

RECOMMENDED MODIFICATIONS TO THE

**REVISIONS AND CLARIFICATIONS TO THE UNIFORM LICENSING STANDARDS
ADOPTED BY THE PRODUCER LICENSING WORKING GROUP: NOVEMBER 17, 2008
ADOPTED BY THE D COMMITTEE: NOVEMBER 20, 2008
ADOPTED BY THE NAIC: DECEMBER 2008**

The uniform licensing standards, adopted by the NAIC in December 2002, are being revised based upon issues identified during the Producer Licensing Assessments conducted in 2007 and 2008. The standards are broken down into the following broad categories (1) licensing qualifications standards; (2) pre-licensing education requirements; (3) integrity and personal background checks; (4) application for licensure; (5) the appointment process; (6) continuing education requirements; (7) limited lines; and (8) surplus lines.

LICENSING QUALIFICATIONS STANDARDS

1. Age:

Applicant must be 18 years of age.

2. Citizenship:

No U.S. citizenship is required but applicant must have legal work authorization if he/she is not a U.S. citizen. The resident state will require proof of proper work authorization for non-citizens at the time of initial application. The resident state may ask for evidence of current work authorization if the initial work papers have expired.

3. Education:

No high school diploma is required.

PRE-LICENSING EDUCATION TRAINING STANDARDS FOR RESIDENT APPLICANTS

4. Hours Required:

No pre-licensing education is required for major or limited lines of authority; however, states that require pre-licensing education for major lines shall require 20 hours of pre-licensing education per major line of authority. For example, an applicant seeking 2 major lines of authority, such as the property line and the casualty line needs 40 hours of pre-licensing education.

If a state has less or more hours per major line of authority, it would not be compliant with this standard and will need to increase or decrease the number of required hours. States may waive pre-licensing education requirements for the variable line of authority. States shall independently determine the content requirements for pre-licensing education. No state shall require additional pre-

licensing education for non-resident applicants or non-resident producers who change their state of residency.

5. Training Method:

States must accept classroom study verifiable self-study or a combination of both. Online learning may be a combination of verifiable self-study and classroom study. Classroom study may include distance learning, webinars, virtual classes and traditional classroom teaching. States have discretion to limit, but may not prohibit, verifiable self study.

6. Verification of Completion:

Applicant or pre-licensing education provider must submit original certificate of completion or verification of completion to the insurance department or to the testing vendor of the applicant's home state through a hard copy submission or electronic transmission.

7. Waiver/Exemption:

States must allow for waiver or exemption of pre-licensing education if the applicant can verify he or she has obtained certain verifiable, recognized professional designation(s) that requires education and formal testing, or a bachelor's or advanced degree in insurance. The following designations are examples of those which may be authorized for waiver of pre-licensing education:

- 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.

A bachelor's degree or advanced degree in insurance would waive/exempt the pre-licensing education for all lines of authority.

PRODUCER LICENSING TEST STANDARDS FOR RESIDENT APPLICANTS

8. Lines of Authority:

States must adopt the six major lines as defined in the Producer Licensing Model Act (PLMA). These are as follows: (1) Life, (2) Accident and Health or Sickness, (3) Property, (4) Casualty, (5) Variable Life and Variable Annuity Products and (6) Personal Lines. States must offer a separate test for each major line of authority; however, combination exams may be offered. States may, but are not required to, waive testing for the Variable Products line. The resident state shall verify an applicant for Variable Product line has successfully completed the appropriate securities exams and is registered with FINRA.

9. Waiver/Exemption:

No waiver or exemption except for those noted in Section 9 of the PLMA. An individual who applies for an insurance producer license in this state and who was previously licensed for the same lines of authority in another state shall not be required to complete any pre-licensing education or examination. 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 at the time

of cancellation, the applicant was in good standing in that state. Verification shall be done via the State Producer Licensing Database (SPLD) unless data is unavailable.

10. Exam Content/Subject Area Standards:

States must monitor and, when warranted, update examinations at least every two years.

11. Testing Administration Requirements:

Monitored, independent proctored testing with adequate supervision and flexible testing hours.

12. Failure of Exam/Re-Testing:

Standard to be determined by each state.

INTEGRITY/PERSONAL QUALIFICATIONS/BACKGROUND CHECKS STANDARDS

13. Integrity/Personal Qualifications:

At a minimum, as defined in Section 12 the PLMA.

14. Background Checks: (Standard 14C for resident only)

Background checks 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.

A state may, but is not required to fingerprint resident producers not previously fingerprinted at the time of application or when adding additional lines of authority to their license. States shall not fingerprint nonresident applicants.

