

INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF CONSUMER PROTECTION SERVICES

Producer Licensing

Proposed Amendments: N.J.A.C. 11:17-1 through 3

Proposed Repeal: N.J.A.C. 11:17-3.7

Authorized By: Steven M. Goldman, Commissioner, Department of Banking and Insurance

Authority: N.J.S.A. 17:1-8.1, 17:1-15e and 17:22A-26 et seq.

Calendar Reference: See Summary below for explanation of exception to calendar requirement

Proposal Number: PRN 2006-181

Submit written comments by August 4, 2006 to:

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The agency proposal follows:

Summary

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999, Pub. L. 106-102, 113 U.S. Stat. 1338 (1999) (GLBA), provides for the modernization of the provision of various financial services, including insurance. With respect to licensing of insurance producers, GLBA mandates that a majority of the states enact uniform laws and regulations governing the licensure of individuals and entities authorized to sell and

solicit the purchase of insurance within the State; or enact reciprocity laws and regulations governing the licensure of nonresident individuals and entities authorized to sell and solicit insurance within those states. If states did not enact uniform laws and regulations or enact a system of reciprocal licensing by November 12, 2002, the National Association of Registered Agents and Brokers (NARAB) would be established to provide a mechanism through which uniform licensing, appointment, continuing education and other insurance producer qualification requirements and conditions can be adopted and applied on a multi-state basis.

In December 2002, the National Association of Insurance Commissioners (NAIC) adopted the Uniform Resident Licensing Standards in an effort to move all states from reciprocity to uniform licensing requirements consistent with GLBA. The producer licensing working group created the Uniformity Subgroup in 2004 with the charge of working with all states to change laws, regulations and work processes to implement all uniform standards by December 2006. Of the 37 uniform standards adopted by the NAIC, New Jersey has adopted 29. The Department of Banking and Insurance (Department) is proposing amendments to N.J.A.C. 11:17-1 through 3 in order to implement the remaining eight standards. These include:

1. Changing prelicensing education mandated class hours to 20 hours per line of authority;
2. Allowing self study and internet online courses for prelicensing education;
3. Allowing waiver of prelicensing education only (not testing) for several additional insurance professional designations;

4. Requiring 24 hours of continuing education biennially for resident producers, with three of those hours in ethics;
5. Requiring that continuing education compliance be biennial and tied to the renewal date;
6. For limited lines that have been adopted as “core limited lines” by the NAIC, to use the uniform definition of such coverages;
7. Changing the producer licensing term to a biennial period; and
8. Changing expiration dates for new and existing individual licensees to the last day of the birth month of the producer, and for business entity licensees to May 31.

In addition, the Department is proposing amendments to update and clarify the rules and to make other necessary changes to reflect the amendments summarized herein, including the collection of an agency appointment and termination fees pursuant to N.J.S.A. 17:22A-44.

All of the amendments, summarized more completely below, will help ensure that New Jersey’s producer licensing requirements reflect the national standards adopted by the NAIC, consistent with the requirements of GLBA. A summary of the proposed amendments follows.

Subchapter 1. General Provisions

N.J.A.C. 11:17-1.2 is proposed to be amended to include definitions of “authorized submitter” (with respect to authorized submitters for online applications); “car rental insurance” and “travel insurance” (which will replace “ticket insurance”);

“electronic online submission;” and “National Producer Number” or “NPN.” The Department also is proposing a definition of “controlling interest” for purposes of N.J.S.A. 17:22A-32e to provide an ownership threshold of 10 percent or more. This reflects the NAIC standard used elsewhere in the proposed amendments as set forth below, as well as NAIC standards and New Jersey law standards for determining control in other contexts (see N.J.S.A. 17:27A-1).

In addition, the definition of “branch office” is proposed to be amended to delete the reference to “resident” to clarify that nonresidents with New Jersey branch offices should register with the Department as well.

Subchapter 2. Licensing Rules

N.J.A.C. 11:17-2.1 is proposed to be amended to provide for a biennial license for licenses issued or renewed on or after January 1, 2007, with expiration on the last day of the birth month of the producer or, in the case of business entities, on May 31. In addition, if the birth month biennially is less than 18 months from the date of issuance or renewal, the license shall expire in the birth month of the following year. Similar provisions are proposed with respect to business entity licenses. The existing procedures continue to remain for licenses issued or renewed prior to January 1, 2007. These changes are intended to implement the uniform standards for two-year licenses, with birth month for expiration of individual licenses and a date certain for business entity licenses.

