisdictions” and require a business entity to list all producers affiliated with it on the license application. Eleven of these states require the listing of affiliated producers by branch location. Related to this regulatory framework, five states require each individual producer’s license to indicate what business entity with which the producer is affiliated.

iii. Designated Responsible Producer

In accordance with Subsection 6B(2) of the PLMA, 41 jurisdictions have the requirement that each business entity designate a producer who is responsible for the regulatory compliance of the business entity. Variations in the practice arise in that 26 jurisdictions require the DRP to hold the same line of authority as the business entity. Finally, it should be noted that 36 jurisdictions require the DRP to be licensed prior to licensing of the business entity. States should review this to ensure there is a method of concurrent licensure and that states work to facilitate the licensing of a business entity and DRP at the same time.

iv. Filing of Organizational Documents

Review teams identified twenty jurisdictions requiring business entities to file organizational documents for residents, such as articles of incorporation, with the business entity application.

v. Proof of Financial Responsibility

Review teams identified at least six jurisdictions requiring the filing of proof of financial responsibility with the business entity license for residents.

vi. Name Approval/Registration

Twenty-one jurisdictions pre-approve business entities name prior to use. If a business entity uses an assumed name, 20 jurisdictions require the assumed name to be approved prior to use, while 36 jurisdictions simply require the filing of the assumed name prior to use as required by the PLMA.

vii. Appointments

Twenty-five jurisdictions require business entities to be appointed. In addition, six states require each branch location of a business entity to hold an appointment. Finally, in 15 states the appointment of a business entity eliminates the requirement for each individual producer working for that business entity to hold an appointment with the insurer.

viii. Business Entity Renewals

The renewal date for business entities varies among jurisdictions and a uniform standard has never been firmly established. While 38 jurisdictions renew business entities on a specific date, the renewal date is not uniform across these states. For example some of these states renew all business entities on a date certain, such as September 1. Other states renew business entities on the date the initial business entity license was issued.

ix. Multi-jurisdiction licensing issues

The PLMA contains two key provisions designed to simplify the process for a business entity to operate in multiple jurisdictions; however, the producer trade associations continue to claim that not all states have adopted these exemptions. In addition, the producer trades claim that there continues to be varying interpretations and applications of these exemptions in the states that have adopted the exemptions.

- Commercial Lines Multi-State Exemption: The PLMA contains the following commercial lines exemption for business entities: “A person (including business entity) who is not a resident of this state who sells, solicits or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract, provided that that person is otherwise licensed as an insurance producer to sell, solicit or negotiate that insurance in the state where the insured maintains its principal place of business and the contract of insurance insures risks located in that state.” At least 45 jurisdictions have adopted this exemption.
- Commission Sharing Exemption: The PLMA contains the following exemption from licensure: “An insurer or insurance producer may pay or assign commissions, service fees, brokerages or other valuable consideration to an insurance agency or to persons who do not sell, solicit or negotiate insurance in this state, unless the payment would violate [insert appropriate reference to state law (i.e., citation to anti-rebating statute, if applicable)]. While the application of this exemption will be fact-specific, states should review their application of this exemption and work toward a general statement of interpretation to help eliminate the current confusion in the marketplace.

The producer licensing assessment process was very useful in documenting the wide range of requirements by states in terms of handling business entity licensing. With due consideration given to the consumer protections afforded through business entity licensing, the membership may want to consider a number of possibilities with regards to streamlining and standardizing both resident and non-resident licensing of business entities.

- Simplify the licensing process by eliminating the licensing of business entities by line of authority;
- Simplify the licensing process by eliminating the requirement that the DRP hold the same lines of authority as the business entity;
- Simplify the licensing process by eliminating the requirement for a business entity to track and list each producer affiliated with it;

- Simplify the licensing process by eliminating the licensing or registration of each branch location of a business entity;
- Simplify the licensing process by eliminating the filing of organizational documents;
- Simplify the licensing process by eliminating the prior approval of assumed names;
- Simplify the licensing process by creating a uniform standard for business entity renewals;
- Move away from a formal licensing process for business entities and implement a simple registration process; and
- Eliminate the licensing of business entities.

E. Industry-Specified Concerns

A key goal of the state assessment program was to evaluate each state's laws and practices against a compilation of research performed and submitted by the national producer trades (CIAB, PIA, NAIFA and PCI), regarding their assessment and opinion of additional requirements for non-resident applicants, beyond those set forth in the GLBA or the PLMA. This compilation was distributed to all NAIC members in October 2007 and all members were asked to review this information and evaluate the need for process changes or reforms of any items in their state. The independent review teams were also asked to carefully evaluate this information during each state's onsite assessment. In reviewing this section, it is important to note statistics and information received from the national producer trades compared to the updated statistics and information gathered by the on-site review teams. The review teams are confident they gathered more accurate information than available to the industry, as a result of their on-site interviews and file reviews.

Of the significant issues noted by the CIAB, PIA and NAIFA, only four issues were noted to be present in more than two states. These issues include:

- i. Non-resident entities are required to register with the Secretary of State as a prerequisite to issuance of a business entity insurance license.

The trades noted 12 states (AL, AZ, DE, HI, ID, KY, NH, ND, OH, OK, PA and SD) with this prerequisite requirement. However, as noted in Section IV.C of this report, the NAIC conducted a member survey and highlighted this issue in each state assessment. Initial survey results gathered in August 2007 indicated 25 states with a prerequisite requirement, with 17 states indicating the requirement was statutory. Current information gathered during the onsite assessment indicates 14 states have eliminated the prerequisite requirement, seven states have committed to review the requirement and implement a statutory, regulatory or process change as appropriate, and four states have no current plans to make a change in law or practice. Of these four states, only Kentucky, Texas and Virginia would require an insurance statutory change, and Virginia has been successful with legislation in one House.

- ii. Variable life and annuity non-resident applicants must either (1) hold the life line of authority in the resident state before seeking the variable line of authority in the non-resident state or (2) file additional information.

The trades identified seven states (ID, IA, MN, NH, NJ, RI and WV) requiring non-resident applicants to hold the life line of authority in their resident state before seeking the variable line in their state, and six states (AL, AZ, CO, CT, GA and MN) requiring the filing of additional information.

The review teams focused on the states' ability to test and issue the lines of authority either separately or combined, but most importantly to ensure the states are able to issue the lines of authority separately and for at least the same scope of authority the applicant has in their resident state. Of the states noted by the industry trades, the review teams only identified three states that currently require an underlying life license prior to the issuance of a non-resident variable life license, along with two additional states not identified by the trades. The review teams highlighted this as a finding in each of the state's review reports, encouraging these states to eliminate this requirement. Additionally, the review teams identified this issue in Section V.A. of this report as one for further review by the NAIC membership to determine whether it impacts GLBA reciprocity requirements.

- iii. Affirmative answers on background check/background questions requires the filing of additional information.

The trades identified eight states (AL, AZ, GA, HI, ID, KS, NV and NH) requiring the filing of additional information for affirmative background question responses.

The review teams found a larger number of states that require the filing of additional information for affirmative background responses. In fact, the review team leaders acknowledge and support the states' authority to request additional information from non-resident applicants in response to affirmative background responses, and the review teams have found that most states do this in practice. This item was discussed by the NARAB (EX) Working Group when preparing their August 2002 report; specifically, the NARAB (EX) Working Group determined that GLBA affords states the opportunity to determine that an applicant meets a particular state's qualifications for licensure, provided such due diligence require no additional submissions beyond the items permitted by Section 321(c)(1). This section of GLBA includes the submission of a request for licensure and the NAIC Uniform Application, which as the source of this submission, requires the applicant to attach supplemental information in response to affirmative answers to background questions.

It is important to note the design and implementation of attachments functionality by the PLWG and NIPR, which is intended to automate and streamline the reporting and submission of additional information by applicants, including additional information requested to further explain and document affirmative background responses. We fully expect the automation and centralized submission of application attachments and the reporting of administrative actions will introduce significant efficiencies to producers.

- iv. A business entity's DRP is required to be licensed for the line of authority for which the business entity applies to be licensed.

