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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States.

Founded in 1890, NAIFA represents the interests of more than 20,000 licensed insurance agents and financial advisers across the country. Ninety percent of NAIFA members serve middle-income clients and lower-income individuals and families. NAIFA members advocate at the state and federal levels to ensure policymakers hear directly from advisors and agents serving Main Street USA. Our mission is to

department actions. We think the Producer Licensing Handbook is an excellent place to document best practices that will further producer licensing uniformity and efficiency. Set forth below are a number of topics we think could be addressed by the PLTF in the Handbook or elsewhere this year.

1033 Waiver Process

As the PLTF has discussed previously

There are many ways pre-licensing mandates serve as barriers to entry, including requiring commitments of time, money and methods of study that discourage applicants who might also be caregivers, considering insurance as a second career or who come from non-traditional education backgrounds. These barriers—not to mention the costs states incur keeping them in place—might be acceptable if mandates were producing a public policy benefit, but the evidence shows they are not.

Today, there are still over twenty states with pre-licensing education mandates, although the trend is for states to eliminate these mandates. The NAIC's official position on pre-licensing mandates is that no pre-licensing education requirement is necessary. This position is articulated in the Uniform Licensing Standards. While the Standards give safe harbor to states that have a mandate of 20 hours per line, ACLI hopes the PLTF can have a discussion around this that will lead to the removal of pre-licensing mandates altogether.

Producer Exam Effectiveness

We know that the Task Force is working with the Special (EX) Committee on Race and Insurance to report on steps exam vendors have taken to mitigate cultural bias in producer licensing exams. Based on data coming from states, we believe this is an area that deserves more attention.

There are at least seven states that annually prepare and publish licensing exam pass rates by demographic, including race/ethnicity. For more than a decade, these reports have routinely shown Caucasian/White candidates scoring **C V L J Q L I L F D** higher than other groups across nearly all lines. For the Committee's reference, we have enclosed a chart that captures recent Life Agent exam pass rates by race/ethnicity from the seven reporting states. This chart reveals an alarming trend in who is and who is not efficiently making it through the licensing process, and it suggests licensing exams warrant more scrutiny, particularly to ensure these tests are not screening diversity from the industry.

Other ideas that have surfaced include the encouragement of mentoring programs that will hopefully improve retention, and exam delivery for non-primary English speakers. Other recommendations likely exist that will encourage company recruitment of individuals from all backgrounds.

Thank you again for your continued leadership of the PLTF, and the important work underway in support of diversity and inclusion within the producer community.

Sincerely,

Meaghan Gale

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Policy Director, Government Relations
National Association of Insurance and Financial Advisors

David Leifer

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Vice President & Associate General Counsel
American Council of Life Insurers