N.J.A.C. 11:17-2.1(b) is proposed to be deleted as no longer necessary. This subsection provides that each license issued shall contain an expiration date. This is no longer necessary in that the Department intends to cease including an expiration date on

the actual license and issuing a new license document for each license period. The license issued shall remain in effect subject to the requirements in proposed N.J.A.C. 11:17-2.1(d). The subsection proposed to be deleted also provides that an initial license shall be deemed effective as of the date of issuance of any temporary authority issued pursuant to N.J.A.C. 11:17-2.4. This provision is being revised and recodified at proposed N.J.A.C. 11:17-2.1(e), which provides that an initial license shall be deemed effective as of the date of issuance of any temporary authority if the application for licensure and applicable fees are received by the Department prior to expiration of the temporary authority. This proposed amendment codifies current practice that if a licensee receives temporary authority, the licensee must timely apply for licensure to keep the license in effect without lapse.

N.J.A.C. 11:17-2.1(d) is proposed to provide that an insurance producer license shall remain in effect unless revoked or suspended as long as the applicable renewal fee is timely paid and, in the case of resident individual insurance producers, education requirements are timely satisfied. This proposed amendment similarly reflects current procedures and N.J.S.A. 17:22A-33b.

N.J.A.C. 11:17-2.2(a)9 is proposed to be amended to revise the definition of “limited lines” authority to add as limited lines “car rental insurance” and “travel insurance” for licenses issued or renewed effective on or after January 1, 2007. These definitions will replace “ticket insurance” as a limited line, which will apply only for licenses issued or renewed prior to January 1, 2007. These proposed amendments reflect the definitions of these terms adopted by the NAIC.

N.J.A.C. 11:17-2.2(c) is proposed to be revised to clarify that a person must

maintain an active producer license with variable life and variable annuity authority in order to be authorized to transact business regarding contracts on a variable basis. In addition, references to producers licensed with life authority prior to November 4, 2002 are proposed to be deleted as no longer necessary.

N.J.A.C. 11:17-2.2(d), which relates to insurers submitting requests for limited insurance representatives until June 30, 2003 and to registered limited insurance representatives qualifying and applying for licensure as a limited line producer by January 1, 2004, is proposed to be deleted as no longer necessary.

N.J.A.C. 11:17-2.3(a)1 is proposed to be amended to specifically provide that applications may be in the form of electronic online submissions, refer to “authorized submitters” for electronic submissions, and to provide that application requirements apply to all producer applicants. This paragraph is also proposed to be amended to provide that where a nonresident applicant submits a copy of the application submitted to the home state, it must be accompanied by a statement certifying to truthfulness and accuracy of all responses to the questions concerning the applicant’s character and fitness for licensure as of the date of the submission. This requires that the applicant certify that relevant information has not changed from the time the original application was filed in the applicant’s home state to the time of application in this state. In addition, paragraph (a)5, as well as paragraph (b)4, are proposed to be amended to recognize electronic fingerprinting as acceptable fingerprint forms to reflect current standards. Further, paragraph (a)2 is proposed to be amended to provide that the applicant must apply for a license within one year of passing the examination. This proposed amendment reinstates language inadvertently deleted as part of the adoption of amendments in

2002, and will once again reflect current practice.

The rule is also proposed to be amended at N.J.A.C. 11:17-2.3(a)2 to specifically refer to N.J.S.A. 17:22A-35 for purposes of waivers from prelicensing education and exam requirements for resident applicants.

N.J.A.C. 11:17-2.3(b)1 and 4 are proposed to be amended to require the name, address and license reference number, if any, of all persons owning 10 percent or more of a business entity, rather than five percent, to reflect the uniform standard developed by the NAIC.

N.J.A.C. 11:17-2.3(b)3 is proposed to be amended to provide that a business entity applicant applying for a non-resident license is required to provide a certification evidencing that the applicant is authorized in the home state to transact business with comparable authorities only if such verification is not available on the Producer Licensing Database maintained by the NAIC. This eliminates filing information otherwise available to the Department.

N.J.A.C. 11:17-2.4(b) is proposed to be amended to extend the time within which a nonresident producer who changes his or her status to a resident of New Jersey must notify the Department to 30 days (from 20 days), require that such notification include not only change of addresses but contact information as well, and require that the producer notify the Department of the request to qualify as a resident within 90 days of the change in resident status. The proposed amendments also require that the licensee submit completed criminal history requests and fingerprint forms, which includes electronic fingerprinting. The proposed amendments also provide that the existing nonresident license shall remain in effect until receipt of the required information, upon

receipt of which, the status of the licensee is changed from nonresident to resident. The existing provision that the licensee may continue to act as an insurance producer for a period of 90 days from the date of notification and the ability of Commissioner to extend this time is proposed to be deleted. The proposed amendments reflect existing procedures for changes in resident status. In addition, the subsection heading is proposed to be amended to add a reference to change in residence status as a matter of form.