The trades identified eight states (NH, ND, OH, OK, PA, RI, SD and UT) that require the DRP to hold the same line of authority as the business entity applicant. Section V.D. of this report provides in-depth findings in the area of business entity licensing including finding that at least 26 jurisdictions require the DRP to hold the same line of authority as the business entity. Some of the states listed by industry, such as Rhode Island, have eliminated this requirement. States that commented on this section generally felt it was a consumer protection issue to require the business entity to hold the same lines as person responsible for such entity. However, review teams recommend careful evaluation of the business entity licensing issues identified in Section V.D. to streamline and standardize both resident and non-resident licensing of business entities.

- v. Other issues identified by the trades.

As part of the on-site portion of the state's producer licensing assessment, the review teams evaluated the industry issues identified for the state and either encouraged them to eliminate practices non-compliant with GLBA reciprocity or uniformity or document the state's response and regulatory purpose regarding the issues. Some of the issues relating to only one or two states as identified by trades include:

Business Entity Licensing Issues

- One state requires entities must submit articles of incorporation or partnership agreement, as applicable;
- One state requires the business entity's DRP to hold a carrier appointment;
- One state requires the business entity's DRP to be licensed prior to entity licensure and to hold the same line of authority as the entity applies for;
- Two states require trade names to be registered;
- One state requires "name approval" by the commissioner;
- One state requires non-resident business entity licensees to have the word "insurance" in their company names; and
- One state requires applicants to notify commissioner if he/she does business in home state under a different name.

Background Checks and Fingerprints

- One state gives the Commissioner the power to require the following from non-residents: fingerprints, power of attorney, and fiduciary account requirements;
- One state requires the applicant must present "evidence of good moral character". If this requires more than the applicant's home state good standing certificate, it could cause the state to fall out of compliance;
- One state will deny licenses to all applicants with "serious RIRS";
- One state provides Commissioner may require fingerprinting at his/her discretion; and
- One state's business rules listed on the NIPR web site indicates a criminal background requirement.

Lines of Authority

- One state requires property and casualty applicants to file for both lines of authority;
- One state requires surety applicants to satisfy line of authority requirement;
- One state does not accept applications for variable lines; and
- One state specifically exempts title insurance from reciprocity requirements.

Appointments

- Two states require a carrier appointment before a producer license is granted.

Other issues

- One state places a coversheet on the NAIC Uniform Application for non-residents stating that the state requires producers to be “competent, trustworthy, financially responsible” and maintain “fiduciary capacity;”
- Two states’ non-residents are charged slightly higher fees than residents;
- One state’s applicants must use home address rather than business address; and
- One state requires a portion of the electronic application to be faxed to the department.

vi. Automation of producer licensing transactions and services.

The trades also referenced a number of states that have not yet provided automated solutions for various producer licensing transactions and services. Review teams confirmed statistics included as **Exhibit D** with regard to states’ use of NAIC, NIPR or alternative automated solutions. The review teams encouraged the states to consider electronic functionality where no automation is currently available. The Producer Licensing Coalition has also reinforced the goal that NIPR focus on implementing all states on all automated products.

In summary, review teams were encouraged that only four issues identified by the industry were of wide concern across states and that the majority of industry issues only arise in one or two states. The producer licensing assessment program focused on many of the issues identified by the trade associations, the information gathered on business entity licensing practices as a good example. Each review team reviewed and documented states lines of authority including states still issuing combined major lines of authority. The state’s survey responses, NAIC independent legal review and the on-site review team assessment have produced a wealth of up-to-date, comprehensive information on the issues identified by the industry as well as those not specified by the industry as concerns.

VI. ISSUES FOR FURTHER MEMBERSHIP CONSIDERATION

Producer licensing remains a key strategic initiative of the NAIC membership with focus on this issue at 2008 Commissioners Conference and continued priority among the NAIC/Industry Producer Licensing Coalition. The utility of this producer licensing assessment goes far beyond responding to industry concerns; it highlights the successes of reciprocity and uniformity and provides an honest assessment of those areas still in need of greater uniformity and standardization. Based on the key findings and conclusions from this report, the following areas have been identified as possible areas for further membership consideration:

A. GLBA Reciprocity Matters

The membership should consider the establishment of a working group, similar in nature, scope and expertise to the NARAB (EX) Working Group, to address current issues relating to GLBA reciprocity. Today, three states not currently certified appear to have removed the obstacles to reciprocity certification. Further, issues have been identified through this review process that raise questions about the current reciprocity framework in terms of whether these issues impact the reciprocity requirements of federal law or fall under the GLBA savings clause. These matters are most appropriately considered by a regulatory group of the membership.

B. Initiatives Requiring Active Commissioner-Level Support

The NAIC membership has demonstrated its ability to act proactively and expeditiously, through its collective and individual proactive efforts to eliminate the Secretary of State prerequisite requirement. Other issues identified, which appear ripe for similar Commissioner attention and further direction, include:

- Rejuvenating the discussion of a nationwide resident fingerprint initiative where all states have legislation and processes to fingerprint and background check resident applicants. Reasons exist that may make this goal beyond the full control of Commissioners and insurance regulators, mainly that federal legislation creates barriers for some states as well as fierce local industry opposition to such requirements. The NAIC membership has been supportive in the past of a centralized fingerprint system but this initiative was not fully realized after issues were raised by producer trade associations. The review teams believe this issue would benefit from Commissioner-level discussion and action plan for next steps with regards to nationwide fingerprinting of producers.
- Continued elimination of requests for proof of Secretary of State corporate registration as a prerequisite for non-resident business entity licensing. Similar to state implementation of a newly-adopted NAIC model, this issue continues to necessitate Commissioner-level attention in the remaining twelve states so that progress can be measured and nationwide elimination of this prerequisite as an insurance department licensing requirement is achieved.
- The review teams believe business entity licensing is the new frontier for standardization and uniformity. The PLWG would be a logical choice for open participation by interested states and the industry on recommended standards in the areas identified in Section V.D. However, the review teams also believe it would be tremendously beneficial if the Commissioners could provide direction and parameters to the working group members with regard to simplifying the requirements for a business entity license (e.g., eliminating the licensing of business entities by line of authority or adopting an approach similar to the multi-state commercial lines licensing).
- Continued standardization in the state's elimination of specialized lines of authority outside the six major lines of authority and the core limited lines of authority. The producer licensing assessment found that compliance with the uniformity standards relating to lines of authority is a major issue. Some of the reasons for non-uniformity were attributed to

differences in interpretation by the states as well as among different review teams as to the measurement of compliance (e.g., not having all limited lines, slight variances in major and core limited statutory definitions, having “excess” limited lines outside the core limited lines). The review teams recommend the NAIC membership’s review and consideration of this report’s findings with regard to major lines and core limited lines of authority, and provide guidance to the Producer Licensing Working Group for further clarification of the uniform definitions and goal of eliminating excess limited lines.

- Requesting the producer licensing profession to create and/or support its own professional standards. Several professions have created their own standards ranging from doctors, lawyers and accountants to beauticians and morticians. Much of the struggle identified by states in reaching true uniformity in resident producer standards is due to the opposition from the profession, mainly lobbyists at the state legislative or regulatory level. Examples include opposition to eliminating specialized non-core limited lines of authority such as industrial fire or eliminating exemptions to the licensing examination requirements and continuing education requirements beyond the exemptions specified in the PLMA. The review teams recommend the NAIC membership identify those standards that more appropriately fit within the category of industry professional standards and hold the industry accountable for developing and advocating these standards to their local and national membership. Specifically, industry representatives of the NAIC/Industry Producer Licensing Coalition should support the uniform resident licensing standards or take accountability for creating standards that reflect the high level of professionalism and integrity required of the insurance-buying public.

C. Additional Guidance from the Producer Licensing (D) Working Group

As recommended above, the PLWG of the Market Regulation and Consumer Affairs (D) Committee is an appropriate regulatory body to discuss and receive public feedback on issues with regards to business entity licensing standards. The producer licensing assessment also revealed other areas where the PLWG may want to provide more detailed guidance, namely, more interpretive guidance for many of these standards. Of the 12 standards grouped in the area of low compliance, review of state-specific findings found differences in what constituted compliance and non-compliance. These standards were drafted with the intent to remain flexible but provide a minimum target that states should achieve to be uniform. As the review teams traveled across the country, it became evident that these uniform standards would benefit from further explanation and guidance. The PLWG should leverage these findings, along with the best practices identified in the on-site reviews, to incorporate further explanation, guidance and recommended best practices in the Producer Licensing Handbook currently under construction.

