

**Producer Licensing Working Group Limited Line  
Licensing Charges  
Draft Proposal  
October 6, 2009**

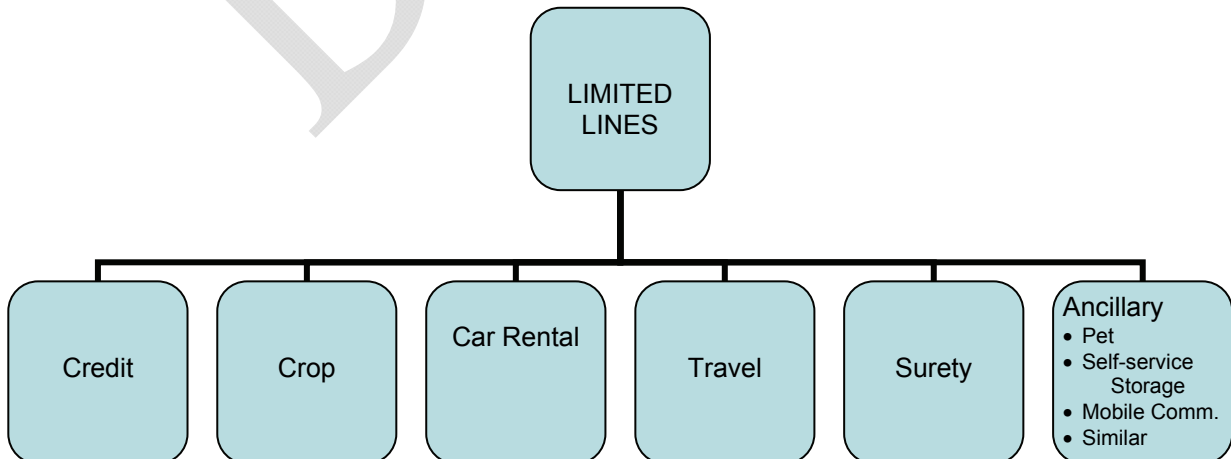
**1. The establishment of a limited line that encompasses several insurance products where the business of insurance is ancillary to the business of the person offering the product.**

The Producer Licensing Task Force has charged the PLWG with establishing a limited line of authority that encompasses several insurance products where the business of insurance is ancillary to the business of the person offering the product, with the objective of reducing the number of limited lines by consolidating limited line license types which contain coverage's which are ancillary to the non-insurance good or services purchased by a consumer (for example pet insurance, self-storage insurance, small electronics insurance, etc.).

The PLWG recommends retaining the defined core limited lines and adding a new limited line Ancillary which encompasses products which are ancillary in nature and not currently covered in a core limited line. Since car rental and travel meet the definition of ancillary type insurance products, but some jurisdictions would require legislative change to create a new ancillary limited line, each jurisdiction may choose either to include the limited lines car rental and travel within the "ancillary limited line" or to retain those lines as separate limited lines.

**New Limited Line Ancillary:**

Limited Lines Ancillary Insurance - specific types of insurance offered, solicited, or sold to the consumer under an individual, group, or group enrollment under a master policy as an add on in connection with and incidental to non insurance goods or services, including coverage for (i) pet, (ii) self-service storage, (iii) mobile communication; or [(iv)] any other similar coverages as designated by the insurance commissioner.



## **Electronic Mapping**

The complexity of limited lines has led to various state –specific interpretations and implementation processing standards which results in a lack of uniformity, consistency, and roadblocks to achieving full reciprocity. To facilitate electronic transactions and develop a consistent, uniform process, the working group recommends that ancillary should be considered a specific limited line and the individual products offered under ancillary should not be individually listed. This will allow all jurisdictions to map any product or service that falls under ancillary to another jurisdiction’s ancillary limited line and promote more uniform mapping of limited lines. Uniform mapping will allow for validation and limit the number of transactions that must pend for state review.

