

# Bureau of Insurance

## Insurance Agent Licensing Focus Group

PLMA/Uniform Licensing Standards Applicable to  
Virginia Continuing Education and Licensing  
Requirements.

Presented by Richard J. Tozer

# 2019 Legislative Proposals Focus Group

## Introductions

### **Virginia Bureau of Insurance:**

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### **Virginia Insurance Continuing Education Board:**

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## Presentation Overview

- Overview: Producer Licensing Model Act/Uniform Licensing Standards
- Compliance Comparison: A review of Virginia's statutes
- Discussion: Proposed Legislation – Three Key Areas
- Fingerprinting
- Why it matters
- Implementation Process
- What will not change
- Renewal Process
- Things to Consider
- Summary



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## Overview

- In 2000, the NAIC<sup>1</sup> adopted the Producer Licensing Model Act (PLMA) which was created in accordance with the Gramm-Leach-Bliley Act of 1999 (GLBA) which required states to adopt uniform licensing standards by November 2002 to avert triggering NARAB<sup>2</sup>.
- Virginia was initially certified as a reciprocal jurisdiction by the NAIC on August 8, 2002. However, as a result of NAIC Executive Committee discussions with the Bureau of Insurance (Bureau) regarding national producer licensing reforms, Virginia was evaluated for the following:
  - (1) Compliance with GLBA reciprocity provisions;
  - (2) Compliance with the NAIC Uniform Licensing Standards (ULS);
  - (3) The ability to fully implement national standards.

<sup>1</sup> National Association of Insurance Commissioners

<sup>2</sup> National Association of Registered Agents and Brokers

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## Overview

Subsequent to the adoption of the PLMA, in December 2002 the NAIC adopted the Uniform Licensing Standards (ULS) which focused on certain broad areas not addressed in the PLMA:

- (1) licensing qualifications;
- (2) pre-licensing education;
- (3) licensing testing;
- (4) integrity/background check standards;
- (5) license application process;
- (6) appointment process;
- (7) continuing education requirements; and
- (8) limited lines licensing.



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- In December 2008 the ULS were revised based upon issues identified during the NAIC Producer Licensing Assessments conducted in 2007 and 2008.
- In 2010 and 2011 the standards were revised again to more specifically address limited line requirements.
- In the Fall of 2012 the NAIC Producer Licensing (EX) Working Group added new language to the standards addressing Testing and Examination language.
  - Virginia adopted the 2012 testing and examination standards in 2013.

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## Key Findings

- Virginia is uniform and compliant in the majority of areas of Continuing Education and Agents' Licensing qualification standards as described in the Uniform Licensing Standards (ULS).
- Virginia continues to work towards uniformity and compliance in the areas of Continuing Education and Agents' Licensing qualification standards as described in the PLMA and the ULS.
- Currently Virginia is 73% compliant. The Bureau's goal is for Virginia to become uniform as possible with all PLMA/ULS qualification standards.



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## ULS Compliance Comparison (%)<sup>3</sup>

### Legislation - 2018

- Licensing Exam Waiver (CPCU/CLU) (87%);
- CE Waiver/Exemption (77%);

### Proposed Legislation - 2019

- Background Checks (Fingerprinting) (58%);
- Continuation Process (Renewals) (77%);
- Biennial CE coincide with renewal (90%).

<sup>3</sup>(%) = States Compliance (NAIC, September 2017)



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## Proposed Legislation

- In order to become PLMA/ULS compliant, Virginia CE and licensing statutes will need revisions.
- Today we are going to discuss three key areas in which the Bureau is proposing legislative changes:
  - (1) Continuation Process (License renewals);
  - (2) Continuing Education (Coincide with renewal);
  - (3) Integrity/Background Check Standards (Fingerprinting).

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## (1) Continuation Process

### **PLMA Uniformity Standards require:**

Individual licenses renew on a biennial basis on the licensee's month of birth or date of birth. Birth month is defined as the last date of birth month.

States may renew licenses based on the year of birth.

Producer born in an odd-numbered year renews in odd numbered years. Producer born in an even-numbered year renews in even numbered years.