As an initial step in the analysis of the uniform licensing standards, it may be beneficial for the PLWG to identify those standards that should be more appropriately categorized as professional licensing standards as well as identification of standards that states indicated were not generally supported by the local industry organizations. This recommendation would facilitate the Commissioner-level discussion recommended above.

Finally, PLWG should charge forward and continue to promote modernization and uniformity among departments and colleagues through their interactive discussions and direction to NAIC in its reengineering of the State Producer Licensing System, and to NIPR as it assists the states in implementing and streamlining all electronic processes.

VII. CONCLUSION

As stated before, the consensus among review team members and comments received by Commissioners and their producer licensing staff illustrate this process has had tremendous value by providing a better understanding of areas for needed improvement and also an exchange of ideas and best practices for further streamlining of processes. In very short time, we have better information, higher awareness of the national standards and issues, and stronger Commissioner and senior staff engagement on producer licensing reform than ever before. And, we have a very honest assessment of where the states fall in terms of compliance with the NAIC's 2002 reciprocity standard, adoption of the PLMA, and the Uniform Resident Licensing Standards. The review teams, representing a sample of the nation's most experienced producer licensing regulators, are confident in the facts presented and their recommended next steps.

The review team members sincerely appreciate the opportunity to be involved in this producer licensing assessment and look forward to continued focus on the recommended reformations of the state-based producer licensing system. We hope this report is helpful to the NAIC leadership and membership in its discussions at the 2008 Commissioners Conference, in establishing the roadmap for reform in 2008, and evaluating options for the future of state-based producer licensing regulation.

Exhibits:

Exhibit A – 2002 NARAB Working Group Report

Exhibit B – Uniform Resident Licensing Standards and Definitions

Exhibit C – Compliance Checklist Summary

Exhibit D – Summary of State Licensing Transaction Automation

**Report of the NARAB Working Group:
Certification of States for Producer Licensing Reciprocity
*Adopted August 8, 2002***

The purpose of this report is to advise the NAIC membership regarding the number of States that the NARAB Working Group will recommend the NAIC certify for reciprocity under the framework established by the Working Group based on its application of the relevant provisions of the Gramm-Leach-Bliley Act (GLBA).¹ As detailed below, the Working Group will recommend that at least 35² States be certified for reciprocity as of November 12, 2002.³

NARAB Provisions of GLBA

GLBA requires that at least 29 jurisdictions meet the uniformity or reciprocity requirements of Section 321⁴ of that Act by November 12, 2002, in order to avoid the preemption of certain State producer licensing laws. The NAIC elected to pursue the reciprocity option with uniformity remaining the long-term goal for non-resident (and resident) producer licensing. Thus, pursuant to Section 321(a)(2), a minimum of 29 jurisdictions must enact “reciprocity laws and regulations governing the licensure of nonresident individuals and entities authorized to sell and solicit insurance within those States” by November 12, 2002.

Section 321(d)(1) provides that the NAIC shall determine whether the requisite number of States have achieved reciprocity. The NARAB Working Group has been assigned the task of interpreting and applying the reciprocity requirements under GLBA, determining which States are compliant therewith, and making its report along with recommendations to its parent committee.

Section 321(d)(2) recognizes the expertise of the State insurance regulators in determining whether States meet reciprocity. In the event of a legal challenge to the NAIC’s conclusion, Section 321(d)(2) provides that the reviewing court shall apply the standards set forth in the Administrative Procedure Act.⁵ In relevant part, this statute states that a determination will not be overturned unless it found to be “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law.” Furthermore, case law indicates that a reviewing court will consider three factors in examining a decision: scope of authority, whether the determination was arbitrary and capricious, and whether the decision-making process was procedurally valid. *Chevron, U.S.A., Inc. v. National Resources Defense Council, Inc.*, 467 U.S. 837 (1984); *Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402 (1971), *overruled on other grounds*, *Califano v. Sanders*, 430 U.S. 99 (1977). The Working Group believes that its process for considering

¹ See 15 U.S.C. §§ 6751 et seq. (Supp. 2001)

² Subsequent to the first comprehensive review of States for reciprocity, the NARAB Working Group received information that Kansas should be added to the list of States certified for reciprocity.

³ More States may be added to this total based upon later enactment of producer licensing legislation and submission of materials for review by the NARAB Working Group.

⁴ For familiarity of reference, when referring to a section of the Gramm-Leach-Bliley Act (GLBA), this memorandum refers to sections of GLBA by their section numbers within that legislation as opposed to where sections are codified within the United States Code.

⁵ See 5 U.S.C. § 706 (1996 & Supp. 2002)

reciprocity issues, as detailed below, meets the criteria established for affording deference to the NAIC's reciprocity certification.

Reciprocity Requirements Under Section 321 of GLBA

In terms of the general reciprocity framework, the requirements for achieving reciprocity are stated in Section 321(c). In order to be considered reciprocal for non-resident producer licensing, a State must satisfy the following four conditions:

- (1) Permit a producer with a resident license for selling and soliciting insurance in its home State to receive a license to sell or solicit the purchase of insurance as a non-resident to the same extent that the producer is permitted to sell or solicit insurance in its home State, if the home State also licenses reciprocally, without satisfying any additional requirements other than submitting (A) a request for licensure; (B) the application for licensure submitted to the home State; (C) proof of licensure and good standing in home State; and (D) payment of any requisite fee;
- (2) Acceptance of a producer's satisfaction of its home State's continuing education requirements as satisfying that State's continuing education requirements, provided that the home State recognizes continuing education satisfaction on a reciprocal basis;
- (3) No requirements are imposed upon any producer to be licensed or otherwise qualified to do business as a non-resident that have the effect of limiting or conditioning that producer's activities because of its residence or place of operations (excepting countersignature requirements); and
- (4) Each State meeting (1), (2), and (3) grants reciprocity to residents of all other States that satisfy (1), (2), and (3).

Additionally, the savings provision of Section 321(f) provides that State laws or regulations purporting to regulate insurance producers (including laws on unfair trade practices, consumer protections, and countersignatures) need not be altered or amended for purposes of satisfying the reciprocity criteria unless that law or regulation is inconsistent with a specific requirement noted above and only to the extent of the inconsistency. While unfair trade practices and consumer protections laws are specifically mentioned, these types of laws are afforded no heightened protection and also are subject to the requirement of consistency with Section 321(c). The savings provision should be construed in such a way as to allow State laws generally to be saved while still achieving the Congressional intent to streamline licensing procedures and prevent discrimination against non-resident producers.

In order to provide States with a model for meeting these reciprocity requirements, the NAIC adopted the Producer Licensing Model Act (PLMA) in 2000. The PLMA serves as the primary vehicle for States not only to achieve reciprocity, but also takes major steps toward reaching uniformity. With respect to reciprocity, the PLMA provides for streamlined administrative

licensing requirements, reciprocal recognition of continuing education, and reciprocity for surplus lines and limited lines producers, among other things.

Reciprocity Framework Developed by the NARAB Working Group

In the course of developing a reciprocity standard for use in measuring compliance by the States, the Working Group conducted extensive research and analysis of the relevant provisions and legislative history of GLBA. The Working Group also identified and analyzed various State non-resident producer licensing requirements. Throughout this process, the Working Group consulted with NAIC Legal Division as well as State insurance regulators experienced in the area of producer licensing. Interested parties were also given an opportunity to provide comments.

As a result of this approach, the Working Group developed a framework for measuring whether a State is reciprocal which is both reasonable and consistent with the spirit and intent of GLBA's reciprocity requirements, i.e., a desire to streamline the process of licensing non-resident producers and eliminate protectionist barriers directed toward non-resident producers. The following discussion summarizes the recommendations of the Working Group on specific non-resident producer licensing requirements.

Fingerprints and Background Checks

The Working Group addressed the issue of the due diligence States may perform in reviewing the qualifications of a non-resident applicant, including whether States may require fingerprints of non-resident applicants. With respect to State review of application materials, the Working Group determined that GLBA affords States the opportunity to determine that an applicant meets a particular State's qualifications for licensure, provided such due diligence required no additional submissions beyond the items permitted by Section 321(c)(1).⁶ Therefore, the Working Group believes that States may perform background checks or other due diligence without being inconsistent with reciprocity.