N.J.A.C. 11:17-2.5 is proposed to be amended to reflect the ability of producers to renew licenses through electronic submissions and to add references to owner or designated responsible producer for a licensed business entity, and to refer to authorized submitters for online submissions, to reflect current terminology and other proposed amendments. In addition, the Department proposes to revise the citation reference for continuing education requirements to correct a printing error.

N.J.A.C. 11:17-2.5(c) is proposed to be deleted. This subsection provides that any licensee who does not desire to apply for license renewal shall notify the Department by submitting the renewal application signed, dated and marked "Do Not Renew." The Department believes that this requirement is no longer necessary in that if a license is not renewed, it expires. This proposed change eliminates unnecessary filings. In addition, existing subsections (d) and (e) are proposed to be recodified as subsections (c) and (d).

N.J.A.C. 11:17-2.6 is proposed to be amended to provide for completing applications for additional authorities through an online electronic submission process. In addition, references to filing the original license are proposed to be deleted since licenses are no longer printed in a way to allow changes to be made on them and returned to the Department. In lieu thereof, notice with specified information is proposed to be

required as part of the application for additional authority. In addition, the rule is proposed to be amended to provide language previously inadvertently deleted that applicants must apply for a license within one year of the examination.

N.J.A.C. 11:17-2.7(f) is proposed to be amended to provide that requirements for business addresses and notification of a change of mailing or location address, shall also include changes in phone number and e-mail address. In addition, subsection (g) is amended to provide that a change in address may be provided through electronic submission or by submitting a written request signed by the producer or a licensed owner, officer, partner or designated responsible producer of the business entity indicating the change required and, in the event of a name change, appropriate supporting documentation of the change. This is in lieu of returning a copy of the original license and noting a change on the original license for the reasons set forth above.

N.J.A.C. 11:17-2.8, regarding the registration of branch offices, is proposed to be amended to refer to car rental insurance and travel insurance, which will replace the designation of “ticket insurance” for licenses issued or renewed on or after January 1, 2007; and to refer to registration of branch offices, rather than the issuance of a certificate, in that the Department no longer sends certificates of registration to individual offices. Finally, the rule is proposed to be amended to extend the time for a licensee to notify the Department of the closing of any branch office to 30 days, rather than 20 days, to reflect the timeframes set forth elsewhere in the chapter.

N.J.A.C. 11:17-2.9(a)2 is proposed to be amended to provide that an insurer contracting with a licensed insurance producer shall be responsible to advise the Department of that relationship by filing the notice within 15 days after execution of the

contract or within 15 days of when the first insurance application is submitted by the producer. This reflects the national standard adopted by the NAIC. The rule is also proposed to be amended to refer to the license reference number as a matter of form. In addition, the rule is proposed to be amended to provide for a fee, pursuant to N.J.S.A. 17:22A-44 and as set forth in N.J.A.C. 11:17-2.12, to be collected from the insurer for each appointment. The Department notes that the New Jersey Insurance producer Licensing Act of 2001 (the Act), at N.J.S.A. 17:22A-44, provides that the Commissioner of Banking and Insurance (Commissioner) shall, by regulation, set reasonable, necessary and appropriate fees to be charged for filing agency appointments, as well as licensing insurance producers and processing any other filings or documents required to be submitted pursuant to the Act. Although the proposed fees will be collected from the insurer, the insurer and producer may allocate this cost through the agreement between the parties.

N.J.A.C. 11:17-2.9(a)5 is proposed to be added to provide that all appointment notifications shall be renewed with the Department annually on May 1. In addition, the proposed amendment provides that insurers shall utilize the online process available through the National Producer Registry, and references the applicable renewal fee set forth at proposed N.J.A.C. 11:17-2.12 to be collected from the insurer. The Department also notes that most states that require appointment also require that such appointments be renewed and charge a fee for the necessary processing. Further, as noted above, the insurer and producer may allocate this cost through their agreement.

N.J.A.C. 11:17-2.9(a)6 (currently codified at N.J.A.C. 11:17-2.9(a)5) is proposed to be amended to refer to the proposed termination fee to be collected from the insurer at

N.J.A.C. 11:17-2.12 as a matter of form.

