

Insurance licenses: How to navigate the current requirements

Mar 22 2012 Kristen Thompson

The state regulation of insurance has been directly affected by portions of the Dodd-Frank act, compelling entities such as the National Association of Insurance Commissioners (NAIC) and state regulators to work to comply with the new provisions and streamline the producer licensing process.

Some insurance producers and agencies are overwhelmed by inconsistent insurance licensing requirements between states, and by a growing list of requirements that resident and nonresident insurance producers and entities must meet to stay in compliance and maintain their licenses.

Most states retain a variety of individual requirements for licensing. They typically differ with respect to fees, fingerprinting and appointments, among other requirements. Even more challenging are the inconsistencies among the states regarding business-entity licensing.

While the NAIC's Producer Licensing Model Act (PLMA) did bring some uniformity to the producer-licensing process, it left many of the decisions regarding the licensing process to the individual states.

Most states have enacted the entire PLMA, but a number of states have enacted only the reciprocity portions of the model. Of the states that have enacted the entire PLMA, several have deviated significantly from the model's original language.

How to begin the licensing and renewal process

For new agents, beware: Each state varies on what they require prior to obtaining an insurance license.

The first license that must be obtained is the insurance license for the state in which the prospective insurance agent resides (resident license). If the prospective insurance agent wishes to sell products outside of their resident state, they must submit an application to each state in which they wish to sell such products, pay the licensing fee and meet any continuing education requirements prior to receiving the license (non-resident license).

Before applying for licenses in other states, the prospective insurance agent must first obtain their resident license and adhere to all state requirements regarding appointments and continuing education, among other requirements. Most non-resident states rely on the insurance agent to maintain good standing in their resident state so as to obtain, maintain or renew licensure in the nonresident states.

The following list may be used as a general guide to navigate through the process for obtaining resident license:

- Fingerprint impressions: Fingerprints are required for unlicensed applicants and can be submitted at any time prior to taking the license examination, even before submitting the license application. Each state varies on where fingerprints are administered. Failure to submit fingerprints in a timely manner may cause a delay in the issuance of the license.
- Complete pre-licensing study requirements: The amount of hours to satisfy pre-licensing requirements vary by state, but generally consist of approximately 20 hours of approved accident and health pre-licensing study and 12 hours of approved pre-licensing study on ethics and the Insurance Code of the resident state. These courses can be taken through various approved education providers.
- Apply for an insurance license: Most states now allow an insurance license to be submitted online. It is important to go to applicant's resident department of insurance website and review the state specific requirements.
- Pay all fees. Be sure to pay all fees associated with the license application, which vary by state.
- Schedule and pass the insurance examination: Timely schedule the exam at an approved testing center as listed on your state's Department of Insurance webpage.

Various state licenses must be renewed annually. Based upon the individual requirements in each state, there may be continuing regulatory requirements and post-licensure oversight that must be attended to as well, which requires time, human capital and money to achieve. Moreover, the standards by which the states measure compliance with licensing requirements differ from state to state. For example, nonresidents may not have full reciprocity. Others may require pre-licensing education, continuing education, criminal background checks, or have varying agent appointment procedures, license tenure standards and renewal dates.

Although a uniform electronic producer licensing application is now available for use, several states, such as Florida, do not use the form. In those states that do, there may not be a common response mechanism which allows the producer to be notified when their renewal has been processed, as is the case with Massachusetts. To know the specific requirements of each applicable state, NAIC offers an interactive map for users to access the various states' websites to ensure compliance with all filing requirements.

In addition, there are several web-based producer licensing systems that may assist with the insurance license application and renewal process. SIRCON and NIPR provide the user with access to their insurance producer licensing software, which allows carriers, agencies and individual agents to submit an insurance license application, insurance license renewal, National Producer Database (PDB) inquiry, or agent appointments in most states. Notably, as there is not currently a uniform renewal system across the 50 states, it may be necessary to renew both individual producer as

well as business-entity renewals on state specific insurance department sites.

Additionally, every state requires the filing of “additional information” if an applicant responds affirmatively to certain background or other questions on an application. This can be a repetitive and burdensome process and can cause significant delays in license approval and often, denial of the license altogether.

New requirements for insurance agents

In 2011, several new requirements and standards for insurance agents have emerged. Here are the most notable:

NAIC's Suitability Model Regulation: In 2011, the NAIC introduced the Suitability in Annuity Transactions Model Regulation (Model Regulation). This Model Regulation was adopted to set foundational standards and procedures for suitable annuity recommendations by producers and to require insurers to establish a supervisory system to oversee that producer recommendations meet the insurance needs and financial objectives of the consumer. So far, only the following 21 states have adopted the Model Regulation: CA, CO, CT, DC, FL, HI, IL, IN, IA, KY, MD, NY, ND, OH, OK, OR, RI, SC, TX, WV, and WI.

State Continuing Education Requirements: New continuing education requirements have emerged which is causing confusion amongst insurance producers who are licensed in numerous states. For example, producers may be unsure if he or she will have to take each state's four-hour annuity continuing education requirement in order to sell annuities. For those producers conducting business in states that have adopted the Model Regulation, they will only have to take the NAIC Suitability in Annuity Transactions course once. Consequently, the state course they pass will carry over and meet the requirement for all other states in which they are registered that have adopted the NAIC Suitability requirement, with the exception of CA. If a producer is licensed in CA (resident or nonresident), it will still need to complete the CA specific annuity training prior to the expiration of their CA license and take the four-hour annuity continuing education course in an appropriate Model Regulation state.

Carrier Continuing Education Requirements: Most insurance carriers now require that any appointed producer take the insurance carrier's own specific variable annuity training, in addition to the state required training.

State Licensing and Affiliation Requirements: Many states are now requiring that the insurance producer be licensed to sell securities in states where he or she is licensed to sell variable annuities. Consequently, in addition to being affiliated with an insurance entity, states expect the producer to be affiliated as a registered representative with a broker-dealer.

Conclusion

Uniformity in the producer licensing process is emerging slowly. With the assistance of the NAIC and web-based systems such as SIRCON and NIPR, staying on top of new state requirements is becoming an easier task. For producers, it is essential to be apprised of not only the new continuing education requirements, but also, expectations

from carriers. During the first quarter and beyond, they should make it a habit to check these websites and carrier requirements to stay ahead of the curve with the insurance licensing requirements.

(Editing provided by Michelle L. Jacko, CEO, Core Compliance & Legal services.)



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