During the course of its discussions, the Working Group considered whether fingerprints may be required as a means of performing an effective review of the applicant's qualifications. Within the context of reciprocity, the principal argument favoring a fingerprint requirement was that GLBA protected this requirement as an important consumer protection through application of the savings clause of Section 321(f), and that fingerprints provide the most effective means of performing a background check.⁷ Arguments opposing fingerprints as a permissible requirement also focused on the savings provision and questioned whether such a requirement is "consistent" with the provisions of Section 321(c).

After careful review, analysis, and extensive debate, the Working Group adopted the position that a fingerprint requirement for non-resident producer applicants is inconsistent with the

⁶ This position is consistent with Section 8 of the Producer Licensing Model Act (PLMA). Section 8A of the PLMA provides that an applicant shall receive a license by submitting the items noted "unless denied licensure pursuant to" the section that enumerates causes for taking action against or denying a license.

⁷ California prepared an opinion supporting the conclusion that a fingerprinting requirement did not violate GLBA's reciprocity provisions, but the Working Group did not adopt this position.

reciprocity requirements under GLBA. Section 321(c)(1) provides that non-resident producers be permitted to receive a license “without satisfying any additional requirements other than submitting” a request for licensure; the home State application or Uniform Application; proof of licensure and good standing in the home State; and the payment of required fees. After considering several alternatives for allowing fingerprints within the GLBA reciprocity formula, the Working Group determined that pre-licensing fingerprint requirements for non-resident producers constituted an “additional requirement” which does not satisfy reciprocity under Section 321(c)(1). However, the Working Group adopted a report of a Reciprocity Subgroup appointed to address fingerprinting issues, which recommended that State insurance regulators make fingerprinting a requirement for resident licensure in all States as part of a plan to achieve uniformity in producer licensing. It also expects to adopt a similar recommendation from the Uniform Producer Licensing Initiatives Subgroup.

Surplus Lines Bonds

The Working Group examined the use of surplus lines bonds as both a pre- and post-licensing non-resident requirement. As a pre-licensing requirement, the Working Group determined that a surplus lines bond does not satisfy reciprocity under GLBA. A consumer protection justification was not found to be available within the context of reciprocity. The savings provision is not a broad exemption for laws based upon a valid consumer protection justification. Rather, Section 321(f) saves laws generally -- including those related to consumer protection -- provided they do not violate a specific requirement of the reciprocity provisions of Section 321(c). The Working Group determined that a pre-licensing surplus lines bond is inconsistent with Section 321(c), i.e., a pre-licensing surplus lines bond is an “additional requirement” and, therefore, States imposing such a requirement do not satisfy reciprocity under Section 321(c)(1).

Likewise, with respect to post-licensing surplus lines bonds, the Working Group determined that these post-licensing requirements, which condition the use of the license on having such a bond in place, are not consistent with GLBA reciprocity. The Working Group found that such a bond would be a de facto licensing requirement due to the inability of the producer to use the license without first posting a bond.⁸

Underlying Licensing Requirements for Surplus Lines Producers

The Working Group considered whether States may require non-residents to obtain non-resident general lines licenses as a prerequisite to surplus lines licensure and still be considered reciprocal. As part of its analysis, the Working Group recognized the unique nature of the surplus lines market, relative to general lines of authority such as life and property. Surplus lines brokering is a specialized insurance producer function whereby producers secure insurance coverage generally unavailable from carriers licensed in that jurisdiction. By contrast, general and limited lines insurance producers are licensed to sell, solicit, or negotiate products offered by licensed insurance carriers. In a “typical” insurance transaction, the producer and the company

⁸ However, with other NAIC working groups considering surplus lines bonds within the context of uniformity, the Working Group indicated its support for consideration by such working groups of the merits of surplus lines bonds as a uniformity requirement.

are licensed within the same jurisdiction. This dual system of producer and insurer licensing is not present with respect to risks covered by the surplus lines market.

Almost all States require resident surplus lines producers to first obtain a license to act as a general lines producer. Generally, surplus lines producers must first search the admitted market as a prerequisite to searching the non-admitted market. Thus, both general lines *and* surplus lines authority are required in order to operate as a surplus lines producer. In many cases, the rationale for the admitted market prerequisite is generally one of consumer protection. The surplus lines insurer, being a non-admitted carrier, is not subject to the jurisdiction of insurance regulatory authorities in that State. Further, there is typically no guaranty fund coverage for risks insured in the non-admitted market. Many States require that insureds be notified of these facts.

In the non-resident licensing context, the question is whether a State requirement that non-residents obtain both general lines and surplus lines authority is an administrative or regulatory requirement. The Working Group concluded that requiring a general lines license relates to regulation of the surplus lines market and is not an additional administrative requirement being imposed on non-residents. The general lines license gives the non-resident producer the authority, otherwise lacking, to search for coverage within the admitted market. Generally speaking, without this authority, a surplus lines producer would be unable to fulfill his or her duty to first attempt to place business in the admitted market. Thus, the general lines license gives effect to the surplus lines license. Many States issue these two licenses in tandem.

Viatical Settlements

Two comment letters were received from an interested party dealing with the issue of whether reciprocal treatment should be afforded viatical settlement brokers. The interested party contended that those States requiring separate licensing for viatical settlement activities could not be considered reciprocal. Because GLBA includes a broad definition of “insurance producer” in Section 336, the interested party argued that the term included persons who advise or facilitate viatical or life settlements, which would thus embrace viatical settlement brokers. Characterizing GLBA as envisioning licensing reciprocity or uniformity for this broad range of “insurance producers,” the interested party concluded that States requiring separate viatical settlement licensure are not reciprocal. Additionally, during the Working Group’s meeting on June 10, 2002, a representative of the interested party commented that he did not advocate reciprocity for viatical settlement brokers. Rather, it was argued that States failed to achieve reciprocity where producers may perform certain services in some States but require separate licensing to do so in others.

For purposes of the Working Group’s task, this issue *is* one of reciprocity. The NAIC Legal Division previously examined the question of which insurance producers were entitled to reciprocity under GLBA. In May 2000, in response to requests from several State insurance regulators, the Legal Division issued a memorandum on this topic. The memorandum noted GLBA’s broad definition of “insurance producer,” but reviewed particularly the provisions requiring producer licensing reciprocity. Sections 321(a) and 321(c), which provide the standards for achieving reciprocity, refer only to producers that sell or solicit the purchase of insurance. Therefore, GLBA only requires that reciprocity be extended to those classes of

producers that sell or solicit insurance. Because they do not sell or solicit the purchase of insurance, viatical settlement brokers are not entitled to reciprocity regardless of the broad definition of “insurance producer.”

Thus, the Working Group rejected the argument that GLBA entitles viatical settlement brokers to reciprocity in non-resident producer licensing or otherwise requires States to eliminate requirements that those who engage in viatical settlement activities be separately licensed to do so.

Appointments and “Agent-Only” States

The Working Group identified States that do not recognize brokering activities in the sense that all producers/“agents” are agents of the insurer and thus require that producers/“agents” be appointed by an insurer even though such a requirement ordinarily may not exist for “brokers.” As a general rule, the Working Group believes that appointments are permitted under GLBA as long as they are not required as part of the licensing process. The “agent-only” States do not require an appointment as a pre-licensing requirement, thereby avoiding the imposition of an additional requirement to licensure. Furthermore, appointment requirements are imposed upon companies, rather than producers, thus removing the burden from the producer seeking licensure. Accordingly, the Working Group did not find the imposition of such an appointment requirement to be inconsistent with reciprocity.

Other Issues

In the course of its consideration of issues affecting reciprocity, the Working Group analyzed other specific reciprocity issues in addition to those detailed above in making its determinations. These issues included requirements for foreign corporations to register to do business in other States; requirements for appointment of agents to receive service of process; continuing education requirements for producers who have no such requirements in their home States; requirements for trust accounts; requirements for producers to be insured by errors and omissions policies; special restrictions limiting State, special fund, or State funded business to resident producers only; countersignature requirements; special training or experience requirements; tax clearance requirements; reciprocity for bail bondsmen; greater licensing fees for non-resident producers; and requirements for in-state business offices. Where review of State submissions required resolution of these issues, such resolutions are noted in Exhibit A.

