

SB336 - ACLI_League Letter of Support .pdf

Uploaded by: Luke Pinton

Position: FAV



The **League** of Life
and Health Insurers
of Maryland



January 31, 2024

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 336 – Insurance – Producer Licensing Requirements – Education and Experience

Favorable

Dear Chair Beidle:

The **American Council of Life Insurers (ACLI)**, and the **League of Life and Health Insurers of Maryland** strongly **support Senate Bill 336**, which addresses increasing concerns about agent recruitment, retention, and diversity.

ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry and its policyholders. Over 90 million American families rely on life insurance industry for financial protection & retirement security. Each day, life insurers pay out \$35.4 million in life insurance and annuities to Maryland families and businesses.

ACLI shares the conviction that a robust and diverse producer base is fundamental to the commitment of life insurers and life insurance producers and advisors to provide access to financial protection and savings products for all individuals. Over the past several years, **ACLI has worked with industry counterparts and regulators to identify and remove unnecessary barriers that prevent otherwise qualified candidates from entering and remaining in the industry.** One barrier to entry is the presence of unnecessary pre-licensing education mandates.

While the stated purpose of pre-licensing mandates has been to ensure candidates are prepared for the profession by helping them pass the licensing exam, the NAIC's Producer Licensing Working Group has determined that pre-licensing mandates do not achieve the goal of ensuring candidates are prepared for the profession. **Moreover, research has shown that pre-licensing mandates do not produce candidates more prepared to pass the exam.** Additionally, states without a mandate conduct post-exam questionnaires inquiring about time, methods, and modes of preparation. These reports have indicated that many candidates for licenses still take a course, buy materials, or otherwise, prepare for

the exam. The difference in states without a mandated states is candidates for a license are free to study in a way that best fits their schedule, budget, and study habits.

Pre-licensing mandates serve as barriers to entry into the industry by requiring excessive or unnecessary commitments of time, money, and methods of study. Removing barriers such as the prelicensure requirement is particularly important when we consider the varying needs of those who may be caregivers, considering insurance as a second career, and for those who come from non-traditional educational backgrounds. To date, two states (Alabama and Washington) have enacted legislation to remove pre-licensing education barriers.

We would like to thank Vice Chair Klausmeier for her leadership in this Committee and for her sponsorship of this bill. We would also like to thank Commissioner Birrane and the staff at the Maryland Insurance Administration for their work on this legislation. Passage and enactment of this legislation in Maryland will make the state a forward-thinking leader in our region and expand the ranks of insurance professionals to serve the financial needs of our consumers. **We support Senate Bill 336** and urge the Committee to give the bill a favorable report.

Sincerely,



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cc: Members, Senate Finance Committee

MD SB 336 Producer Licensing Comment Letter FINAL.

Uploaded by: Roger Moore

Position: FAV



MARYLAND

January 30, 2024

ATTN: Senate Finance Committee
Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Dear Chairwoman Beidle and Members of the Senate Finance Committee,

The National Association of Insurance and Financial Advisors, better known as NAIFA and NAIFA-MD, would like to express our thanks to the committee for their consideration of SB 336, which eliminates unnecessary, antiquated, and burdensome rules mandating pre-licensing education courses for insurance producer exam candidates.

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. The Maryland Chapter of NAIFA, which has close to **269** members that serve our communities.

Americans' financial needs continue to drive demand for more licensed, highly skilled life insurance producers and financial professionals. However, the insurance industry lacks an adequate number of producers to serve the needs of Americans as recruiting and retention for new producers continue to decline. Providing access to a wide range of insurance and financial services to help Americans plan for life's big moments is critical for financial security.

Pre-licensing education mandates currently serve as an unnecessary barrier for new producers entering the industry and potentially have a disproportionate impact on minority candidates with no discernable benefit. NAIFA strongly supports states maintaining high standards of knowledge and professionalism for producers entering the industry and that these applicants continue to require that new producers must demonstrate the necessary knowledge required to obtain an insurance license.

Insurance licensing exams remain the most important and valid component for testing adequate knowledge for licensing, separating the qualified from the unqualified. Of the 26 states that have removed pre-licensing education barriers, none report an adverse impact on exam passing rates or exam scores. Further, states that collect study data show that exam takers nearly universally report engaging in pre-licensing education. This indicates that the mandate is not necessary to ensure exam takers will adequately study. By eliminating mandated education, SB 336 will instill fairness in the state's licensing system and ensure the regulatory burden shouldered by residents is not heavier than non-residents.

