

reciprocal jurisdictions was increased to from 40 to 47. The Working Group also considered whether certain state requirements imposed upon non-residents and not necessarily addressed in the NAIC's 2002 reciprocity certification report have an impact on the reciprocity requirements of the Gramm-Leach-Bliley Act. Recognizing that both the producer licensing industry and producer licensing regulation have significantly evolved and modernized since 2002, the NAIC members wilhe

have been notified directly of any interested party comments. The Working Group will continue working with states to ensure timely and expeditious completion of checklists and resolution of any potential reciprocity issues.

3. *Producer Licensing Working Group*

In 2009, the Producer Licensing (EX) Working Group focused on the simplif-10

The Coalition has served as an exchange of useful information, opinions and ideas between regulators and industry representatives. Often times, this exchange has turned into an action item for the industry or regulators, whether to solicit feedback or support from their respective members or to develop a proposed solution to an identified issue. The Coalition has led the state assessment process since late 2007, and every participant of the Coalition's outreach effort – Coalition Commissioners, producer licensing regulators and representatives of industry organizations – have volunteered many hours and dedicated their expertise to promote the NAIC's goals and licensing standards and assist states in achieving full reciprocity and uniformity.

III. OVERVIEW OF PRODUCER OUTREACH EFFORT

A. Impetus for Outreach

Under the leadership of 2009 NAIC President Roger Sevigny, the NAIC's producer licensing strategy has raised the awareness of challenges in achieving meaningful producer licensing reform. The results of the producer licensing assessment confirmed many of the remaining legislative and regulatory changes require active industry support, and the Coalition has served a valuable purpose in engaging industry trade representatives in the reform process.

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The specific details of state compliance status and activity cited in this report are subject to change as states introduce legislation or implement administrative process changes to achieve compliance.

IV. GENERAL OUTCOME OF OUTREACH EFFORTS

A. Impact of Industry Involvement

The outreach program afforded industry members a unique forum to speak directly with Commissioners and key staff about the most pressing producer licensing issues. Industry had multiple opportunities to highlight their perspectives on the most important issues for each state to address. The process continues to result in increased industry awareness and understanding of reciprocity, uniformity and other key issues at the national and local levels.

To further enhance local industry awareness of national priorities, national trade associations were encouraged to reach out to their state association chapters and to either include them in the calls with the state insurance commissioners or represent specific local concerns. The Professional Insurance Agents (PIA) excelled at this assignment by bringing local representatives to most, if not all, calls assigned as well as additional calls for states with a strong PIA presence. The Independent Insurance Agents and Brokers of America and National Association of Insurance and Financial Advisors also heeded this request with good results. Including the local association chapters was a valuable part of the outreach as it gave Commissioners an opportunity to hear directly from producers operating in the marketplace. In addition, this effort provided all parties greater insights into what priorities are important at the state level and how these priorities are the same or vary from the priorities of the national producer licensing trade associations.

The outreach teams found that some issues identified as problematic at the national level, such as business entity licensing, were not identified as problematic at the local level. This stemmed from varying perspectives of producers who hold licenses in one or two states as opposed to the national trade associations, which view the licensing framework from a broader, national perspective. For example, producers active at the local level frequently opposed eliminating or re-defining lines of authority due to the administrative adjustments involved, but national trade associations often voiced concern about inefficiencies resulting from inconsistencies among lines of authority available from state to state.

While the implementation of a fingerprint requirement for resident producer applicants would be a major step toward achieving full licensing reciprocity, which is a priority for industry, the trade associations generally did not identify fingerprinting as a top priority. At times industry participants offered mild support but could not accommodate fingerprinting in the current year's agenda or stated further education was necessary before pursuing full implementation of a fingerprint requirement. Some readily acknowledged their members oppose passage of this requirement in the respective states. Key questions raised by local industry include the impact on producers already licensed, potential costs and the logistics of recording the fingerprints.

1. Fingerprinting

The ultimate uniformity goal is for all states to have the authority and capability to fingerprint resident applicants and conduct state and federal criminal background checks. Full implementation would presumably eliminate the fingerprint requirement non-reciprocal states currently impose upon non-resident applicants. As observed in the Aggregate Report and most state outreach reports, the primary barrier to this legislative change is lack of support from the state and local industry organizations. Stated reasons for opposition to the legislation continue to focus on generalized privacy concerns, perceived lack of need and uncertainty about applicability to existing producers.