Review of State Laws and Reciprocity Checklist Materials

As part of its primary duties, the NARAB Working Group serves as the NAIC entity charged with conducting the review of State producer licensing laws to help determine which States have achieved reciprocity under GLBA. In order to facilitate this process, the Working Group developed a Reciprocity Checklist (and Addendum) for the State insurance departments to complete and submit for review. The Reciprocity Checklist and Addendum are designed to help identify specific non-resident producer licensing requirements in the States. Completed Checklists and Addenda were posted to a page on the NAIC Web site devoted to the activities of the Working Group and the Checklists

in particular. The documents have been and remain accessible at the following URL: http://www.naic.org/GLBA/narab_wg/Reciprocity_checklist.htm.

The purpose behind posting these documents to the Web was to provide interested parties and State insurance regulators with an opportunity to review and offer comments with respect to any of the Checklists and Addenda. The Working Group attempted to keep interested parties informed about the status of available materials by e-mail communication to the interest party distribution list of the Working Group. Interested parties were advised that they had 30 days from the date of posting in which to submit comments to the NAIC on the Checklist materials. Interested party comments also were posted to the NAIC Web site.

Utilization of NAIC Legal Division Review

The Working Group requested the NAIC Legal Division provide assistance in monitoring and reviewing the efforts of States to satisfy the reciprocity requirements. The NAIC Legal Division was specifically requested to conduct a review of producer licensing laws enacted by the States, in addition to reviewing each completed Reciprocity Checklist and Addendum, and to make recommendations to the Working Group regarding the reciprocity status of individual States.

The Working Group's recommendations regarding the reciprocity status of particular States are based solely on the following:

- (a) Review and analysis of legislation⁹ enacted by the respective States to adopt, wholly or in part, the PLMA or similar legislation;
- (b) Certified Reciprocity Checklists and Addenda submitted to the NAIC by State insurance departments¹⁰;
- (c) Representations made regarding the application and effect of State law by State insurance department personnel, who have represented they are knowledgeable about the laws and regulations of their State, including the practices and procedures, regarding the licensing of non-resident insurance producers;
- (d) Consultations with various State insurance department personnel who are experienced with producer licensing issues, as well as the NAIC Legal Division and other NAIC staff personnel who are generally knowledgeable about the licensing of insurance producers;

⁹ One State adopted changes to producer licensing laws by regulation rather than by legislation.

¹⁰ Each completed Reciprocity Checklist and Addendum contained the following certification: "I hereby certify that I am familiar with the laws, decisions, rules, regulations and other state action having the effect of law in my jurisdiction and upon review of the same affirm that the responses to the above and foregoing are true and correct. Moreover, I hereby further certify that I have the authority to waive those producer licensing requirements as indicated hereinabove and agree to waive said requirements in order to meet the reciprocity standard for non-resident producer licensing as set forth in the Gramm-Leach-Bliley Act."

- (e) Recommendations of the NARAB Working Group regarding a framework for interpreting the reciprocity requirements under GLBA; and
- (f) Comments submitted by interested parties.

Furthermore, in developing its recommendations, the Working Group has made the following assumptions:

- (a) State insurance department personnel have made full disclosure concerning their respective State producer licensing laws and regulations, all applicable licensing practices and procedures, including but not limited to those which may be based on internal rules or procedures, and the decisions, orders, and/or findings of an administrative hearing or court of law, or other action which may be construed as having the effect of law; and
- (b) The laws and regulations reviewed for the purposes, and which form the basis, of the recommendation have not been repealed, revised or otherwise amended subsequent to its review and analysis, and if such amendment has occurred, the States would have provided notice to the NARAB Working Group or the NAIC Legal Division.

Finally, some of the States listed below have enacted producer licensing legislation that is not in effect as of the date of this report. Thus, the Checklist materials and the corresponding recommendations of the Working Group relate to State law when it becomes effective at a future date. In any event, the recommendations of the Working Group are based on an assessment of the expected status of State law on November 12, 2002.

States Recommended for Certification of Reciprocal Status

Based on our review, as described and qualified above, the Working Group concludes that the following States meet or will meet the requirements for producer licensing reciprocity as set out in Section 321(c) of GLBA by November 12, 2002. Exhibit A explains how issues arising in the course of this review were resolved favorably.

<i>Alabama</i>	<i>Louisiana</i>	<i>Ohio</i>
<i>Arizona</i>	<i>Maine</i>	<i>Oklahoma</i>
<i>Arkansas</i>	<i>Maryland</i>	<i>Oregon</i>
<i>Colorado</i>	<i>Michigan</i>	<i>Rhode Island</i>
<i>Connecticut</i>	<i>Minnesota</i>	<i>Texas</i>
<i>Delaware</i>	<i>Mississippi</i>	<i>Utah</i>
<i>Georgia</i>	<i>Nebraska</i>	<i>Vermont</i>
<i>Hawaii</i>	<i>Nevada</i>	<i>Virginia</i>
<i>Illinois</i>	<i>New Hampshire</i>	<i>West Virginia</i>
<i>Iowa</i>	<i>New Jersey</i>	<i>Wisconsin</i>
<i>Kansas</i>	<i>North Carolina</i>	<i>Wyoming</i>
<i>Kentucky</i>	<i>North Dakota</i>	

Reciprocity Checklists: Responses Submitted by States Recommended for Certification

Question A

Question A asked States if they imposed any requirements upon non-residents seeking licensure other than (a) currently being licensed and in good standing in the home State; (b) submitting the proper request for licensure and paying the required fees; (c) submitting or transmitting the home State application or Uniform Application; and (d) requiring that the non-resident's home State license residents of that State on a reciprocal basis. This question mirrors Section 8A of the Producer Licensing Model Act (PLMA), which provides for non-resident licensure in accordance with these provisions as long as licensure is not denied for cause pursuant to State law. Thirty-one of the 35 States recommended for certification answered "No."

Illinois, Nevada, Texas, and Virginia answered "Yes" to Question A.

Illinois referenced a statute requiring residents and non-residents to obtain a surety bond to broker business in Illinois; however, Illinois indicated it will waive this requirement for non-residents.

Nevada indicated that its "additional requirement" is a letter of certification from the home State. Proof of home State licensure is specifically permitted under Section 321(c)(1)(C) of the Gramm-Leach-Bliley Act (GLBA). Thus, the letter of certification requirement is not inconsistent with reciprocity.

Texas listed several additional requirements beyond the four noted above; however, Texas indicated it will waive such additional requirements.

Virginia stated that business entities are required to obtain a certificate of authority from the clerk of the State Corporation Commission as a prerequisite to licensure. Corporate registration requirements are matters of State corporate law, whereby States require all business entities (not just those that are insurance-related) to register with the Secretary of State or an equivalent office. The Working Group believes that such requirements transcend issues of insurance licensing and relate to basic police powers of States to require registration of business entities. Thus, this requirement is not inconsistent with reciprocity.

Question B

Question B asked if States possessed the legal authority to waive any requirements, other than the four requirements stated in Question A, relating to the licensing of a non-resident producer if the non-resident producer's home State grants licenses to producers from that State on the same basis. Thirty of the 35 States answered "Yes."

Arizona, Georgia, and Wisconsin answered "No." There is no indication, however, that these States impose any additional licensing requirements for which waiver may be required in order

to achieve reciprocity. Therefore, the lack of waiver authority does not appear to create any inconsistency with reciprocity.

Kansas also answered “No”; however, a review of its producer licensing legislation indicated that Kansas enacted a provision providing for waiver authority.

Kentucky also answered “No”; however, Kentucky recently received waiver authority through newly enacted legislation.

Question C

Question C asked if States would grant a non-resident license for at least the same scope of authority as the non-resident producer applicant’s home State license. This question addresses whether a producer is able to receive a license for the same or similar lines of authority as the producer holds in the home State. All 35 States recommended for certification answered “Yes.”

Question D

Question D asked if a non-resident producer’s continuing education requirement is met if the non-resident producer fulfills his or her home State continuing education requirement and the home State also grants such reciprocal recognition for continuing education. All 35 States recommended for certification answered “Yes.”

In its response, Virginia noted that while it recognizes continuing education reciprocity, it will require non-residents to file a certification that they have complied with home State continuing education requirements, as well as a filing fee. GLBA contains no prohibition against requiring non-residents to demonstrate satisfaction of home State continuing education requirements. Therefore, this requirement is not inconsistent with reciprocity.

Question E1

Question E1 asked if an appointment is required prior to or concurrent with licensure. Thirty-three of the 35 States recommended for certification answered “No.”

