

Provide an explanation for why you believe or do not believe that the occupational regulations overseen by your board have been effective:

The business of insurance is a highly regulated industry. The existing statutory and regulatory requirements, as well as coordination with other states through the National Association of Insurance Commissioners (NAIC), has allowed the Department to effectively monitor the industry and remove bad actors. Insurance licensees are in a position of trust and have access to sensitive personal health and financial information about Nebraska consumers. As can be seen from the numbers provided, the limited number of license denials demonstrates a low barrier of entry into the profession. Further, the numbers of licenses revoked or given penalties is very low in comparison to the number of producers. While most insurance producers are of high integrity, the existing regulatory framework gives the Department the necessary authority to remove bad actors from taking advantage of the sensitive information and position of power they have access to.

Generally speaking, insurance producers are first licensed in their home state and then apply for non-resident licenses in other state in which they do business. Due to telephonic call centers and especially the internet, it is common for producers to be licensed in several states at the same time. Due to this situation, all 50 states and five US territories are members of the NAIC. Membership in the NAIC allows for sharing of agent licensing records among the various state members. Such sharing allows the states to keep each other informed when an agent has violated a law or had an insurance license revoked in another state. This multi-state mechanism allows Nebraska to protect its citizens against rogue or dishonest producers.

What is the potential harm if this occupation is no longer licensed, certified, or regulated:

Primarily, Nebraska would lose its authority to monitor the Nebraska insurance industry and remove bad actors. As noted above, insurance producers have access to sensitive personal health and financial information of Nebraska consumers and, as such, must meet certain minimum requirements related to education, knowledge, and integrity. The ability to remove bad actors from the marketplace is an important protection for Nebraska consumers.

Further, removal of this licensure would have an impact on nationwide uniformity. Producers must comply with various state laws and regulations governing their activities. There are currently more than 2 million individuals and more than 236,000 business entities licensed to provide insurance services in the United States. State insurance departments oversee producer activities as part of a comprehensive regulatory framework designed to protect insurance consumer interests in insurance transactions.

Traditionally, each state had its own licensing requirements. A producer licensed in one state generally had to meet the separate nonresident licensing requirements in other states in order to sell, solicit or negotiate insurance in such other states. As licensing requirements varied from state to state, producers had to submit the same (or similar) information each time but in different formats or different information, depending on each state's requirements. This imposed significant time and monetary costs on producers, their affiliated agencies and each state insurance department.

A provision in the federal Gramm-Leach-Bliley Act of 1999 (GLBA) sought to streamline producer licensing by requiring the states to enact certain reforms to the insurance producer-licensing process. The provision was designed to create a new organization called the National Association of Registered

Agents and Brokers (NARAB) if greater state producer-licensing uniformity or reciprocity was not achieved (the federal statute required at least 29 jurisdictions to achieve either reciprocity or uniformity in nonresident producer licensing by November 2002). The GLBA enactment sparked a nationwide movement to implement sweeping reforms to simplify and bring more efficiency to the producer-licensing process.

After many discussions, state insurance regulators opted to pursue reciprocity among the states for nonresident agent licensing first, followed by actions to improve uniformity in the producer licensing process. The states, through the National Association of Insurance Commissioners

(NAIC), adopted the NAIC Producer Licensing Model Act (#218) in February 2000 to help states comply with GLBA's reciprocity provisions. Nebraska has adopted a version of this model. Subsequently, the NAIC membership determined 35 jurisdictions had met the nonresident producer licensing reciprocity requirements under GLBA and, as a result, the GLBA version of NARAB was not created. Removal of Nebraska's licensing requirements would have an impact on the nationwide reciprocity effort.