Given the difficulties individual states face with implementing a fingerprint requirement, a federal solution may be more appropriate. The National Association of Registered Agents and Brokers Act (H.R. 2554), known as NARAB II, would not affect uniformity issues with resident licensing, but it could solve the major consumer protection issue of fingerprinting in every state, for those producers who elect to join the national association the bill would establish. The NAIC has supported this legislation as appropriately targeted and limited federal legislation that helps the states achieve the objective of increased uniformity in non-resident producer licensing. The current iteration of NARAB II legislation maintains state regulator control over the NARAB Board of Directors and, thus, over the non-resident licensing process without compromising important consumer protections and state revenues.

2. Business Entity Licensing

The simplification and standardization of the business entity licensing process and the creation of uniform licensing standards for business entities continues to be a priority issue. During the outreach efforts, industry advocated that particular states eliminate administratively burdensome requirements upon business entities, especially non-resident business entities. Some of these requirements included licensing branch locations, listing or tracking of affiliated producers, and prior approval of legal or assumed names. The outreach teams also encouraged states to fully utilize NIPR's resident and non-resident business entity licensing functionality, including the recommendation to eliminate requirements that cause all business entity applications filed through NIPR to pend or defer to the insurance department.

C. Recommendations for Next Steps

The outreach process illustrated that states continue to implement changes based upon the feedback received from their on-site producer licensing assessment in early 2008 and follow-

Producer licensing remains a key strategic initiative of the NAIC membership in 2010 and the focus of the Producer Licensing (EX) Task Force created in early 2009. This outreach effort has produced additional constructive information that can be used by the Task Force, its working groups, interested parties and the Producer Licensing Coalition members in determining how best to effectuate meaningful changes and recommendations. Suggested areas for focused discussion and action in 2010 include:

Producer Licensing Task Force

1. Monitor progress on recommendations to NIPR, which include the following: (1) work closely with the NAIC Market Regulation Division and the Producer Licensing Working Group to identify areas in the states’ electronic business rules that do not appear to comply with reciprocity or uniformity standards; (2) develop a uniform set of electronic processing standards (business rules) to facilitate “true” uniformity vs. “virtual” uniformity; (3) create a central location for the submission of company contract information (i.e., appointments/contracts database); (4) coordinate and/or track multi-state insurance examinations; (5) create a central location for the submission of national criminal background-check status information; and (6) create a central location for the submission of continuing-education and pre-licensing course information.
2. In conjunction with the Producer Licensing Coalition, work closely with the NIPR to encourage full utilization by all states and producers of NIPR products and services, including individual and business entity resident and non-resident licensing, address change requests, Attachments Warehouse and reporting of administrative actions.
3. Finalize the evaluation of the key findings and issues regarding disparate business entity licensing laws, regulations and practices identified in the state producer licensing assessments by comparing the administrative burdens with the consumer protections arising from the licensing of business entities, and provide policymaking recommendations for simplifying and standardizing the business entity licensing process, considering all

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NARAB Working Group

1. Complete the state reciprocity recertification based on the Working Group's 2009 reciprocity report and adopt a final report for recertification of the states' compliance with the reciprocity mandates of the Gramm-Leach-Bliley Act.

Producer Licensing Working Group

1. Review the process for examination development and develop uniform standards for the delivery of examinations, updating of examinations and passage rate for examinations.
2. Finalize the review of limited-line licensing issues, with particular focus on the following: (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; (2) the licensing requirements of individuals selling limited-line insurance products; and (3) the fingerprinting of individuals selling limited-line insurance products.
3. Continue to provide oversight and ongoing updates, as needed, to the State Licensing Handbook.
4. In response to inquiries about the states' adoption and interpretation of the Producer Licensing Model Act (#205) and uniform licensing standards (ULS), provide updates to the frequently asked questions document regarding the model act and guidance on practices to implement all of the ULS.
5. Provide ongoing maintenance and review of reciprocity guidelines and uniform application forms for continuing-education providers and state review and approval of courses.
6. Provide input and feedback to NAIC/NIPR staff regarding the development of electronic-licensing applications, such as a centralized filing point for notification of administrative/criminal actions and Personalized Information Capture System (PICS) alerts for state insurance regulators.
7. Serve as an informal focus group with NAIC staff for the development and delivery of a State Licensing Handbook training class for state insurance departments.

examination/testing process and ways to encourage state and local industry organizations to actively support full adoption of the major lines of authority and elimination of non-core limited lines of authority.

- Nine states have passed legislation and will implement a fingerprint requirement in 2010;
- Thirteen additional states utilize the NAIC Uniform Applications;
- Seven additional states issue the major lines of authority independently and consistently with the PLMA definitions;
- Nine additional states comply with the uniformity standard limiting the available exemptions from continuing education; and
- Six additional states comply with the uniformity standard specifying the appropriate number and definitions of limited lines of authority.