Michigan answered “Yes”; however, recent legislation changed this requirement such that pre-licensing appointments are no longer required.

Texas also answered “Yes”; however, Texas has indicated that an appointment will not be required as a condition to licensure.

Question E2

Question E2 asked if there are any bond, E & O, deposit, tax clearance, or trust account requirements for non-resident producer applicants. Thirty of the 35 States recommended for certification answered “No” to Question E2.

Delaware, Illinois, Texas, and Wyoming answered “Yes”; however, these States indicated they will waive such requirements.

Nebraska also answered “Yes,” indicating that such requirements apply to title agents performing escrow closings. Because GLBA Section 336 specifically excludes title insurance from the definition of “insurance” applicable to the NARAB provisions, Nebraska is not required to extend reciprocity to such agents. These requirements, therefore, are not inconsistent with reciprocity.

Finally, while answering “No” to Question E2, Wisconsin noted that State law requires that all surplus lines premium tax monies be held “in trust.” This provision applies to non-resident and resident agents. Wisconsin indicated that this is neither a licensing requirement nor is it enforced through a licensure action. The statute is silent on where a trust account, if any, should be maintained. Thus, this requirement is not inconsistent with reciprocity.

Question E3

Question E3 asked if non-resident surplus lines producers are required to post a bond. Twenty-eight of the 35 States recommended for certification answered “No.”

Hawaii and Nebraska answered “Yes”; however, recent legislation repealed this requirement.

Illinois, Texas, and West Virginia also answered “Yes”; however, these States indicated they will waive this requirement.

Maine and Rhode Island also answered “Yes”; however, both States have indicated that this requirement will not be imposed upon non-residents seeking licensure on a reciprocal basis, i.e., a bond will not be required of their residents seeking non-resident licensure.

Question E4

Question E4 asked if there are any training, education, prior experience requirements, or minimum age requirements for non-resident producer applicants. Twenty-four of the 35 States recommended for certification answered “No.”

Arkansas answered “Yes,” and cited two sections of Arkansas law. One section concerns non-resident producer licensing, and follows Section 8 of the PLMA. The other section was repealed. Thus, this response creates no inconsistency with reciprocity.

Delaware also answered “Yes”; however, Delaware indicated it will waive such requirements for States that reciprocate with Delaware.

Illinois also answered “Yes”; however, Illinois indicated it will waive such requirements.

Georgia, Michigan, Nebraska, Nevada, Texas, Utah, Virginia, and Wisconsin answered “Yes” to Question E4, indicating that they will impose a minimum age requirement of 18 years old.¹¹ Minimum age requirements often are grounded in State contract law, which allows minors to contract in very limited circumstances. The Working Group does not believe that minimum requirements respecting the age of contracting parties in an insurance transaction contravene the spirit or letter of producer licensing reciprocity.

Virginia also indicated that it will require that the applicant be of good moral character and possess a reputation for honesty, and comply with other licensing requirements. The Working Group believes that a State may conduct a due diligence review of the application materials to ensure that the applicant meets the State’s qualifications for licensure. There is no indication that the applicant is required to submit anything beyond the items noted in GLBA Section 321(c); thus, the Working Group does not believe that these requirements are inconsistent with reciprocity.

Question E5

Question E5 asked if there are any provisions allowing only resident producers to sell or solicit insurance or bonds for State business, special funds or entities, or State funded projects. Thirty-four of the 35 States recommended for certification answered “No.”

Arkansas answered “Yes”; however, Arkansas indicated it will waive such requirements.

Question F

Question F asked if there are any post-licensing requirements imposed upon any non-resident producer that limit or condition the non-resident producer’s activities because of such producer’s residence or place of operations. Thirty of the 35 States recommended for certification answered “No.”

Arkansas answered “Yes”; however, Arkansas indicated it will waive such requirements.

Illinois also answered “Yes,” indicating that it required a surety bond to broker business in Illinois; however, Illinois indicated it will waive this requirement.

Iowa also answered “Yes,” indicating that non-residents are not permitted to provide bail or bond in criminal cases. The Working Group does not believe that States are required to extend reciprocity for bail bonds. Thus, this requirement is not inconsistent with reciprocity.

Kansas also answered “Yes,” indicating that it imposed a requirement that agents submit proof of errors and omissions coverage upon license renewal; however, Kansas has indicated it will waive this requirement for non-residents.

Utah also answered “Yes,” indicating that bail bond and title agents must be residents of Utah. As stated above, the Working Group does not believe that States are required to extend

¹¹ Texas indicated it would waive the minimum age requirement for 17-year olds.

Exhibit A

Producer Licensing Assessment

February 19, 2008

reciprocity for bail bonds. With respect to title agents, GLBA Section 336 specifically excludes title insurance from the definition of “insurance” applicable to the NARAB provisions; thus, Utah is not required to extend reciprocity to such agents. Therefore, these requirements are not inconsistent with reciprocity.

**CLARIFICATION OF THE
 UNIFORM RESIDENT LICENSING STANDARDS
 ADOPTED BY THE NAIC: DECEMBER 2002**

(Clarifications shown in italics have not been adopted)

LICENSING QUALIFICATIONS Standard
<p>1. Age: Applicant must be 18 years of age.</p>
<p>2. Citizenship: No U.S. citizenship is required but applicant must have legal work authorization if he/she is not a U.S. citizen. <i>Clarification: Possible Attestation language being added to Uniform application so that applicant certifies they are authorized to work in US. NAIC Legal Department will provide feedback on this standard.</i> <i>Does your state require proof of proper work authorization?</i></p>
<p>3. Education: No high school diploma is required.</p>
PRE-LICENSING EDUCATION TRAINING Standard
<p>4. Hours Required: States that require pre-licensing education shall require 20 hours of pre-licensing education per major line of authority. States may waive pre-licensing education requirements for the variable line of authority. States shall independently determine the content requirements for pre-licensing education. States that do not require pre-licensing education shall not be required to implement pre-licensing education. States that waive pre-licensing education requirements for the variable line of authority or do not require pre-licensing education shall be considered uniform states. No state shall require pre-licensing education for non-resident applicants or non-resident producers who change their state of residency. <i>Clarification: States with no pre-licensing requirements are exempt and considered compliant. If a state has less hours they are not compliant and will need to increase their number of hours. Twenty hours means per line of authority, at 6 lines = 120 hours.</i></p>
<p>5. Training Method: States must accept both classroom study and a verifiable self-study. <i>Clarification: On-line learning is credited towards self-study.</i></p>
<p>6. Verification of Completion: A uniform method as to how a person verified the completion of his/her pre-licensing education will not be established; however, some verification method must be in place.</p>
<p>7. Waiver/Exemption: CEBS, ChFC, CIC, CFP, CLU, FLMI, LUTCF for Life Line of Authority. RHU, CEBS, REBC, HIA for Health Line of Authority. AAI, ARM, CIC, CPCU for Property and Casualty Lines of Authority. College insurance degree for all lines of authority.</p>

PRODUCER LICENSING TEST
Standard
<p>8. Lines of Authority: Six major lines as defined in the Producer Licensing Model Act (PLMA). These are as follows: Life, Accident and Health or Sickness, Property, Casualty, Variable life and variable annuity products and Personal lines. Clarification: <i>8a. Does state have separate test for each Lines of Authority for the exceptions of Variable?</i></p>
<p>9. Waiver/Exemption: No waiver or exemption except for those noted in Section 9 of the PLMA. This exemption is only available if the person is currently licensed in that state or if the application is received within ninety (90) days of the cancellation of the applicant's previous license and if the prior state issues a certification that, at the time of cancellation, the applicant was in good standing in that state.</p>
<p>10. Exam Content/Subject Area Standards: Standard to be determined by each state.</p>
<p>11. Testing Administration Requirements: Monitored, independent proctored testing with adequate supervision and flexible testing hours.</p>
<p>12. Failure of Exam/Re-Testing: Standard to be determined by each state.</p>
INTEGRITY/PERSONAL QUALIFICATIONS/BACKGROUND CHECKS Standard
<p>13. Integrity/Personal Qualifications: As defined in Section 12 the PLMA.</p>
<p>14. Background Checks: Background checks will follow the following three steps: 1) states will ask and review the standard background questions contained on the Uniform Applications; 2) states will run a check against the NAIC RIRS/SPLD and SAD and 3) moving forward on an electronic basis, states will fingerprint their resident producers and will process electronic fingerprints through NIPR during the initial, resident producer licensing process. Producers will bear the cost of electronic fingerprinting. The timeframe in which prints will be re-checked against the database has not been resolved. Clarification: <i>If a state is doing the first two items and waiting until the repository is available, they are compliant.</i></p> <ul style="list-style-type: none"> • Criminal Background Check – • SAD / RIRS – • Fingerprint -

APPLICATION FOR LICENSURE/LICENSE STRUCTURE

Standard

15. Application:

NAIC Uniform Application as set forth in the PLMA.

