

PRODUCER LICENSING (D) TASK FORCE

Producer Licensing (D) Task Force April 6, 2018, Minutes

Uniform Education (D) Working Group Dec. 20, 2018, Minutes (Attachment One)

Draft Pending Adoption

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Producer Licensing (D) Task Force
Orlando, Florida
April 6, 2018

The Producer Licensing (D) Task Force met in Orlando, FL, April 6, 2019. The following Task Force members participated: Larry Deiter, Chair (SD); Mike Kreidler, Vice Chair, represented by Melissa Anderson (WA); Lori K. Wing-Heier represented by Michael Ricker (AK); Allen W. Kerr represented by Kenneth Ryan James and Letty Hardee (AR); Ricardo Lara represented by Charlene Ferguson (CA); David Altmaier represented by Matt Tamplin (FL); Nancy G. Atkins (KY); James J. Donelon represented by Barry Ward (LA); Anita G. Fox represented by Michele Riddering (MI); Chlora Lindley-Myers represented by Carrie Couch (MO); Mike Causey represented by Angela Hatchell (NC); Bruce R. Ramge represented by Peg Jasa (NE); Marlene Caride represented by Ralph Boeckman (NJ); John G. Franchini represented by Margaret Pena (NM); Jillian Froment represented by Michelle Rafeld (OH); Glen Mulready represented by Courtney Khodabakhsh (OK); Andrew Stolfi represented by Dennis Powell (OR); Elizabeth Kelleher Dwyer represented by Rachel Chester (RI); Raymond G. Farmer represented by Lee Hill (SC); Kent Sullivan represented by Chris Herrick (TX); Todd E. Kiser represented by Randy Overstreet (UT); Scott A. White represented by Mike Beavers (VA); James A. Dodrill represented by Jamie Taylor (WV); and Tom Glause (WY).

1. Adopted its 2018 Fall National Meeting Minutes

Ms. Chester made a motion, seconded by Ms. Khodabakhsh, to adopt the Task Force's Nov. 15, 2018, minutes (*see NAIC Proceedings – Fall 2018, Producer Licensing (D) Task Force*). The motion passed unanimously.

2. Discussed Draft Response to Surplus Lines (C) Task Force

Director Deiter said the Task Force received a request from the Surplus Lines (C) Task Force to consider whether the regulatory requirement of a producer to hold an underlying property/casualty (P/C) license to qualify for a surplus lines license should also allow a producer to hold an underlying accident and health (A&H) license to qualify for a surplus lines license. He said if it is determined that the underlying license requirement to qualify for a surplus lines license should be expanded to include A&H, then the *State Licensing Handbook* and Uniform Licensing Standards (ULS) for surplus lines would need to be changed to reflect the inclusion. He said the Task Force is accepting comments on this request and will be meeting via conference call prior to the Summer National Meeting to vet any comments and finalize the Task Force decision on the draft revisions to the ULS for surplus lines and the *State Licensing Handbook*.

Ms. Ferguson said Section 2—Background of the draft Guideline on Nonadmitted Accident & Health Coverages (Guideline), lists four items that highlight certain coverages and identifies why those coverages may not be available from admitted carriers. However, the outline for the ULS only lists the A&H or sickness license, and the Guidelines should limit the A&H or sickness agent's authority to include only the "high limit disability items," as listed in Section 2 of the Guidelines.

Ms. Ferguson said the Task Force was advised that this proposal would be further reviewed, and the Task Force would meet via conference call to determine the final decision on making the proposed changes. She also said the Executive (EX) Committee and Plenary have an agenda item to consider the adoption of the Guideline. She said California would like to confirm that because the Task Force has not completed its review of the Guideline, the consideration for adoption of the Guidelines would be removed from the Executive (EX) Committee and Plenary agenda.

3. Discussed Priorities for 2019

a. New Charge

Director Deiter said the Task Force was given a new charge in 2019 to "Draft a white paper on the role of chatbots and artificial intelligence in the distribution of insurance and the regulatory supervision of these technologies." He said before the Task Force works with NAIC staff on creating an outline and initial draft, he would like to request comments regarding issues the white paper should address or a specific direction the Task Force should take. He said all comments can be sent to NAIC staff.

b. Business Entity Licensing Standards

Director Deiter said, in 2018, the Task Force discussed business entity licensing standards. He said he has asked NAIC staff to conduct additional outreach to the states and interested parties to determine what standards would be appropriate. He said the