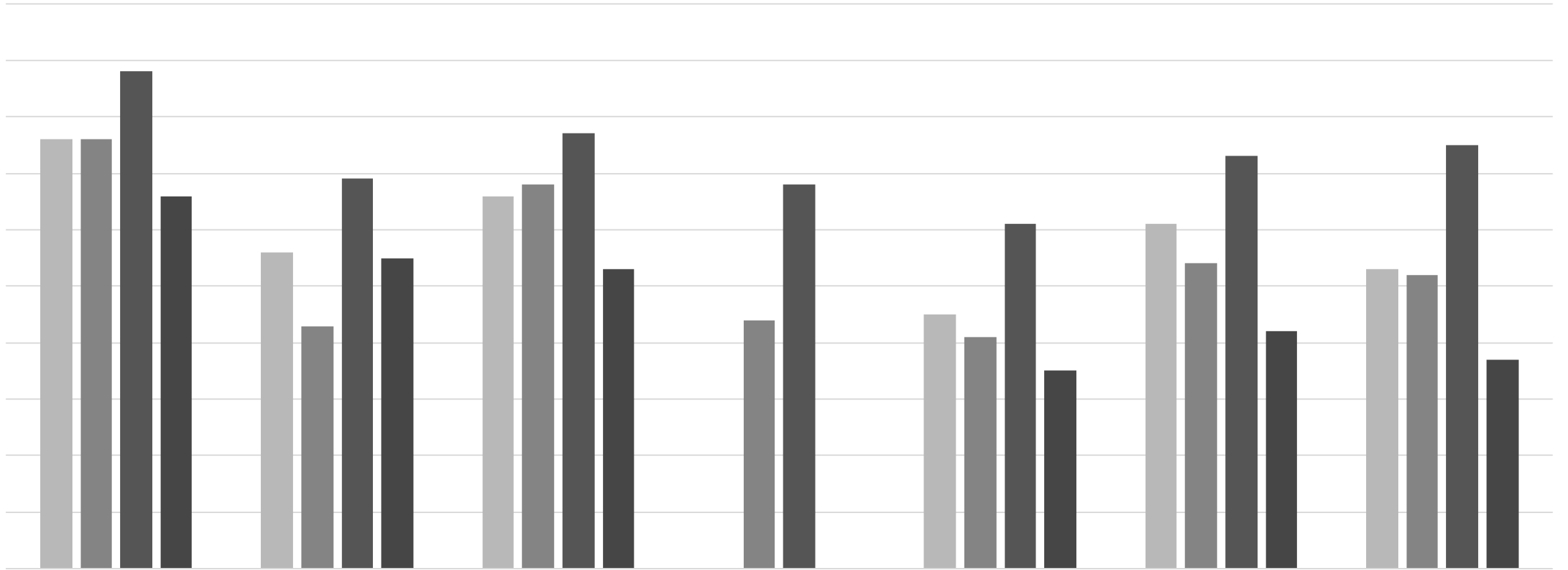
Ian Trepanier

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Policy Analyst
American Council of Life Insurers

CC: Tim Mullen, Director, Market Regulation, National Association of Insurance Commissioners

Attachments: 2011 NAIC Producer Licensing Working Group Memo
Demographic Chart



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Date: August 12, 2011

To: Roger Sevigny, Chair of the Producer Licensing (EX) Task Force

From: Anne Marie Narcini, Chair of the Producer Licensing (EX) Working Group

Re: Survey of States Regarding Prelicensing Education and Testing Processes

In 2011 the Producer Licensing Working Group was charged with continuing to review the process for examination development and delivery of education materials for pre-licensing education and provide recommendations for best practices to ensure the timely review and updates of exam material and a process geared toward testing the qualifications for an entry-level position as a producer. In an effort to provide necessary information regarding current state processes, earlier this year all jurisdictions were sent a survey regarding their current prelicensing education and examination processes. They were also asked to provide 2010 data on first time pass rates by major line of authority as well as the number of first time test takers. Forty two jurisdictions responded to the survey and forty provided first time pass rates; not all of them including the number of exam candidates. In an effort to provide as complete results as possible, we followed up several times with states that had not responded. Since we have not been able to compile information yet from all jurisdictions, we wish to report on the data received to date. The following states provided information:

Alabama
Alaska
Arkansas
Arizona
California

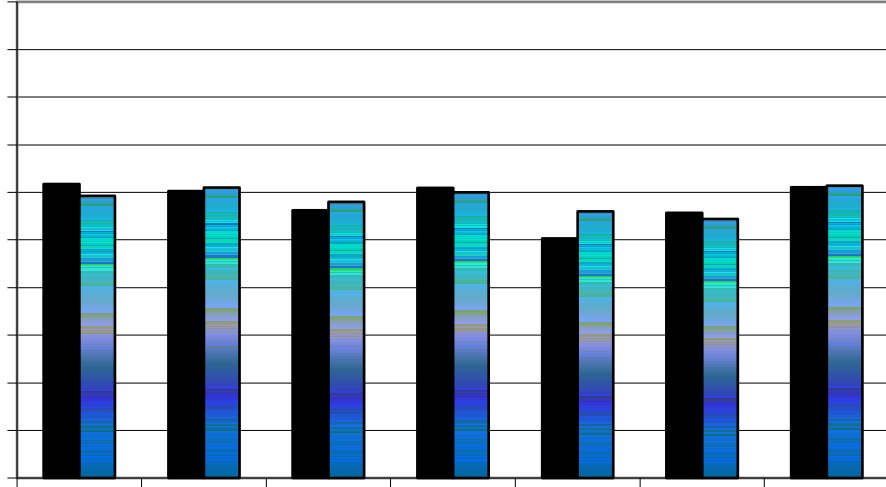
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Question	Response
Does your jurisdiction require prelicensing education for major lines?	22 Yes 20 No
If yes, how many Hours	13 20 Hours 1 20 Hours for 1 st line; 12 for additional lines 8 More than 20 hours
Do you have two parts to your exam: State Specific & General	

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We also reviewed whether the data indicated if mandatory prelicensing education impacted first time pass rates. Based upon information reported, it does not appear we can conclude that requiring prelicensing education impacts test scores in a positive or negative way.

Average and Median First time Pass Rates Based on Requirements for Prelicensing Education							
State Requirement	Life	Accident/Health	Property	Casualty	Personal Lines	P&C	L&H
No PreLic Ed Average	62.97%	55.55%	51.92%	60.50%	44.43%	59.35%	61.37%
No PreLic Ed Median	65.71%	57.50%	50.00%	58.86%	50.00%	60.22%	61.80%
Pre Lic Average	60.69%	64.29%	60.96%	61.37%	55.25%	52.76%	60.71%
Pre Lic Median	58.00%	62.00%	61.09%	60.61%	60.60%	50.40%	61.00%

We hope these survey findings are helpful as we continue to review the process for examination development and delivery of education materials for pre-licensing education and provide recommendations for best practices. I will continue to follow up with the jurisdictions that have not reported and those that did not provide complete data, so we may have the most relevant and up to date material possible to continue our review. I would be happy to discuss the results with you and/or the members of the Task Force at any time.

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