Clarification: States need to be using the application for resident licensing. If the state is using the same data fields but electronic application only they are compliant.

16. Lines of Authority Issued:

a. Six major lines as defined by the PLMA.

b. Core limited lines as defined by the Uniform Producer Licensing Initiatives Subgroup. Other limited lines as determined by each state. States are encouraged to eliminate as many limited lines of authority as possible.

Clarification: States that have a few outstanding lines outside of the core limited lines are compliant, an excessive amount is considered non-compliant. States using adopted core limited lines should be using adopted definition (see page 5). States that do not have all of the core limited lines are compliant and do not need to add them to their lines of authority.

17. License Term:

Perpetual based on payment of fee and completion of resident CE, as set forth in Subsection 7B of the PLMA. NAIC staff will verify whether the SPLD is able to distribute alerts to non-resident states in which a producer is licensed upon the failure of the producer to satisfy his/her home state CE requirements.

18. Continuation Process:

Individual licenses will continue on a biennial basis on the licensee's month of birth or date of birth. Business entity licenses will continue on a date certain. Uniform Application for License Continuation to be developed based upon PA form.

Clarification: States are compliant when using either date of birth or birth month. Birth month is defined as the last date of birth month. States that need to make changes to become compliant, however, are urged to choose birth month. The recommendation for the year of renewal/continuation should be based on the year of birth; if the producer was born in an odd-numbered year, all of his renewals will occur in odd numbered years and if the producer was born in an even-numbered year, than all of his renewals would be in even-numbered years.

19. Enforcement:

Denial/revocation standards as established in Section 12 of the PLMA.

20. Fee:

No uniform licensing fee will be established. Non-resident licensing fee must not be so high as to be a barrier to entry as set forth in Gramm-Leach-Bliley.

APPOINTMENT PROCESS

Standard

21. Process:

Follow the appointment and termination process as defined in the Uniform Appointment Process. In addition, states shall mail a pre-notice renewal letter to companies informing them that appointment renewals are imminent. (Process and form attached).

22. Appointment Renewal Cycle:

Continuous appointments where a fee, if applicable, is calculated as of a date certain.

CONTINUING EDUCATION REQUIREMENTS
Standard
<p>23. Credit Required: Twenty-four (24) hours of CE for all lines of authority with three (3) of the twenty-four hours covering ethics. Fifty minutes shall equal one hour of CE.</p>
<p>24. Term of Compliance: Biennial CE compliance period coinciding with the producer's license continuation date.</p>
<p>25. Lines of Authority: CE required for the six (6) major lines of authority contained in the PLMA.</p>
<p>26. Subject Area Requirements: States may determine the subject area requirements for CE except that 3 of the 24 hours of CE should be in ethics.</p>
<p>27. Repeating of CE Courses: May repeat CE courses for credit but will not be permitted to take a course for credit more than once in a license continuation period.</p>
<p>28. CE Study Method: States must accept both classroom study and verifiable self-study.</p>
<p>29. Verification of Completion: Producer or CE provider must submit original certificate of completion or verification of completion to the insurance department of the producer's home state through a hard copy submission or electronic transmission.</p>
<p>30. Waiver/Exemption: None, except as provided in subsection 7D of the PLMA.</p>
<p>31. Course Approval Standards and Process: Follow the standards set forth in the Midwest Zone Declaration Regarding CE Course Approval (Declaration and CE Form Attached). Subgroup will discuss this issue further after some of the CE providers submit comments on this issue.</p>
<p>32. Advertising of CE Programs: CE hours should not be advertised until state course approval is received.</p>
LIMITED LINES UNIFORMITY
Standard
<p>33. Definitions of Core Limited Lines: Follow the definitions established by the Limited Lines Licensing Subgroup (definitions attached). The definitions for Industrial Fire and Surety may be deleted from the list of core limited lines.</p>
<p>34. Testing Requirement: Generally, there will be no testing requirement for limited lines although states may choose to test for certain limited lines, such as surety and crop, as long as test pertains to the subject matter.</p>
<p>35. CE Requirement: CE will not be required.</p>

OTHER ISSUES FOR REVIEW
Standard
<p>36. E&O/Bonds: The requirement for either E&O coverage or a bond will be left to each individual state's deference.</p>
<p>37. Surplus Line Standards: States require an underlying property & casualty license prior to the issuance of a resident surplus line license.</p>
<p><i>Clarification:</i> 38. Surplus <i>States require surplus line examination</i></p>
<p><i>Clarification:</i> 39. Commercial Line Multi-State Exemption <i>Does your state enact the Producer Licensing Model Act Section 4B (6); A person who is not a resident of this state who sells, solicits or negotiates a contract of insurance for commercial property and casualty to an insured with risks located in more than one state insured under that contract, provided that the person is otherwise licensed as an insurance producer to sell, solicit or negotiate that insurance in the state the insured maintains its principal place of business and the contract of insurance insures risks located in that state; or</i></p>

LIMITED LINES DEFINITIONS**6/10/02**

CAR RENTAL – insurance offered, sold, or solicited in connection with and incidental to the rental of rental cars for a period of [insert relevant time period per state law], whether at the rental office or by pre-selection of coverage in master, corporate, group or individual agreements that (i) is non-transferable; (ii) applies only to the rental car that is the subject of the rental agreement; and (iii) is limited to the following kinds of insurance:

- (a) personal accident insurance for renters and other rental car occupants, for accidental death or dismemberment, and for medical expenses resulting from an accident that occurs with the rental car during the rental period;
- (b) liability insurance that provides protection to the renters and other authorized drivers of a rental car for liability arising from the operation or use of the rental car during the rental period;
- (c) personal effects insurance that provides coverage to renters and other vehicle occupants for loss of, or damage to, personal effects in the rental car during the rental period;
- (d) roadside assistance and emergency sickness protection insurance; or
- (e) any other coverage designated by the insurance commissioner.

CREDIT – credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage guaranty, mortgage disability, guaranteed automobile protection insurance, or any other form of insurance offered in connection with an extension of credit that is limited to partially or wholly extinguishing that credit obligation and that is designated by the insurance commissioner as limited line credit insurance.

CROP INSURANCE – Insurance providing protection against damage to crops from unfavorable weather conditions, fire or lightning, flood, hail, insect infestation, disease or other yield-reducing conditions or perils provided by the private insurance market, or that is subsidized by the Federal Crop Insurance Corporation, including Multi-Peril Crop Insurance.

SURETY – Insurance or bond that covers obligations to pay the debts of, or answer for the default of another, including faithlessness in a position of public or private trust. For purpose of limited line licensing, Surety does not include Surety Bail Bonds.

(OPTIONAL) Surety also includes surety insurance as defined in (insert state-specific reference).

TRAVEL – insurance coverage for trip cancellation, trip interruption, baggage, life, sickness and accident, disability, and personal effects when limited to a specific trip and sold in connection with transportation provided by a common carrier.