Draft Pending Adoption

creation of true uniform business entity standard would be a worthy goal for the Task Force; however, there is a concern that without determining the correct direction, creating these standards would not be the best use of the NAIC and state resources. He said he would work with NAIC staff to make sure the Task Force knows the desired direction and opportunity for success before spending time on this effort.

c. 1033 Waivers

Director Deiter said Washington recently raised issues related to 1033 waivers and the states potentially using two different waiver forms. He said the Producer Licensing Uniformity (D) Working Group will work with Washington to review and determine potential next steps.

d. FBI Background Checks

Director Deiter said Washington also raised a concern regarding Federal Bureau of Investigation (FBI) background checks and whether the FBI may prohibit the states from reusing a criminal history report of a producer applicant. He said he has asked the Producer Licensing Uniformity (D) Working Group to work with Washington on this issue, as well.

e. Request to Reappoint the Independent Adjuster Licensing (D) Working Group

Director Deiter said the Task Force received a letter from the Securities and Insurance Licensing Association (SILA) requesting that the disbanded Independent Adjuster Licensing (D) Working Group be reappointed. He said the request is appreciated; however, the Task Force continues to support the ongoing efforts across the NAIC membership to reduce the number of working groups in order to help prioritize the organization's efforts. He said, because of this effort, the Task Force will maintain its existing charge to monitor state implementation of adjuster licensing reciprocity but not reappoint the Working Group.

Ms. Khodabakhsh said she agrees with SILA's request to reappoint the Working Group. She said there is still a lot of work that can be completed to achieve uniformity with regard to adjuster licensing and tasking a specific Working Group with these matters would help achieve those goals.

Barb Gavitt (A.D. Banker) said 35 states license independent adjusters, which means they issue resident licenses to adjusters living in the state and issue nonresident licenses to adjusters whose home states have reciprocity. She said this affects the states, regardless of whether they license independent adjusters. She said 14 states and eight jurisdictions have no licensing requirement, which means residents in these states and jurisdictions seeking to become licensed independent adjusters must designate a home state from the 35 states that have a licensing requirement. She said the ULS for producers were adopted to create guidance for the states to achieve uniformity in producer licensing. Even though the standards did not include adjusters, it was apparent early on that there were and are numerous inconsistencies from state to state in adjuster licensing that have created a complex, cumbersome, non-uniform, non-reciprocal license environment.

Ms. Gavitt said, as part of the NAIC's efforts to address these issues, the previously named NAIC Producer Licensing (D) Working Group appointed an Independent Adjuster (D) Subgroup to facilitate discussions. One of the products from the group was to develop and adopt the *NAIC Independent Adjuster Reciprocity Best Practices & Guidelines*. She said the purpose was that if the guidelines were adopted by the states, the best practices and guidelines would create a reciprocal and uniform national license environment for adjusters. She said the best practices include guidance on the licensing requirements for resident licenses or adjuster designated home state (DHS) licenses based on three things. The first is the passing of an exam or completing a designation. The second is fingerprinting and background checks. The third is a continuing education (CE) requirement of 24 hours.

Ms. Gavitt said there are only four states that fully meet these three requirements, and 13 states do not have a CE requirement at all. She said some states have an exam and require CE but do not conduct fingerprinting, while other states have exams and fingerprinting but only require 16 hours of CE. One state is not reciprocal with any other state and requires all adjusters to take their exam. She said there are many inconsistencies surrounding independent adjuster licensing and is the why SILA is requesting that the Task Force reinstate the Independent Adjuster Licensing (D) Working Group with a charge to review, assess and monitor specific adjuster licensing standards.

4. Received an Update from the Producer Licensing Uniformity (D) Working Group

Ms. Chester said Chris Murray (AK), chair of the Producer Licensing Uniformity (D) Working Group, could not attend the meeting and asked that she provide an update. She said the Working Group has not met since the 2018 Fall National Meeting.

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Ms. Chester said the Working Group has been charged with revising the *State Licensing Handbook*. She said to effectively review the handbook by the Fall National Meeting, the Working Group will break up the review into six sections with the Working Group taking comments on five chapters at a time. She said the Working Group will compile the comments received and schedule conference calls as necessary to discuss and determine the appropriate updates. She said the review will be broken up into sections; however, the Working Group will be adopting any revisions chapter-by-chapter. The goal is for the Working Group to finalize the revisions for a 2020 version of the handbook that can be presented to the Task Force at the Fall National Meeting. She said an email was sent April 6 beginning the review process. She said the Working Group is soliciting comments on Chapter 1 through Chapter 5 until April 26. She said the Working Group will be scheduling a conference call to begin the discussions on the comments received. Ms. Chester said, in addition to the review of the *State Licensing Handbook*, the Working Group will continue to work closely with states to achieve greater reciprocity and uniformity. She said this includes the annual review of the ULS, communication with exam testing vendors, and discussions concerning 1033 waivers and fingerprinting.