### **Virginia statutes currently require:**

Producer licenses are perpetual;

Consultant, Surplus Lines Broker, and Viatical Settlement Broker licenses renew (Date Certain, June 30).

Public Adjuster licenses renew every 24 months based on date issued;

Title Settlement Agent/RESA licenses renew every even-year (Date Certain, June 30).



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## (1) Continuation Process

### **PLMA Uniformity Standards require:**

Business entity licenses will continue on a date certain.

NAIC Best Practice - Business entities renew at the same time date certain on an a biennial basis i.e. April 1, June 1, etc.

### **Virginia statutes currently require:**

Business entity producer licenses are perpetual.

Consultant, Surplus Lines Broker, and Viatical Settlement Broker licenses renew (Date Certain, June 30).

Public Adjuster licenses renew every 24 months based on date issued;

Title Settlement Agent/RESA licenses renew ever even-year (Date Certain, June 30).

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## (1) Continuation Process

### **PLMA Uniformity Standards require:**

Licensees who fail to renew are to be terminated for nonrenewal. Agents are allowed to complete necessary CE and have license reinstated within 12 months from the compliance date without the necessity of passing a written examination or submitting a criminal history record report/fingerprints.

Any penalty fee assessed can be no more than double the unpaid fee received after the due date.



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## (1) Continuation Process

### **Virginia statutes currently require:**

Failure to complete CE by December 31 every even-year results in license termination effective February 15 following end of biennium.

Residents required to pass written examination, submit a current Virginia State Police Criminal History Record Report (CHRR), and NAIC Uniform Application.

Non-Residents are required to submit the NAIC Uniform Application.

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## (2) Continuing Education

### **PLMA Uniformity Standards require:**

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

### **Virginia statutes currently require:**

All agents must be CE compliant December 31 every even-year.



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## (3) Integrity/Background Check Standards

### **PLMA Uniformity Standards require:**

States will fingerprint their resident producer applicants and conduct state and federal criminal background checks on new resident producer applicants.

### **Virginia currently requires:**

A current Virginia State Police Criminal History Record Report (CHRR).

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## Integrity/Background Checks - Fingerprinting

- The Bureau will select a vendor with the most locations in Virginia;
- The Bureau will partner with the Virginia State Police/FBI to implement fingerprinting;
- Fingerprinting process will be electronic;
- New resident producer applicants will be required to be fingerprinted and a state and federal criminal background check will be conducted;
- NAIC Best Practice recommends only resident producers who do not reinstate a lapsed license within the 12 month reinstatement period should be required to submit fingerprints;
- The Bureau is considering adopting the NAIC's Authorization for Criminal History Record Check Model Act.



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## Why it matters

- Uniformity: Agents file single renewal application for all states<sup>4</sup>;
- Agents have 12 months to reinstate license (no exam);
- Ongoing CE (CE coincides with renewal);
  - Less congested schedule for CE Providers/Instructors.
- Clean Lean Data;
  - Accurate agent licensing/appointment data
  - Protect PII<sup>5</sup> data by purging old data
- Fingerprinting provides nationwide criminal record background for residents.

<sup>4</sup>Five states maintain perpetual licenses (FL, ME, MI, NC, VA).

<sup>5</sup>Personally Identifiable Information

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## Why it matters (cont.)

### Continuing Compliance

- Renewals provide updated Background Information;
  - Felony/Misdemeanor/Military Convictions
  - Administrative Actions/FINRA sanctions
  - Child Support Obligations
  - **Contact Information;**
    - **Reduction in Returned Mail**
    - **Increased CE Compliance**
  - DLP<sup>6</sup> Information (Agency Renewals)

<sup>6</sup>Designated Licensed Producer



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## Implementation

- The Bureau envisions a period of time is necessary to implement proposed changes.
- After passage of the required legislation the current CE biennium (2019-2020) would be completed to allow enough time for system changes and agent/provider education.
- Bureau will partner with agent associations to educate agents.
- The first biennium under the new program would require special compliance schedules to cycle existing individual licensees to their birth month/year and business entity licenses to a 24 month cycle based on date certain, i.e. May 1.

