



NATIONAL ALLIANCE OF LIFE COMPANIES

An Association of Life and Health Insurance Companies

NALC
PO Box 50053
Sarasota, Florida 34232

August 5, 2010

Anne Marie Narcini, Chair
Producer Licensing Working Group
National Association of Insurance Commissioners
NAIC Central Office
2301 McGee Street,
Suite 800
Kansas City, MO 64108

Dear Chairwoman Narcini:

RE: Public Hearing on Producer Licensing Exams and Tests

On behalf of the members of the National Alliance of Life Companies (NALC), I am writing today to express our organization's strong support for more oversight by the National Association of Insurance Commissioners (NAIC) of state producer licensing tests and exams. While the NAIC has made great strides in recent years in encouraging states to reform and streamline the licensing process, examinations remain one area that has not received the attention it deserves from all stakeholders in the insurance industry.

The purpose of producer licensing exams is to measure whether or not a candidate for a license possesses the necessary entry level knowledge to properly and ethically serve consumers. The NALC believes that consumer protection is critically important. However testing data being collected by states raises serious questions about whether or not exams currently used by some states are fulfilling this purpose.

Recent reports from Florida, Louisiana and Virginia show large segments of the population struggling to pass licensing tests and get a license. Surprisingly, these reports show candidates who have a college degree are among those experiencing difficulty entering the profession. In Florida, for example, just 605 of 1140 (53%) candidates with a college education passed the state's life producer licensing exam in 2009. That college educated candidates would perform so poorly, even after completing Florida's 40 hours of pre-licensing education, is puzzling. It raises serious questions about whether or not the exam is properly measuring entry level insurance knowledge.

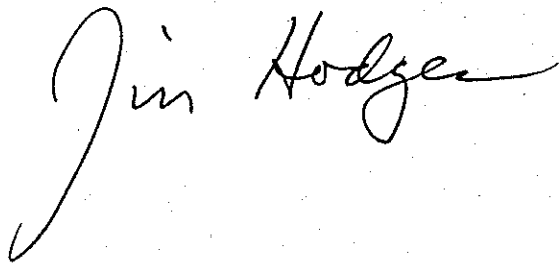
Unfortunately, Florida is not unique. It is among nearly ten states where more candidates fail the life licensing exam than pass. Rather than providing an entry point into the insurance profession, the data in these states suggests the exams are barriers to entry that must be overcome.

The good news is that the NAIC producer licensing handbook has a roadmap in place for states to follow when low pass rates and other problems surface. The bad news is that too many states do not appear to be following the handbook.

The NALC would urge the NAIC to commit to shining a bright light on producer licensing exams. We would like to see all states regularly collect and publish exam information. Ideally, the NAIC would serve as a clearinghouse for this information. If states and other stakeholders have regular access to this information, all of us are more likely to uncover potential problems and seek the remedies put forward in the handbook.

As the voice of small and mid-sized life insurance companies, the NALC remains committed to working with the NAIC on this issue. At a time when consumers desperately need access to sound, ethical professional financial advice, it is important that the insurance industry remains open to all qualified individuals who want to work in it. Ensuring that happens will require a renewed focus on licensing exams from all of us.

Sincerely,

A handwritten signature in cursive script that reads "Jim Hodges". The signature is written in black ink and is positioned below the "Sincerely," text.

James H. Hodges
Executive Director
NALC