The chart also documents eight other uniformity standards where one or two additional states became compliant. In total, the chart illustrates an increase of overall compliance with the NAIC Uniform Licensing Standards from 80% in 2009 to 86% in 2010.

VI. CONCLUSION

The tremendous amount of improvement in compliance with Uniform Licensing Standards demonstrates the effectiveness of the dedicated proactive efforts of NAIC members and industry, both Producer Licensing Coalition members and local-level producer representatives, toward meaningful, targeted producer licensing reform. The on-site assessment process was characterized as providing a roadmap for legislative and regulatory changes necessary to achieve complete reciprocity and uniformity. Using this roadmap, the outreach project was a vehicle for leveraging regulator and industry expertise to identify priority issues. The outreach effort built upon the factual basis provided by the assessments and assisted states in crystallizing their specific needs, whether, for example, to enlist industry support for legislative proposals or to revise business rules to accurately reflect Department practice.

As a result of the outreach process, states have an even better gauge on where they stand in relation to producer licensing goals, the specific steps needed to accomplish the goals and the industry and fellow regulator support available to help realize the goals. Consistent with the aggregate assessment report issued one year ago, this report is intended to assist the NAIC leadership and membership in further defining the roadmap for reform in 2010 and in evaluating options for the future of state-based producer licensing regulation.

UNIFORM LICENSING STANDARDS -Compliance Chart-

Updated March 23, 2010

	Compliant March 2009	Compliant March 2010	Not Compliant March 2009	Not Compliant March 2010	LAW	Regulation Rule	Dept. Process	Pending Change
Licensing Qualification Standards								
1 Age - 18	51	51	1	1			1	
2 Citizenship	51	52	2	0				1
3 Education	51	51	1	1				
Pre-Licensing Education Training Standards for Resident Applicants								
4 Hours Required	30	40	22	12	10	3	1	1
5 Training Method	44	47	8	5	2	2		
6 Verification of Completion	52	52	0	0				
7 Waiver/Exemption	33	45	19	7		9	1	3
Producer Licensing Test Standards For Resident Applicants								
8 Lines of Authority	33	41	19	11	9		1	3
9 Waiver/Exemption	35	42	17	10	3			2
10 Exam Content/Subject Area Standards	52	52	0	0				
11 Testing Administration Requirements	52	52	0	0				
12 Failure of Exam/Retesting	52	52	0	0				
Integrity/Personal Qualifications/ Background Checks Standards								
13 Integrity/Personal Standards	48	48	4	4	3			
14A Background Checks - Uniform Application *(New Standard)	NA	40	NA	9				1
14B Background Checks - RIRS / SPLR and SAD	44	51	2	1				
14C(1) Background Checks - Fingerprinting State/Federal	16	16	36	36	27			9
14C(2) Background Checks - Statewide Criminal History *(New Standard)	NA	24	NA	28	22			6
Application for Licensure/License Structure Standards								
15 Uniform Application	31	44	21	8	3	1		1
16A Six Major Lines of Authority	34	41	16	11	4			
16B Core Limited Lines	34	35	16	17	3			
17 License Term	42	44	7	8	5	1	2	1
18 Continuation Process	23	29	16	23	17	4	6	3
19 Enforcement	48	51	1	1	1			
20 Fee	51	51	1	1		1		
Appointment Process Standards								
21 Process	45	48	7	4	3	1		
22 Appointment Renewal Cycle	51	51	1	1	1	1		
Continuing Education Requirements Standards For Resident Producers								
23 Credit Required	27	32	25	20	15	4	1	1
24 Term of Compliance	37	39	15	13	10	2	1	2
25 Lines of Authority	44	47	8	5	4	2		
26 Subject Area Requirements	30	36	22	16	10	6		
27 Repeating of CE Courses	45	49	7	3	1	1		1
28 CE Study Method	51	52	1	0	1			
29 Verification of Completion	50	50	2	2			2	
30 Waiver/Exemption	24	33	28	19	16	2	1	
31 Course Approval Standards and Process	46	49	6	3	2		1	
32 Advertising CE Programs	45	49	7	3	1		1	
Limited Lines Uniformity Standards								
33 Definitions of Core Limited Licenses	25	31	27	21	17	3		5
34 Testing Requirement Resident Applicants	50	50	2	7	1			
35 CE Requirement Resident Producers	40	41	12	11	9	1	1	2
Surplus Lines Standards								
36 Surplus Line Standards	49	50	3	2				1
37 Surplus Line Exam *(New Standard)	NA	52	NA	0				
Commercial Lines Multi-State Exemption Standard								
38 Commercial Line Multiple Exemption *(New Standard)	NA	44	NA	6				
Commission Sharing Standard								
39 Commission Sharing *(New Standard)	NA	38	NA	9				