### **2. Review the licensing requirements of individuals selling limited lines insurance products.**

The second part of the charge is for the PLWG to review the licensing requirements of individuals selling limited line insurance products. The PLMA states in part, “a person shall not sell, solicit or negotiate insurance in this state for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this Act”. A license is required for all persons to sell, solicit or negotiate insurance. These terms are specifically defined in Section 3 of the PLMA. Section 4B(2) of the PLMA provides for an exception to the license requirement for those people who secure and furnish information, enroll individuals, issue certificates in group plans, or assist in administering or performing administrative services related to mass marketing property and casualty insurance and no commissions are paid to the person for the service. The Producer Licensing Handbook contains a list prepared by the PLWG of licensable and non-licensable acts that provides guidance to regulators and licensees.

#### **License Requirements**

While the PLMA does not specifically identify variations in licensing requirements for insurance producers and limited line producers , the ULS have clearly set forth differences in the licensing procedures of major and limited line licenses for pre-licensing education, testing and continuing education.

The duties and actions of the individual determine whether a license is required. There are instances when a counter person is engaging in activities that initially did not require a license (e.g. receiving and recording information from an applicant or policyholder and preparing an application for insurance, or receiving requests for coverage for transmittal to a licensed insurance producer); however, if the person’s duties or activities constitute the selling, soliciting, or negotiating of insurance the license requirement would be triggered.

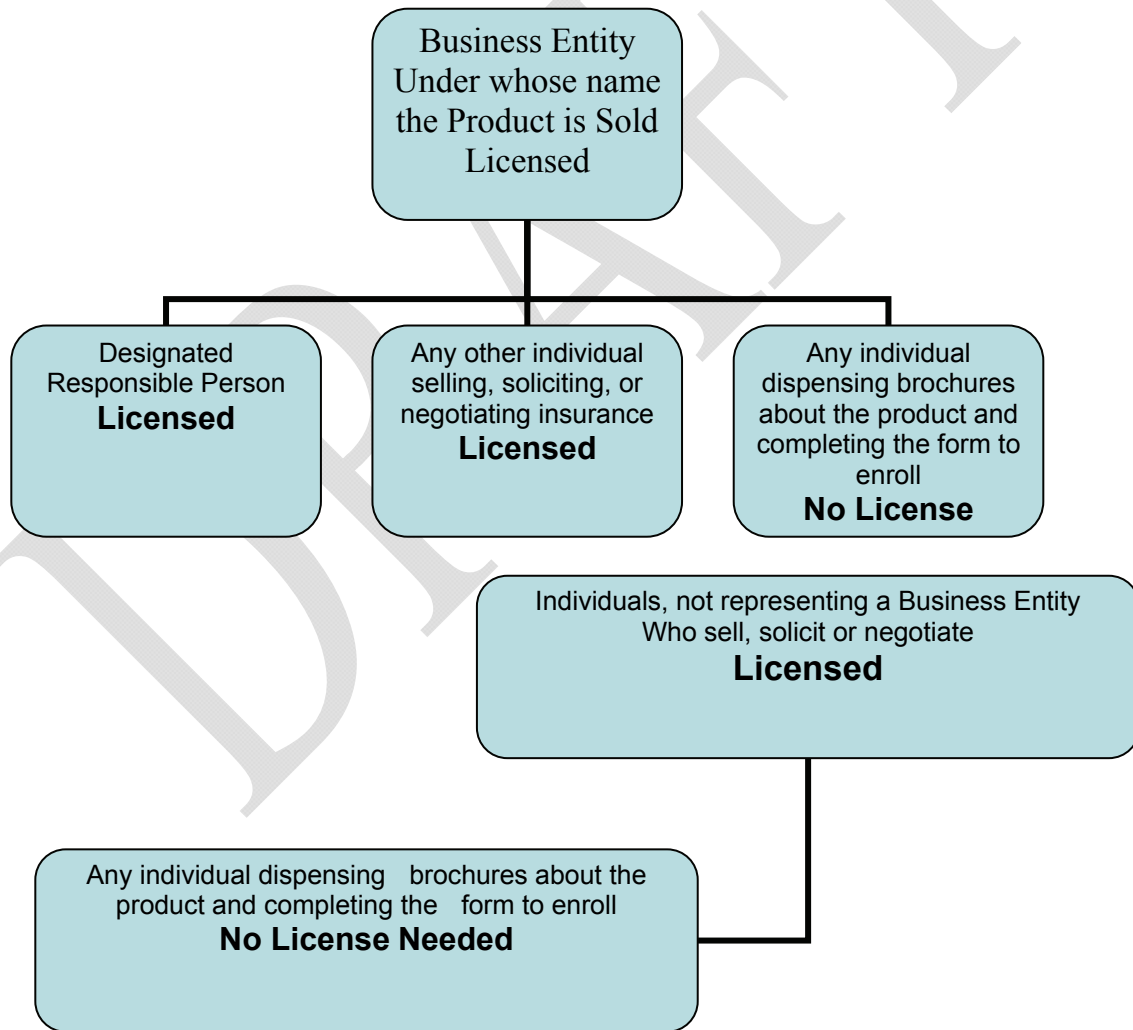
The PLWG recommends limited line applicants and licensees maintain the same license requirements as set forth in the PLMA and as designated within the ULS . This recommendation would only require persons who are actually selling, soliciting or negotiating insurance to obtain a license.