APPLICATION FOR LICENSURE/LICENSE STRUCTURE STANDARDS

15. Application:

States must use ~~the States must use~~ the current version of the NAIC Uniform Application for initial licensing as set forth in the PLMA. A state which accepts electronic applications shall be considered compliant if it is using the same data fields and questions contained in the most current version of the NAIC Uniform Application.

16. Lines of Authority Issued:

- A. Six major lines of authority consistent with the definitions found in the NAIC's PLMA. A state's definition of a major line of authority should not expand or reduce the products that can be offered under the major lines defined by PLMA. Each major line of authority must be offered independently and cannot be offered as a limited line (such as industrial life or fire or personal lines or auto).

A state may require a life license requirement for a resident producer seeking variable products authority. States that adopt surety as a separate line must designate it as a limited line since surety is typically included within the casualty line of authority.

If an applicant is in good standing in his or her home state for the line(s) of authority requested, the nonresident state shall grant the line(s) of authority without further verification of eligibility for the authority. This standard does not limit the state's ability to deny the license based on integrity/personal qualifications and background check standards.

- B. ~~Core limited lines as defined by the Uniform Producer Licensing Initiatives Subgroup. Other limited lines as determined by each state. Limited lines should be offered in accordance with Standard 32.~~ Limited lines should be offered in accordance with Standards 33 through 36.

17. License Term:

The term of the license shall be perpetual contingent upon payment of fee and completion of resident CE, as set forth in Subsection 7B of the PLMA.

18. Continuation Process:

Individual licenses will renew/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.

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.

States may wish to consider having the year of renewal/continuation based on the year of birth. For example, if the producer was born in an odd-numbered year, the producer would renew his/her license in odd numbered years. If the producer was born in an even-numbered year, the producer would renew his/her license in even numbered years.

If a state is only collecting a fee for continuation, no application is required; however, if the state is using an application or asking questions as part of the renewal/continuation process, the state must use only the most current version of the NAIC Uniform Application for Producer License Renewal/Continuation. A state shall be considered compliant if the state is using the same data fields contained in the most current version of the NAIC Uniform Application.

19. Enforcement:

Denial/revocation and imposition of civil penalties at minimum as established in Section 12 of the PLMA. The state shall participate in the NAIC attachment warehouse Personal Information Capture System (PICS) alerts or another appropriate mechanism to monitor actions against existing licensees and take necessary action, when warranted based on the information obtained through such notifications.

20. Fee:

Non-resident licensing fees must not be so high as to be a barrier to entry as set forth in GLBA.

APPOINTMENT PROCESS STANDARDS

21. Process:

If a state requires appointments, it shall follow the appointment and termination process as defined in the Uniform Appointment Process or use the NIPR electronic appointment and termination process. In addition, states shall mail a pre-notice renewal letter or provide electronic notice to companies informing them that appointment renewals are imminent. (Process and form attached).

22. Appointment Renewal Cycle:

Appointments shall be continuous subject to payment of any applicable fees. Fees must be calculated as of a date certain.

CONTINUING EDUCATION REQUIREMENTS STANDARDS FOR RESIDENT PRODUCERS

23. Credit Required:

Twenty-four (24) hours of CE for all major lines of authority with three (3) of the twenty-four hours covering ethics. Fifty minutes shall equal one hour of CE.

24. Term of Compliance:

The biennial CE compliance period shall coincide with the producer's license continuation date.

25. Lines of Authority:

CE shall be required for the six (6) major lines of authority contained in the PLMA.

26. Subject Area Requirements:

States may determine the subject area requirements for CE except that 3 of the 24 hours of CE shall be in ethics.

27. Repeating of CE Courses:

Producers 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.

28. CE Study Method:

States must accept both classroom study, verifiable self-study or a combination of both. On-line learning may be a combination of verifiable self-study and classroom study. Classroom study may include distance learning, webinars, virtual classes and traditional classroom. States have discretion to limit, but may not prohibit, verifiable self study.

29. Verification of Completion:

The Producer or CE provider must submit the original certificate of completion or verification of completion to the insurance department of the producer's home state through either a hard copy submission or electronic transmission.

30. Waiver/Exemption:

None, except as provided in subsection 7D of the PLMA.

A state may not permit any waivers or exemptions except as provided in subsection 7D of the PLMA. States must eliminate waivers based on age or years in the business on a prospective basis. In so doing, those producers currently licensed and exempt or eligible for a waiver prior to the elimination of the exemption would remain exempt. A state which has successfully effectuated such a change shall be considered compliant with this standard. States with waivers for professional designations should consider allowing CE credits for filed and approved courses used to obtain and maintain professional designations.

