



**DATE:** May 29, 2008

**TO:** NAIC Officers and the Market Regulation & Consumer Affairs (D) Committee

**FROM:** Anne Marie Narcini, Chair of the Producer Licensing Working (D) Group

**RE:** Professional Licensing Standards Recommendations

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During the NAIC Spring National Meeting, the NAIC Officers formally requested the Producer Licensing (D) Working Group to evaluate the key findings and issues regarding the uniform licensing standards and provide a recommendation by the 2008 Summer National Meeting identifying the ones that should be considered professional licensing standards (i.e., standards that provide the basic requirements for engaging in the profession).

### **Process for Completion of Charge**

To fulfill this charge, the Working Group solicited public comment at the 2008 Spring National Meeting and a small team of regulators from Alaska, District of Columbia, Kentucky, New Jersey, Pennsylvania and Utah met by conference call to discuss the task. The group concluded that the professional licensing standards outlined in the request are standards producers should satisfy to sell, solicit and negotiate insurance. Furthermore, the standards represent the knowledge, skills and conduct necessary both to commence acting as a producer and to maintain a basic level of professional knowledge and abilities to continue to engage in the business.

The conclusions of the focus group were presented to Working Group members and interested parties at the interim meeting of the Working Group on April 30, 2008. Additional public comment was requested; however, interested parties did not provide any comments.

### **Professional Standards**

The Working Group has concluded that most of the appropriate standards are already contained within the Uniform Resident Licensing Standards adopted by the NAIC in December 2002. The Uniform Resident Licensing Standards address the professional standards for entry and continuation of licensure for producers, as well as administrative standards for regulators to achieve uniformity and increased efficiencies.

In summary the suggested professional standards are segmented into four broad categories: (1) legal authority to enter into contracts; (2) education and initial testing for minimum competency, (3) background checks for moral character and (4) ongoing commitment to professional conduct.

### Legal Authority

All Producers must be 18 years of age. This is a required standard for entry into the profession since a person must be of majority age to execute a contract.

All producers must be a United States citizen or have legal work authorization if he/she is not a United States citizen. This standard addresses the requirement for all producers to have the authority to lawfully work in the United States.

### Education and Testing

All producers must pass an examination that is monitored and independently proctored with adequate supervision. This standard addresses the measurement of the minimum subject matter expertise to engage in the profession.

The Working Group members want to emphasize that a high school diploma and pre-licensing education should not be required to obtain a producer license. While individual insurance companies may establish such standards as a condition of employment, the Working Group concluded that demonstrating sufficient knowledge to engage in the business of insurance is accomplished by successfully passing the home state examination.

While the Uniform Resident Licensing Standards do not require states to require pre-licensing education for applicants, the Uniform Resident Licensing Standards do address the desire for uniformity among the states by requiring any state with a pre-licensing education requirement to have 20 hours per major line of authority.

### Background Checks

All producers should undergo a background check that includes fingerprinting.

All producers should complete a uniform application for licensure that includes standard background check questions.

All producers should adhere to the integrity and personal qualifications outlined in Section 12 of the NAIC's Producer Licensing Model Act.

These three standards specifically address the fitness of character, professional competence and worthiness for licensure. It should also be noted that the background

questions are a part of the license continuation/renewal process and assure continued fitness for licensure.

### Ongoing Commitment to Professional Conduct

All producers should adhere to the integrity and personal qualifications defined in Section 12 of the NAIC's Producer Licensing Model Act.

All producers should complete a uniform renewal form application for licensure that includes standard background check questions.

All producers should satisfy twenty-four hours of continuing education for all major lines of authority with three (3) of the twenty-four hours covering ethics. Fifty minutes shall equal one hour of CE. Due to ongoing change in insurance products, policy forms and laws, continuing education is a basic requirement to maintain the level of professional standard necessary to continue selling, soliciting and negotiating insurance. Ongoing ethics education helps assure continued fitness for licensure and serves as a consumer protection.

### **Conclusion and Next Steps**

The Working Group believes these standards provide the basic foundation for individuals to distinguish themselves from the general public as insurance professionals. The basic elements of legal authority, testing, background checks and continuing education are common elements for other professionals, such as securities brokers, real estate agents and attorneys.

Because insurance regulators want to ensure the highest level of consumer protection and a high degree of professionalism among those individuals selling, soliciting and negotiating insurance, insurance regulators firmly believe the producer community should openly embrace and support these standards. The open support of these standards will confirm the professionalism of the producer community. At the same time, the failure to support these standards raises serious concerns about the ongoing commitment of the producer community to a high level of professionalism commonly found in other professions.

To this end, the Working Group will be distributing a letter to the key producer trade associations within the next 30 days asking if they support the standards outlined in this memo. The key producer trade associations include the Council of Insurance Agents & Brokers, the Independent Insurance Agents & Brokers of America, the National Association of Insurance & Financial Professionals and the Professional Insurance Agents.