All applicants, especially those who might also be caregivers, considering insurance as a second career, or who come from non-traditional educational backgrounds, should be free to study in a way that best fits their schedule, budget, and study habits. This approach is widely accepted in the financial services industry and is in line with similar financial services licensing exams administered by FINRA.

In closing, on behalf of our insurance agents that serve their communities in Maryland, NAIFA would like to express our gratitude to you for bringing forth SB 336. We stand ready to answer any questions that you or your colleagues may have.

Sincerely,

Jeff Ryan
President, NAIFA-Maryland
Mass Mutual Financial Group

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Uploaded by: Brett Lininger

Position: FWA

INDEPENDENT INSURANCE AGENTS OF MARYLAND, INC.

DBA BIG I MARYLAND



**Senate Finance Committee
Senate Bill 336
Position: Support with Amendment**

Dear Chairm Beidle and the Members of the Senate Finance Committee,

The BIG I MARYLAND ("Big I") is the State's oldest trade association of independent insurance agents. It represents 200 independent agencies, which employ over 2000 people in the state. We represent independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium, and large businesses offer a variety of insurance products – including property, casualty, life, health, employee benefit plans, and retirement products.

The Big I supports SB336 with an amendment. The proponents of this bill maintain that the pre-licensing requirement currently contained in the law is unnecessary because applicants for insurance producer licenses generally must demonstrate their competence and knowledge by passing an examination. While we have members who support the existing requirement (which is similar to education requirements found in other financial services sectors), our association does not oppose the elimination of the pre-licensing education obligation in instances where a candidate must pass an examination. As proposed, the bill would ensure that applicants for property, casualty, life, and health insurance licenses must at least pass the required examination and comply with continuing education requirements.

We are concerned, however, that the bill would also eliminate the pre-licensing education requirement for some license types where no examination is required today (e.g. a title insurance producer license and for limited lines producer licenses). Our association believes it would be bad public policy and harmful to consumers if the state were to grant licenses to individuals who have neither completed a simple program of instruction nor passed an examination of any kind. For these reasons, we urge the sponsor and the committee to amend the bill and to retain Section 10-104(f)(2) and Section 10-105(e)(2)

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**INDEPENDENT INSURANCE AGENTS
OF MARYLAND, INC.**

DBA BIG I MARYLAND



in any legislation that is advanced. We suspect the proposed repeal of these two paragraphs was inadvertent and are happy to work with Senator Klausmeier and others on this issue.

We appreciate the opportunity to provide these comments.

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SB0336 - MIA - LOI - FINAL.pdf

Uploaded by: Kathleen Birrane

Position: INFO

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Date: January 31, 2024

Bill # / Title: Senate Bill 336 - Insurance – Producer Licensing Requirements – Education and Experience

Committee: Senate Finance Committee

Position: Letter of Information (LOI)

The Maryland Insurance Administration (MIA) appreciates the opportunity to provide the Committee with information regarding Senate Bill 336.

Senate Bill 336 amends the Insurance Article to remove requirements that producer applicants take a pre-licensing course or work for a year prior to licensing. However, the bill keeps in place the licensing examination requirement as well as the requirement that the applicant be of good character and trustworthy.

This bill removes a significant barrier to becoming an insurance producer in Maryland, particularly for those from disadvantaged backgrounds, due to the cost associated with pre-licensing courses. This will also provide consumers in underserved communities with access to producers who otherwise may have been unable to go through the pre-licensing process. Further, removing this requirement in Maryland would bring our State in line with the 29 other states plus Washington, DC, which have already eliminated pre-licensing course requirements, including neighboring states Delaware and Virginia. The National Association of Insurance Commissioners (NAIC) does not recommend pre-licensing education requirements in either the Producer Licensing Model Act or its Uniform Licensing Standards, although the NAIC offers model text for the states that require pre-licensing education.

The MIA does note that there have been concerns raised that the removal of pre-licensing requirements could lead to less knowledgeable and competent new producers. However, this has not been shown to be the case in other states that have eliminated the pre-licensing course requirement, as demonstrated by licensing examination passage rates. Maryland has a process to review the examination questions with experienced producers and subject matter experts within the MIA to ensure that the exam is rigorous and candidates have the knowledge to act as a producer. Further, it has been reported that many, if not most, applicants still choose to take a licensing examination prep class similar to the pre-licensing course, should they have the means to do so. However, the elimination of such a course as a requirement would remove it as a barrier to entry for producer applicants without the means to afford it.

Thank you for the opportunity to provide this letter of information. The MIA is available to provide additional information and assistance to the Committee.