## Group Enrollers

Sec 4B(2) of the PLMA provides an exception from licensing for any person who secures and furnishes information for the purposes of group policies provided no commission is paid and there is no selling, soliciting, or negotiation of insurance. Further, a person that enrolls individuals under plans, issues certificates under plans or otherwise assists in administering plans, or performs administrative services related to mass marketed property and casualty insurance and does not receive a commission is not required to be licensed.

Persons who are simply sitting behind a car rental or travel sales counter or table enrolling individuals into group coverage, and not answering coverage questions, would remain exempt under Section 4B(2) of PLMA.

## Limited Lines Who needs to be Licensed and Who Doesn't



### **3. Fingerprinting of individuals selling limited line insurance products.**

ULS Standard fourteen requires a background review for new resident applicants for a producer license. The background check will be conducted through the following three steps:

- A. States will ask and review the answers to the standard background questions contained on the Uniform Applications;
- B. States will run a check against the NAIC RIRS/SPLD and SAD; and
- C(1). States will fingerprint their resident producer applicants and conduct state and federal criminal background checks on new resident producer applicants; or
- C(2) If a state lacks the authority or resources to accept and receive data from the FBI, it shall conduct a statewide criminal history background check through the appropriate governmental agency for new resident producer applicants until such time as it obtains the appropriate authority.

In order to be fully compliant with standard 14, a state must fingerprint and conduct state and federal criminal history background checks on their new resident applicants. Although electronic fingerprinting is strongly encouraged, a state will be compliant with this requirement if the fingerprints are obtained through paper when electronic means are unavailable.

#### **Option 1**

The working group recommends that any person licensed for limited lines authority be subject to all requirements of the background check under standard 14, including fingerprinting, in the applicant's home state. This would include any person who sells, solicits or negotiates these insurance products but would not include those employees acting under the authority of the licensee who dispense information such as written brochures about the product and complete the form asking if the person wishes to purchase the coverage.

#### **Option 2**

The working group recommends that the designated responsible producer of each resident business entity licensed for limited lines authority be subject to all requirements of the background check under standard 14 including fingerprinting in the applicant's home state. The designated responsible producer and/or the insurer who offers the limited line product are responsible for assuring that all employees whether licensed or unlicensed who engage in the business of providing information related to the limited lines products, meets all requirements pursuant to 18 USC 1033.