



August 6, 2010

Ms. Anne Marie Narcini
NJ Department of Banking and Insurance
20 West State Street
PO Box 325
Trenton, NJ 08625

Mr. Greg Welker
2301 McGee Street
Suite 800
Kansas City, MO 64108-2662

RE: Producer Testing

Dear Ms. Narcini and Mr. Welker:

Thank you for providing an opportunity through this letter to share our views on the producer licensing exam process as part of the public hearing being held by the NAIC. We applaud the NAIC's focus on this important issue and support your efforts to improve the process new agents must use to enter the insurance business.

AHIP is the national association representing the private sector in health care, and its nearly 1,300 member companies provide health, long-term care, dental, vision, disability, and supplemental coverage to more than 200 million Americans.

AHIP fully supports the position that only those individuals who have demonstrated a basic understanding of insurance and are prepared to serve their consumers by passing an appropriate test should be issued an insurance license. Demonstration of these qualifications is a critical part of preserving consumer confidence in the insurance market.

Making sure individuals are qualified and licensed before they engage in marketing insurance products to consumers is critical to being able to meet consumers' needs in purchasing appropriate coverage and is a key part of our members' business. Insurance agents, brokers, and sales managers are the people AHIP's members and their clients depend upon to work directly with consumers and employers in meeting their insurance needs.

The NAIC has made significant improvements to the producer licensing process over the past several years. These improvements include, among other items: (1) wider adoption of the Producer Licensing Model Act (PLMA) and Uniform Resident Licensing Standards; (2) adoption of the NAIC State Licensing Handbook; (3) producer licensing survey of and outreach



to every state; (4) greater adherence to GLBA's reciprocity requirements; and creation of the NAIC Producer Licensing Task Force and Producer Licensing Regulator/Industry Coalition.

However, challenges remain. One of those challenges is the producer licensing examination process. The PLMA simply requires each state to have an exam, and the lack of further standards has resulted in widely differing pass rates among the states.

The State Licensing Handbook contains excellent recommendations for exam review and administration, but unfortunately these are only recommendations, and many states do not adhere to them. You may wish to consider the relative importance of ensuring that pre-licensing content and exam questions are consistent. This may require closer collaboration among the states, examination vendors, and education providers.

Too often, the opportunity for an individual to become licensed depends on the difficulty of the examination, which varies from state to state. Having more uniformity, when combined with the proper level of rigor, will help ensure that only those individuals who are prepared to be licensed agents will pass their test and obtain their insurance license. As an additional suggestion, the examination process might be improved upon if each state had a study guide for prospective agents that was produced in coordination with the states licensing examination.

Finally, we believe more transparency with, and greater oversight of, examination vendors is appropriate and necessary. Increased reporting of testing data will also likely improve regulators' attention on areas most in need of improvement. As a by-product of these efforts, uniform testing standards and educational materials could also be a boon to companies that are interested in developing or expanding their own recruitment and training programs.

By focusing our comments on examinations, we do not want to ignore the importance of continued improvements within the licensing process. Improving consistency among states will be very beneficial - time and expense for our members' prospective agents increase with unnecessary disparity among the states in the application process.

In conclusion, we believe the NAIC should consider taking a more proactive role in assuring that the producer licensing examination does what it is intended to do – test for entry level competency of those seeking to be part of the profession. Vigilance should also be exercised to assure that the exam does not present unnecessary barriers to otherwise qualified applicants.

We appreciate the opportunity to express our views on the licensing process and thank the NAIC for addressing our issues. We would be happy to respond to any questions the NAIC may have.

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Very truly yours,

A handwritten signature in black ink that reads "Mitchell, Jr." in a cursive script.

Martin L. Mitchell, Jr.,
Director, Product Policy
America's Health Insurance Plans