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## Implementation Renewals

Licensees transitioning to a 24 month issue/birth month/year renewal cycle based on January 1, 2021 implementation.

### Rules:

Minimum Length of Existing/Initial License 12 - 18 Months;

Maximum Length of Existing/Initial License 29 - 36 Months;

Month licensed in is not counted in calculating cycle;

License renews every 24 months once cycled to Birth Month/Year. Business entities renew date certain every 24 months, i.e. May 1.



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## Implementation Time Table - Agents

### Option 1

Divides existing licenses into odd/even years by birth year.

Allows a minimum of 13 months for licensees to complete CE while not extending the time beyond 36 months.

Timetable is based on current Virginia law that exempts residents issued a new license during the last 12 months of the biennium from fulfilling CE for that biennium<sup>7</sup>. Therefore, licensed on or after January 1 of an even-year residents have 24 – 36 months to complete CE.

Tom, Born February 1946, Licensed March 1983. First renewal due February 2022 (13 months). Renewal cycle February every even-year.

Mary, Born December 1953, Licensed July 1979. First renewal due December 2023 (35 months). Renewal cycle December every odd-year.

<sup>7</sup>Section 38.2-1871 A of the Code of Virginia

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## Implementation Time Table – Option 1

	EVEN BIRTH YEAR											
	LICENSED ODD YEAR											
	MONTH LICENSED											
	INITIAL LICENSE LENGTH (MONTHS)											
BIRTH MONTH	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Jan	36	35	34	33	32	31	30	29	28	27	26	25
Feb	13	36	35	34	33	32	31	30	29	28	27	26
Mar	14	13	36	35	34	33	32	31	30	29	28	27
Apr	15	14	13	36	35	34	33	32	31	30	29	28
May	16	15	14	13	36	35	34	33	32	31	30	29
Jun	17	16	15	14	13	36	35	34	33	32	31	30
Jul	18	17	16	15	14	13	36	35	34	33	32	31
Aug	19	18	17	16	15	14	13	36	35	34	33	32
Sep	20	19	18	17	16	15	14	13	36	35	34	33
Oct	21	20	19	18	17	16	15	14	13	36	35	34
Nov	22	21	20	19	18	17	16	15	14	13	36	35
Dec	23	22	21	20	19	18	17	16	15	14	13	36

Orange Months Represent License Length for Existing Licensees.



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## Implementation Time Table – Option 1 (cont.)

	ODD BIRTH YEAR											
	LICENSED ODD YEAR											
	MONTH LICENSED											
	INITIAL LICENSE LENGTH (MONTHS)											
BIRTH MONTH	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Jan	24	23	22	21	20	19	18	17	16	15	14	13
Feb	25	24	23	22	21	20	19	18	17	16	15	14
Mar	26	25	24	23	22	21	20	19	18	17	16	15
Apr	27	26	25	24	23	22	21	20	19	18	17	16
May	28	27	26	25	24	23	22	21	20	19	18	17
Jun	29	28	27	26	25	24	23	22	21	20	19	18
Jul	30	29	28	27	26	25	24	23	22	21	20	19
Aug	31	30	29	28	27	26	25	24	23	22	21	20
Sep	32	31	30	29	28	27	26	25	24	23	22	21
Oct	33	32	31	30	29	28	27	26	25	24	23	22
Nov	34	33	32	31	30	29	28	27	26	25	24	23
Dec	35	34	33	32	31	30	29	28	27	26	25	24

Orange Months Represent License Length for Existing Licensees.

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## Implementation Time Table – Agents (cont.)

### Option 2

Divides licenses into odd/even years based on month issued and when birth month falls within the year.

Allows a minimum of 18 months for licensees to complete CE while not extending the time beyond 29 months.

Lisa, Born June 1955, Licensed March 1993. First renewal due June 2022 (18 months). Renewal cycle June every even-year.

Juan, Born May 1964, Licensed July 1989. First renewal due May 2023 (29 months). Renewal cycle May every odd-year.