31. Course Approval Standards and Process:

Follow the standards set forth in the CE Reciprocity (CER) Course Filing Form (CER Form and instructions attached).

32. Advertising of CE Programs:

CE hours should not be advertised until state course approval is received; however, if the course is advertised prior to start approval, the advertisement must clearly state that the course is pending state approval.

LIMITED LINES UNIFORMITY STANDARDS

33. Limited Lines Categories and Core Limited Lines:

A state shall have nine or fewer limited lines, which include the five core limited lines.

A state shall adopt definitions for car rental, credit, crop, surety and travel that are consistent with the definition of the core limited lines adopted by the NAIC, stated herein.

A state is not required to implement any limited line of authority for which a state does not already require license or which is already encompassed within a major line of authority. For example, if surety is already included within the casualty line of insurance, the state is not required to create a limited lines surety license. The state must have Credit as defined in PLMA.

States may elect to add a miscellaneous line to issue a nonresident license for those nonresidents who have requested a line of authority outside the major or core limited lines. A state must issue the nonresident a license in compliance with GLBA.

34. Limited Lines Ancillary Insurance Standards

For 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) travel, (ii) car rental, (iii) [state may list other lines it fits into this category including self-storage, pet, portable electronics]; or [(iv)] any other similar coverages as designated by the insurance commissioner, hereafter referred to as Limited Lines Ancillary Insurance:

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A person may sell, solicit or negotiate Limited Lines Ancillary Insurance only under a business entity license, if:

- (1) The licensed business entity is clearly identified as the licensed producer on marketing materials and fulfillment packages distributed by non-insurance retailers to customers; identification shall include the entity's name and contact information;
- (2) The licensed business entity keeps a register of each non-insurance retailer business that offers Limited Lines Ancillary Insurance on the licensed business entity's behalf. The register shall include the name and contact information of the non-insurance retailer and an officer or person who directs or controls the non-insurance retailer's operations. The licensed business entity shall also certify that the non-insurance retailer registered complies with 18 USC 1033. The licensed business entity shall submit such Register within 30 days upon request by a state insurance department;
- (3) The licensed business entity has designated one of its employees as a licensed individual producer (a "Designated Responsible Producer" or "DRP") responsible for the business entity's compliance with the insurance laws, rules and regulations of this state;
- (4) The DRP, president, secretary, treasurer, and any other officer or person who directs or controls the licensed business entity's insurance operations comply with the fingerprinting requirement for the resident state of the business entity;
- (5) The licensed business entity has paid all applicable licensing fees as set-forth in applicable state law; and

- (6) The licensed business entity requires each employee and non-insurance retailer whose duties include selling, soliciting or negotiating Limited Lines Ancillary Insurance to receive a program of instruction or training, which may be subject to review by the commissioner.

B. A non-insurance retailer, including its employees, whose activities are limited to offering Limited Lines Ancillary Insurance on behalf of and under the direction of a licensed business entity meeting the conditions stated in paragraph A. above, is authorized to do so upon registration by the licensed business entity as described in paragraph A.2.above.

Drafting Note: For purposes of state implementation, Section 34 could be included as Section 6E of the PLMA to be utilized by states in incorporating Limited Lines Ancillary Insurance as an authorized limited line by way of administrative regulation, order, or similar regulatory action pursuant to the state's statutory authority for designation of limited lines.

34. 35. Testing Requirement Resident Applicants

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 content is limited to the subject matter.

35. 36. CE Requirement Resident Producers:

No continuing education shall be required of limited lines producers; CE will not be required, however, due to federal requirements, states may require CE for Crop authority.

SURPLUS LINES STANDARDS

36. 37. Surplus Line Standards:

States shall require an underlying property & casualty license prior to the issuance of a resident surplus lines license.

37. 38. Surplus Line Exam

States may, but are not required to have a surplus line examination.

COMMERCIAL LINE MULTI-STATE EXEMPTION STANDARD

38. 39. Commercial Line Multiple Exemption

The state must adopt Section 4B (6); of the Producer Licensing Model Act which states:

A person 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;

This exemption applies at minimum to admitted business.

COMMISSION SHARING STANDARD

~~39.~~ 40. Commission Sharing

The state must adopt Section 13D of the Producer Licensing Model Act which states:

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)].

Reference to the anti-rebating statute is not exclusive. It may also refer to other state laws which limit the scope.

CORE LIMITED LINES DEFINITIONS (Adopted on __/__/09)

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 preselection 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.~~ Insurance coverage for personal risks incident to planned travel, including but not limited to (i) interruption or cancellation of trip or event, (ii) loss of baggage or personal effects, (iii) damages to accommodations or rental vehicles; and (iv) sickness, accident, disability or death occurring during travel.