

## **REVISIONS AND CLARIFICATIONS TO THE UNIFORM LICENSING STANDARDS**

The uniform licensing standards, adopted by the NAIC in December 2002, were revised in December 2008 based upon issues identified during the Producer Licensing Assessments conducted in 2007 and 2008. The standards are again proposed for revisions to more specifically address limited line requirements.

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; however, states that require pre-licensing education 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 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 and Testing Administration Standards:**

States will implement the Producer testing Programs Recommended Best Practices found in Chapter 8 of the NAIC State Licensing Handbook, attached as an Appendix to these Standards.

### **Producer Exam Content and Testing Administration Recommended Best Practices for Regulators**

- States should use accepted psychometric methods including job analysis to determine if the examination content falls within the content domain that a minimally competent candidate of that specific line of authority tested would be expected to know.
- States should set passing scores (cut scores) and difficulty level using psychometric methods and appropriate Subject Matter Experts and based on what an entry level producer needs to know.
- States are encouraged to move to one part exams
- States should require the test vendor or other entity responsible for test development, to document the process for ensuring quality control and validity of the examination including psychometric review and editing and analysis of item bias or cultural and gender sensitivity.
- To allow for meaningful comparison, all jurisdictions should define first time pass rate as the percentage of candidates who pass the whole test the first time.
- At least annually, reports regarding exam pass rates, candidate demographics when collected, and number of exams administered should be made available to the public. Reports should include first-time pass success; and average scoring by subject area. Whenever possible, the reports should be available by education provider and provided to those providers
- A state advisory committee consisting of regulators and industry, including, where possible, recently licensed producers, should annually work with the testing vendor to review the questions on each examination form for substantive and psychometric requirements. If during any other time any examination results exhibit significant unexplained deviations, the examination should be reviewed.
- States should work with testing vendors and approve Candidate Information Bulletins (CIB) that describe the examinations and examination policies and procedures, and provide sufficient examination content outline and study references for the candidate to prepare for the examination. Updated editions of the CIB/ Content Outline should be provided to prelicensing education providers at least six weeks in advance of implementation so that training materials can be updated.
- Testing should be made available at locations reasonably convenient to residents of all areas of the state, with registration available online or by telephone and the ability for a candidate to schedule testing within 2- 5 business days of registration.

- Pass/Fail notices should be issued at exam sites upon taking the exam. The fail notice should break scores out by each subject area. The state should provide a method to facilitate prompt retesting, while allowing a reasonable time for candidates to review and prepare for retest.
- States should deliver exams in a secure test center network that employs qualified test proctors.
- States should set clear performance standards for test vendors and require accountability

## **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 for major lines of authority, and crop and where required, designated responsible producers for limited lines business entities 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 for major lines of authority, and crop and where required, designated responsible producers for limited lines business entities 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 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 in Standard-33. If a state elects to offer other non-core limited lines, such as legal expense insurance or pet insurance, it shall do so in accordance with Standard 37.

**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. Definitions of Core Limited Lines:**

A state shall have nine or fewer limited lines, which include the core limited lines. A state shall adopt definitions for car rental, credit, crop, and travel that are consistent with the definition of the core limited lines adopted by the NAIC in Appendix A. The state must have Credit as defined in PLMA.

**34. Limited Lines Travel Insurance Standard (adopted 8/16/10)**

A. Definitions.

- (1) "Limited Lines Travel Insurance Producer" means an insurer designee, such as a managing general underwriter, managing general agent, or limited lines producer of Travel Insurance.
- (2) "Travel Retailer" means a business entity that offers and disseminates Travel Insurance on behalf and under the direction of a Limited Line Travel Insurance Producer.
- (3) "Travel Insurance" means Insurance coverage for personal risks incident to planned travel, including but not limited to:
  - a. Interruption or cancellation of trip or event;
  - b. Loss of baggage or personal effects;
  - c. Damages to accommodations or rental vehicles;
  - d. Sickness, accident, disability or death occurring during travel.

Travel insurance does not include major medical plans, which provide comprehensive medical protection for travelers with trips lasting 6 months or longer, including for example, those working overseas as an expatriate or military personnel being deployed.

B. A Travel Retailer may offer and disseminate Travel Insurance under Limited Lines Travel Insurance Producer business entity ("licensed business entity") license only, if the Limited Lines Travel Insurance Producer holds a business entity license and:

- (1) The licensed business entity is clearly identified as the licensed producer on marketing materials and fulfillment packages distributed by Travel Retailers to customers; identification shall include the entity's name and contact information;
- (2) The licensed business entity keeps a register of each Travel Retailer that offers Travel Insurance on the licensed business entity's behalf. The register shall include the name and contact information of the Travel Retailer and an officer or person who directs or controls the Travel Retailer's operations, and the Travel Retailer's FEIN number. The licensed business entity shall also certify that the Travel Retailer registered complies with 18 USC 1033. The licensed business entity shall submit such Register within 30 days upon request by the 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 the 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 requirements applicable to insurance producers in the resident state of the business entity;
- (5) The licensed business entity has paid all applicable insurance producer licensing



fees as set-forth in applicable state law; and

(6) The licensed business entity requires each employee of the Travel Retailer whose duties include offering and disseminating Travel Insurance to receive a program of instruction or training, which may be subject to review by the commissioner.

C. A Travel Retailer, including its employees, whose activities are limited to offering Travel 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.

D. As the insurer designee, the Limited Lines Travel Insurance Producer is responsible for the acts of the Travel Retailer.

**Drafting Note:** For purposes of state implementation, states may incorporate Limited Lines Travel Insurance as an authorized limited line by way of statute, administrative regulation, order, bulletin or similar regulatory action pursuant to the state statutory authority for designation of limited lines.