Uniformity Standards Compliance Report February 2008		Compliant	Non-Compliant	Law	Regulation/Rule	Department Process
Licensing Qualification Standards						
1	Age - 18	51	1	1		
2	Citizenship	49	3	1		2
3	Education	51	1			1
Pre-Licensing Education Training Standard						
4	Hours Required	30	22	16	5	1
5	Training Method	44	8	4	3	
6	Verification of Completion	52	-			
7	Waiver/Exemption	32	20	14	6	
Producer Licensing Test Standard						
8	Major Lines of Authority (6)	33	19	8	1	2
9	Waiver/Exemption	34	18	16	2	
10	Exam Content/Subject Area Standards	52	-			
11	Testing Administration Requirements	52	-			
12	Failure of Exam/Retesting	52	-			
Integrity/Personal Qualifications/ Background						
13	Integrity/Personal Standards	48	4	4		
14a	Background Checks RIRS SAD	46	6	3		3
14b	Background Checks Fingerprinting	13	39	34	2	2
Application for Licensure/License Structure						
15	Uniform Application	30	22	6	1	10
16	Lines of Authority Issued	31	21	12	1	7
17	License Term	42	10	8	1	1
18	Continuation Process	20	32	21	6	6
19	Enforcement	48	4	4		
20	Fee	51	1	1		
Appointment Process Standard						
21	Process	46	6	4		2
22	Appointment Renewal Cycle	51	1			
Continuing Education Requirements Standard						
23	Credit Required	24	28	21	4	1
24	Term of Compliance	35	17	13	3	1
25	Lines of Authority	44	8	5	1	1
26	Subject Area Requirements	28	24	18	5	
27	Repeating of CE Courses	43	9	3	4	1
28	CE Study Method	51	1	1		
29	Verification of Completion	49	3			2
30	Waiver/Exemption	21	31	24	1	2
31	Course Approval Standards and Process	47	5	3		2
32	Advertising CE Programs	44	8	3	1	2
Limited Lines Uniformity Standard						
33	Definitions of Core Limited Licenses	21	31	23	4	
34	Testing Requirement	50	2	2		
35	CE Requirement	38	14	9	1	
Other Issues for Review Standard						
36	E&O / Bonds	50	2	1		
37	Surplus Line Standards	49	3	3		

**Summary of State Licensing Transaction Automation
 As of February 19, 2008**

<u>Transaction Type</u>	<u>States In Production with NIPR</u>	<u>States in Production with Alternative to NIPR</u>	<u>States Who Do Not Require Transaction</u>	<u>States Not Offering Automated Solution</u>
Reporting to PDB	50 States, DC and PR	NA	NA	NA
Appointments/Terminations	41	NA	AK, AZ, CO, IL, IN, MD, MO, OR and RI	PR and WA
Appointment Renewals	6	CA, CO, DE, ID, MN, NH, NY, OH, PA, TX and UT	AK, AZ, HI, IL, IN, MD, MO, MT, OR, RI and TN	AL, AR, CT, FL, GA, IA, KS, MA, ME, MI, MS, NC, NE, NV, OK, PR, SC, SD, VA, VT, WA, WI, WV and WY
Nonresident License - Individual (Major Lines)	46	NA	NA	MA, MI, MT, NM, PR and WA
Nonresident License - Individual (Limited Lines)	23	CA, FL, ID, IN, NV, NY, OK, PA, PR, SD, TX, VT, and WY	NA	AL, AZ, IL, LA, MA, ME, MI, MO, MT, NC, NE, NM, OR, SC, VA and WA
Nonresident License - Business Entity (Major Lines)	30	CA, FL, GA, MN, MS, NY, TX, VT and WY	RI	AR, MA, MD, MI, MT, NC, NE, NM, OR, PR, VA and WA
Nonresident License - Business Entity (Limited Lines)	15	CA, FL, GA, ID, IN, MN, MS, NV, NY, OK, PA, PR, SD, TX, VT and WY	IL, NC, RI and WI	AL, AR, AZ, LA, MA, MD, ME, MI, MO, MT, NE, NM, OR, SC, VA, WA and WV
Nonresident Renewal - Individual (Major Lines)	32	ID, MA and TN	FL, ME, MI, NC, NE, OH and VA	AL, AZ, CT, HI, MT, NM, NV, PR, SC and WA
Nonresident Renewal - Individual (Limited Lines)	20	CA, ID, IN, MA, NV, NY, NC, OK, PA, TN, TX, VT, WI and WY	FL, MI, OH and VA	AL, AZ, CT, HI, MA, NV, NY, OK, PA, TN, TX, VT, WI and WY

**Summary of State Licensing Transaction Automation
As of February 19, 2008**

Exhibit D
NAIC Producer Licensing Assessment
February 19, 2008

<u>Transaction Type</u>	<u>States In Production with NIPR</u>	<u>States in Production with Alternative to NIPR</u>	<u>States Who Do Not Require Transaction</u>	<u>States Not Offering Automated Solution</u>
Nonresident Renewal - Business Entity (Major Lines)	10	CA, CO, GA, ID, IN, MA, MN, MS, NV, NY, NC, OK, PA, SD, TN, TX, UT, VT, WI and WY	FL, MI, MT, ND, NM, OH, RI and VA	AL, AR, AZ, CT, HI, IL, KS, LA, MD, MO, NE, OR, PR and WA
Nonresident Renewal - Business Entity (Limited Lines)	9	CA, CO, GA, ID, IN, MA, MN, MS, NV, NY, OK, PA, SD, TN, TX, UT, VT, WI and WY	FL, IL, MI, MT, ND, NM, NC, OH, RI and VA	AL, AR, AZ, CT, HI, KS, LA, MD, MO, NE, OR, PR, WA and WV
Resident License - Individual (Major Lines)	12	CA, CO, FL, GA, ID, IN, MN, MS, NV, NY, NC, OK, PA, SD, TX, UT, VT, WI and WY	NA	AK, AL, AR, AZ, CT, IL, KS, LA, MA, MD, MI, MT, NE, NH, NM, PR, SC, TN, VA, WA and WV
Resident License - Individual (Limited Lines)	9	CA, CO, FL, GA, ID, IN, MN, MS, NV, NY, OK, PA, SD, TX, UT, VT, WI and WY	NA	AK, AL, AR, AZ, CT, IL, KS, LA, MA, MD, ME, MI, MO, MT, NC, NE, NH, NM, OR, PR, SC, TN, VA, WA and WV
Resident License - Business Entity (Major Lines)	10	CA, CO, FL, GA, ID, IN, MN, MS, NV, NY, OK, PA, SD, TX, UT, VT, WI and WY	RI	AK, AL, AR, AZ, CT, IL, KS, LA, MA, MD, MI, MT, NC, NE, NH, NM, OR, PR, SC, TN, VA, WA and WV
Resident License - Business Entity (Limited Lines)	8	CA, CO, FL, GA, ID, IN, MN, MS, NV, NY, OK, PA, SD, TX, UT, VT, WI and WY	IL, NC and RI	AK, AL, AR, AZ, CT, KS, LA, MA, MD, ME, MI, MD, MT, NE, NH, NM, OR, PR, SC, TN, VA, WA and WV

**Summary of State Licensing Transaction Automation
As of February 19, 2008**

Exhibit D
NAIC Producer Licensing Assessment
February 19, 2008

<u>Transaction Type</u>	<u>States In Production with NIPR</u>	<u>States in Production with Alternative to NIPR</u>	<u>States Who Do Not Require Transaction</u>	<u>States Not Offering Automated Solution</u>
Resident Renewal - Individual (Major Lines)	8	CA, CO, GL, GA, ID, IN, MA, MN, MS, NV, NY, OK, PA, SD, TN, TX, UT, VT, WI and WY	ME, NC and OH	AK, AL, AR, AZ, CT, HI, IL, KS, KY, LA, MD, MI, MT, NE, NH, NM, PR, SC, VA, WA and WV
Resident Renewal - Individual (Limited Lines)	7	CA, CO, GL, GA, ID, IN, MA, MN, MS, NV, NY, NC, OK, PA, SD, TN, TX, UT, VT, WI and WY	ME and OH	AK, AL, AR, AZ, CT, HI, IL, KS, LA, MD, MI, MT, ND, NE, NH, NM, OR, PR, SC, VA, WA and WV
Resident Renewal - Business Entity (Major Lines)	7	CA, CO, GL, GA, ID, IN, MA, MN, MS, NV, NY, NC, OK, PA, SD, TN, TX, UT, VT, WI and WY	ND, OH and RI	AK, AL, AR, AZ, CT, HI, IL, KS, LA, ME, MI, MO, MT, NE, NH, NM, OR, PR, VA, WA and WV
Resident Renewal - Business Entity (Limited Lines)	7	CA, CO, ID, IN, MA, MN, MS, NV, NY, OK, PA, SD, TN, TX, UT, VT, WI and WY	IL, NC, ND, OH and RI	AK, AL, AR, AZ, CT, FL, GA, HI, KS, LA, MD, MI, MO, MT, NE, NH, NM, OR, PR, VA, WA and WV
Address Change Requests	45	NA	NA	FL, LA, MA, MI, MT, PR and WV