N.J.A.C. 11:17-2.9(a)6 through 8 are proposed to be recodified as paragraphs (a)7 through 9.

N.J.A.C. 11:17-2.11 is proposed to be amended to provide for the fingerprint requirements through electronic fingerprint scans through a vendor approved by the Department, with payment of the applicable fee. The rule is also proposed to be amended to provide that fingerprints shall be submitted for each officer, director, partner or owner of 10 percent or more of the organization, rather than five percent as is currently provided. This reflects the current procedures utilized for fingerprinting by the State Police and Federal authorities, which are no longer using or are phasing out the use of paper fingerprint cards, and reflects the NAIC uniform standards for ownership interest. In addition, the rule is proposed to be amended to provide that a licensed producer or a license applicant need only provide documentation pertaining to bankruptcies involving funds held on behalf of others to reflect the uniform application developed by the NAIC.

N.J.A.C. 11:17-2.11(a)5 is proposed to refer to N.J.S.A. 17:22A-45 as this statute also sets forth penalties that may be imposed by the Commissioner under the Act.

The Department is also proposing new N.J.A.C. 11:17-2.11(a)6 to provide that all licensed producers shall otherwise comply with the criminal and administrative action reporting requirements set forth at N.J.S.A. 17:22A-40a(18) and 17:22A-47 as a matter of form.

Similarly, N.J.A.C. 11:17-2.11(c) is proposed to be amended to require that business entities notify the Department within 30 days of the addition or deletion of licensed or unlicensed officers, directors, partner or owners of 10 percent, rather than five

percent, or more of the licensed organization, to reflect changes made to other rules in the chapter. In addition, notification is expressly required only for resident business entities to reflect the Department's existing requirements.

N.J.A.C. 11:17-2.12 is proposed to be amended to revise and add new fees to reflect the new biennial license and to reflect the reduced costs to the Department for submission of applications and requests for changes through electronic online submissions rather than paper filings. As noted above, N.J.S.A. 17:22A-44 provides that the Commissioner shall set reasonable and appropriate fees for processing filings, including agency appointments, and documents required to be submitted under the Act.

N.J.A.C. 11:17-2.13 is proposed to be amended to change the word "renewals" to read "renewal," and to make other punctuation changes as a matter of form.

N.J.A.C. 11:17-2.14(d) is proposed to be amended to provide that in the event a license is lost or destroyed, the licensee may request a duplicate by submitting a "signed," rather than "certified," statement attesting to the loss, as a matter of form.

Subchapter 3. Professional Qualifications

N.J.A.C. 11:17-3.1(c) is proposed to be amended to require that an application for approval of an insurance education provider shall also include copies of the course curriculum, and a description of the methods that the provider will use to document that the student has satisfactorily mastered the course content for each line of authority for which precensing education shall be offered. In addition, N.J.A.C. 11:17-3.1(e)4 is proposed to be amended to provide that, as part of the renewal application of an insurance education provider offering precensing education, copies of the course curriculum must

be provided as is set forth above. These provisions reflect the uniform standards adopted by the NAIC.

N.J.A.C. 11:17-3.2(a) is proposed to be amended to make appropriate references to classroom facilities to recognize that classes may also be provided online and that certain requirements set forth in the rule would only apply to classroom courses of study. In addition, the rule is proposed to be amended to provide that each provider offering prelicensing education courses shall provide each prospective student with a written outline of available remedies for students failing the State licensing examination during the registration process, or earlier upon request. At paragraph (a)7, reference to N.J.A.C. 11:17-3.4(k) is also proposed to be deleted as no longer necessary, as that rule is proposed to be deleted in light of the availability of online classes. Further, N.J.A.C. 11:17-3.2(c) is proposed to be amended to provide that the insurance education program shall issue to each student a statement, rather than a signature of the student and the instructor, verifying completion of the course, and that the instructor is satisfied that the student knows the material. In addition, the Department proposes to delete the requirement that the education provider provide a statement signed by an instructor that the student was instructed for the number of hours indicated on the certificate, that the instructor, based upon the results of an objective evaluation, is satisfied that the student knows the material, and that the student has received at least 70 percent minimum passing course grade with respect to the prelicensing test, as the Department believes this is no longer necessary.

The Department also proposes to amend the rule to include a new subsection (d) to provide that education programs shall issue to each student who has successfully

completed a continuing education course a certificate verifying completion of the course, which may be provided by electronic means, and which shall contain the information set forth in the proposed amendment. This change reflects current procedures.