### **35. Crop Limited Lines Standard**

Both individuals and business entities selling, soliciting or negotiating crop insurance are required to be licensed. If the state requires appointments or affiliations for **other** lines of insurance, they are also required for crop.

### **36. Testing and Prelicensing Education Requirement Resident Applicants**

For crop insurance, states may independently determine the need for or extent of prelicensing education ~~independently~~, as well as the content requirements, if prelicensing education is required. States requiring prelicensing education may waive it upon verification of completion of the RMA required 12 hour structured training program.

There will be no testing requirement for limited lines; although, states may choose to test for certain limited lines, such as surety, if a limited line, and crop, as long as content is limited to the subject matter. States requiring testing for crop may waive it upon verification of passing the RMA required basic competency test No state shall require additional pre-licensing education or testing for nonresident applicants or non-resident producers who change their state of residency.

### **37. Standards for Non-Core limited lines:**

A state is not required to implement any non-core limited line of authority for which a state does not already require a license or which is already encompassed within a major line of authority; however states should consider products where the nature of the insurance offered is incidental to the product being sold to be limited line insurance products. If a state offers non-core limited lines such as pet insurance or legal expense insurance, it shall do so in accordance with the following licensing requirements.

A.) A limited line license for non-core limited lines identified by the Insurance Commissioner may be issued to a person or entity, inclusive of profit and non-profit, who sells solicits, or negotiates the limited line insurance.

B.) A business entity may act as a Limited Line Insurance Producer if it:

(1) Has obtained the Limited Lines Insurance Producer License by submitting the appropriate application form and paid all applicable fees as set forth in applicable state law;

(2) The business entity has designated an individual Limited Lines Insurance Producer to act as the business entity's Designated Responsible Producer (DRP) and who would be responsible for the business entity's compliance with insurance laws, rules and regulations of the business entity's resident state.

(3) The designated individual must meet the requirements for a DRP pursuant to the insurance laws, rules and regulations of the business entity's resident state.

(4) The business entity DRP and officers must comply with the fingerprint requirement applicable to insurance producers in the resident state of the business entity; and

(5) The licensed business entity keeps a register of each employee that offers Insurance on the licensed business entity's behalf. The licensed business entity shall also certify that the registered employees comply with 18 USC 1033. The licensed business entity shall submit such Register within 30 days upon request by the state insurance department.

C) An employee of the limited lines insurance producer business entity that offers and disseminates limited line insurance on behalf of the business entity and under the direction of a Limited Line Insurance Producer is not required to be licensed if the employee:

(1.) Receives a program of instruction or training subject to review by the insurance department prior to receiving permission to operate on behalf of the business entity and under the direction of the DRP; and

(2.) Does not receive a commission or compensation that is dependent on the placement of the insurance product.

D. Individuals who sell, solicit or negotiate insurance or who receive commission or compensation that is dependent on the placement of the insurance product must obtain a limited line insurance producer license. The individual applicant must:

(1) Obtain the Limited Lines Insurance Producer License by submitting the appropriate application form and paying all applicable fees as set forth in applicable state law; and

(2) Receive a program of instruction or training subject to review by the insurance department

E. No prelicensing or testing shall be required for the identified non-core limited lines insurance. All employees offering the products; individuals licensed to sell, solicit or negotiate; insurance producers and all DRP's shall receive a program of instruction.

Definitions for legal expense and pet insurance are provided for guidance and states are encouraged to adopt the same or substantially similar terms.

States may elect to add a miscellaneous limited line to issue a nonresident license for those nonresidents who have requested a line of authority outside the major or core limited lines and not offered by the state. A state must issue the nonresident a license in compliance with GLBA.

**38. CE Requirement Resident Producers:**

CE will not be required, however, due to federal requirements; states may require CE for Crop authority

**SURPLUS LINES STANDARDS**

**39. Surplus Line Standards:**

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

**40. Surplus Line Exam**

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

**COMMERCIAL LINE MULTI-STATE EXEMPTION STANDARD**

**41. 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**

**42. 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.

## **Appendix A**

### **LIMITED LINES DEFINITIONS (Originally Adopted on 6/10/02. Amended 8/16/10)**

**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 pre-selection 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)-

It is recommended that surety be eliminated as a core limited line going forward and states considering surety are encouraged to offer it under the Casualty major line (adopted on 8/16/10)

**TRAVEL INSURANCE** Amended 8/16/10

Means Insurance coverage for personal risks incident to planned travel, including but not limited to:

- a. Interruption or cancellation of trip or event;
- b. Loss of baggage or personal effects;
- c. Damages to accommodations or rental vehicles;
- d. Sickness, accident, disability or death occurring during travel.

Travel insurance does not include major medical plans, which provide comprehensive medical protection for travelers with trips lasting 6 months or longer, including for example, those working overseas as an ex-patriot or military personnel being deployed.

### **Recommended Definitions for Certain Non-Core Limited Lines Proposed August 2011**

- (1) “Limited Lines Pet Insurance Producer” means an insurer designee, such as a managing general underwriter, managing general agent, or limited lines producer of Pet Insurance.
- (2) “Pet Insurance” means health insurance coverage including but not limited to coverage for injury, illness, and wellness, for pets such as birds, cats, dogs, and rabbits.
- (3) “Legal Expense Insurance” means a contractual obligation to provide specific legal services, or to reimburse for specific legal expenses, in consideration of a specified payment for an interval of time, regardless of whether the payment is made by the beneficiaries individually or by a third person for them, but does not include the provision of, or reimbursement for, legal services incidental to other insurance coverages.; or consultation or advice in connection with, or a part of referral services. Legal expenses insurance does not include a retainer agreement directly between the lawyer and the client, where no third party is at risk.