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## Implementation Time Table – Option 2

### Virginia Existing Licenses

Expiration Date assigned upon renewal for licenses initially issued **before** 1/1/2021.

⊕ Note: Assumes 18-month minimum

Birthday in...	Will renew in...
January	January 2023 (25 months)
February	February 2023 (26 months)
March	March 2023 (27 months)
April	April 2023 (28 months)
May	May 2023 (29 months)
June	June 2022 (18 months)
July	July 2022 (19 months)
August	August 2022 (20 months)
September	September 2022 (21 months)
October	October 2022 (22 months)
November	November 2022 (23 months)
December	December 2022 (24 months)

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## Implementation Time Table - Agencies

There are a number of ways an agency's renewal date is determined.

### Option 1

Agency licenses renew date certain. Example: All licenses renew May 1 every other year, i.e. 2023, 2025, etc.

### Option 2

Divide agency licenses into odd/even years based on year issued.

Allows a minimum of 12 - 18 months for licensees while not extending the time beyond 29 -36 months.

### Option 3

Agency licenses renew date certain: i.e. A - L odd year; M – Z even year.



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## What will not change

### CE Requirements

- Resident agents must complete at least 3 credit hours of Ethics (which may include Insurance Law and Regulations).
- Resident agents holding one license type, or holding both Life & Annuities and Health, must complete 16 credit hours of CE.
- Resident agents holding two or more license types must complete 24 credit hours of CE.
- Residents and Non-Residents must pay the CE continuance fee.
  - Fee will be collected by the Bureau as part of the renewal and forwarded to the VICEB<sup>8</sup>.

<sup>8</sup>Virginia Insurance Continuing Education Board

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## Renewal Process

- Submit NAIC Uniform Renewal Application
  - Sircon (Vertafore)
  - NIPR<sup>9</sup>
- Agents that submit a renewal application to birth month/year states will include Virginia and pay the necessary fees for all license types in a single transaction<sup>10</sup>.
- Agents must disclose background information not previously reported.

<sup>9</sup>National Insurance Producer Registry

<sup>10</sup>77% states are E/BM. Licenses include Consultant, Limited Lines Producer, Producer, Public Adjuster, Surplus Lines, Title Settlement/RESA, and Viatical Settlement Broker.



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## Renewal Process (cont.)

- Renewal Application processing fees:
  - Producer license \$15 per Line of Authority<sup>11</sup>;
  - Public Adjuster \$250;
  - Specialty license \$100 per Line of Authority<sup>12</sup>;
  - TSA/RESA Registration \$100/\$35;
  - Non-Refundable/Per Application.

<sup>11</sup>Projected fees.

<sup>12</sup>Specialty licenses moving from annual to biennial renewal (No change in annual license cost).

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## Things to consider

- Complete the 2019-2020 CE Biennium;
- Rolling existing licenses to an expiration date (“Big Bang”);
  - Agents have varying time to cycle to first Renewal;
  - Agents with different time frames to complete CE;
  - Agents licenses have different expiration dates.



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## Things to consider (cont.)

- During reinstatement period agents unable to submit new applications for licenses terminated for failure to renew. Must apply for reinstatement or wait 12 months;
- CE/renewal completed in reinstatement year will not extend following CE/renewal period. Expiration date remains on 24 month cycle as if renewed on time;
- Reinstated licenses will show break in licensure (new effective date);
- Appointments – Insurers reappoint on reinstatement;
- Processing high volume of renewal applications;
- Every month is a CE month!
- Fingerprint/Background results identify statutory violations.

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## Summary

- Individual licenses renew on a biennial basis on the licensee's month of birth/year of birth;
- Business entity licenses will renew on a biennial basis based on date certain i.e. May 1;
- The biennial CE compliance period will coincide with the producer's license renewal;
- Licensees have up to 1 year to reinstate (no exam, no fingerprints);
- CE requirements will not change;
- New resident producer applicants will be required to be fingerprinted and a state and federal criminal background check will be conducted.



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**Questions?**