5. Adopted the Report of the Uniform Education (D) Working Group

Ms. Chester said the Uniform Education (D) Working Group met Dec. 20, 2018, and took the following action: 1) updated the status of the revised Uniform Continuing Education Reciprocity Course Filing Form (CER Form), which was adopted by the Task Force and the Market Regulation and Consumer Affairs (D) Committee at the 2018 Fall National Meeting; and 2) discussed its priorities for 2019, specifically the review of the NAIC CE Reciprocity Agreement (CER Agreement). Ms. Chester said since the Dec. 20, 2018, conference call, the Working Group sent an email with a draft of the CER Agreement and scheduled a conference call for April 16, 2019, to discuss comments received. She said the goal of the Working Group is to present the final version of the CER Agreement to the Task Force at the Fall National Meeting. Ms. Rafeld made a motion, seconded by Ms. Anderson, to adopt the report of the Uniform Education (D) Working Group, including its Dec. 20, 2018, minutes (Attachment One). The motion passed unanimously.

6. Heard a Report from the NIPR Board of Directors

Commissioner Glause said the National Insurance Producer Registry (NIPR) Board of Directors met April 5, 2019, and took the following action: 1) heard a report from the NIPR Audit Committee regarding NIPR's financials through year-end 2018 and the 2018 financial audit, which reflected revenues were 7.2% over budget and 8.6% above revenues for the prior year; 2) heard a report from the NIPR Investment Committee regarding 2018 year-end investments; 3) approved a new asset allocation mix for NIPR's investments; 4) heard an update on the NAIC and NIPR's progress on cloud migration, which is a strategic priority for NIPR; and 5) heard a report on the NAIC and NIPR's ongoing cybersecurity initiatives.

7. Discussed Other Matters

Wes Bissett (Independent Insurance Agents and Brokers of America—IIABA) encouraged the Task Force to keep the increased introduction of occupational licensing reform bills being introduced and, in some cases, passed throughout the U.S. on its radar. He said the introduction of these new bills is having a negative impact on producer licensing. Director Deiter agreed and said he will have the Task Force monitor movement in this area for further discussions.

Having no further business, the Producer Licensing (D) Task Force adjourned.

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Uniform Education (D) Working Group
Conference Call
December 20, 2018

The Uniform Education (D) Working Group of the Producer Licensing (D) Task Force met via conference call Dec. 20, 2018. The following Working Group members participated: Rachel Chester, Chair (RI); Mike Beavers, Vice Chair (VA); Peggy Dunlap (AR); Charlene Ferguson (CA); Lorinda Martinez (NM); Karen Vourvopoulos (OH); and Pat Murray (VT).

1. Discussed the CER Form and Instruction Sheet Update

Ms. Chester said the NAIC Uniform Continuing Education Reciprocity Course Filing Form (CER Form), including the instruction sheet, was adopted by the Producer Licensing (D) Task Force and the Market Regulation and Consumer Affairs (D) Committee at the 2018 Fall National Meeting. She said the CER Form will be considered fully adopted if the Executive (EX) Committee and Plenary adopts it at the 2019 Spring National Meeting.

2. Discussed its 2019 Charges

Ms. Chester said the Working Group's 2019 charges have been adopted by the NAIC membership. She said the Working Group will:

- a. Update, as needed, the reciprocity guidelines, the uniform application forms for continuing education (CE) providers, and the process for state review and approval of courses. Provide any recommended updates to the Producer Licensing (D) Task Force by the 2019 Fall National Meeting.
- b. Coordinate with NAIC parent committees, task forces and/or working groups to review and provide recommendations, as necessary, on preclicensing education and CE requirements that are included in NAIC model acts, regulations and/or standards.

Ms. Chester said the charges will allow the Working Group to continue its work at achieving a uniform and reciprocal CE process for the states.

3. Discussed the CER Agreement

Ms. Chester said the Working Group has discussed the NAIC CE Reciprocity Agreement (CER Agreement) and decided that it needs to be potentially revised. She said she will discuss the CER Agreement with the Producer Licensing (D) Task Force chair. The Working Group discussed potential areas of clarification regarding the agreement. Ms. Chester said, once Producer Licensing (D) Task Force chair presents the history and summary of the CER Agreement, she will discuss the best course of action for the Working Group to take.

Having no further business, the Uniform Education (D) Working Group adjourned.

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