N.J.A.C. 11:17-3.4 is proposed to be amended to revise the number of hours for prelicensing education effective January 1, 2007 to be a minimum of 20 hours to reflect the uniform standards adopted by the NAIC, as well as to make other changes to the references to the licensing authorities to reflect the current designations. In addition, N.J.A.C. 11:17-3.4(c)3 is amended to require producers applying for property authority to demonstrate satisfactory knowledge of flood insurance to qualify for licensure to comply with Section 207 of the Federal Flood Insurance Reform Act of 2004.

N.J.A.C. 11:17-3.4(e) is proposed to be amended to limit the exemption for prelicensing education or examination to the provisions set forth in N.J.S.A. 17:22A-35 by restating those exemptions in the rule, and deleting the current exemption, to reflect the uniform standards adopted by the NAIC.

N.J.A.C. 11:17-3.4(g) is proposed to be amended to provide additional standards for waiver of the courses set forth in subsections (b), (c) and (d) to reflect the current standards adopted by the NAIC.

N.J.A.C. 11:17-3.4(h) is proposed to be amended to provide that applicants seeking a waiver from the courses otherwise required shall continue to submit a recent certification of license status or letter of “clearance” (rather than letter of “severance,” to correct a printing error) unless such information is available on the Producer Licensing Database maintained by the NAIC. The subsection is also proposed to be amended to require that applicants seeking a waiver submit adequate proof of having earned one of

the required designations, which may include an official document or transcript issued by the organization conferring the designation.

N.J.A.C. 11:17-3.4(i) is proposed to be amended to provide that, if a waiver is approved, the letter of approval shall be submitted when taking the examination for a line of authority, rather than attaching it to the producer license application when submitted to the Department, to reflect current procedures.

N.J.A.C. 11:17-3.4(j) is proposed to be amended to provide that waivers shall expire in 90 days, rather than 60 days, from date of issuance. The reference to extensions not exceeding an additional period of 30 days is proposed to be deleted. These proposed changes reflect current procedures.

N.J.A.C. 11:17-3.4(k), which provides for waiver of classroom study, is proposed to be deleted, in that classroom courses are no longer mandatory.

N.J.A.C. 11:17-3.4(l) is proposed to be recodified at subsection (k).

N.J.A.C. 11:17-3.5 is proposed to be amended to refer to travel insurance and car rental insurance, and to delete specific requirements related to examinations to provide more flexibility, including the number of times per month examinations must be offered, number of administration centers, and the specific locations of the examination centers. In addition, the rule is proposed to be amended to provide that the examination contract vendor shall provide score reports to all passing and failing candidates as soon as practical following the examination, but in no event more than five calendar days after each test date, rather than within 15 days. This reflects current practice utilized by contract vendors.

The rule is also proposed to be amended to provide that the contract vendor

provide to the Department specified information in a format acceptable to the Department. In addition, reference to the Department of Insurance is revised to read Department of Banking and Insurance to reflect the proper name of the Department. Furthermore, the rule is proposed to be amended to permit the contract vendor to deliver to the Department or its designee electronic records, in a format prescribed by the Department, of the test registration data, including to whom a temporary work authority has been issued, by the next business day following the date of the test, rather than within 30 days of the test, to reflect current procedures with contract vendors and allow for applicants to make timely online application for licensure.

N.J.A.C. 11:17-3.5(c) is proposed to be deleted. This provides that applicants holding a recognized professional designation described in N.J.A.C. 11:17-3.7 are exempt from the licensing examination requirements. As noted previously, the only accepted standards for exemption are set forth in N.J.S.A. 17:22A-35. In addition, subsection (d) is proposed to be deleted. This subsection provides that applicants previously licensed as nonresidents who are applying as a resident shall apply for a waiver of prelicensing education and pass the New Jersey law and practice portion of any required examination for the authorities requested within 90 days of establishing New Jersey as a home state. This provision is no longer necessary because testing for nonresidents becoming residents is not allowed under the uniform standards unless after 90 days. The exemptions from testing and education are now set forth in proposed N.J.A.C. 11:17-3.4(e). Finally, various changes to this rule are proposed to be made to reflect changes in codification.

N.J.A.C. 11:17-3.6 is proposed to be amended to revise the time periods for

continuing education credits for licenses issued on or after January 1, 2007, to reflect the current uniform standards for continuing education.

N.J.A.C. 11:17-3.6(a) is proposed to be amended to require resident individual insurance producers who sell flood insurance to complete a three-hour continuing education course within the two-year period of initial license or renewal on or after January 1, 2007 related to flood insurance and the National Flood Insurance Program, in accordance with the requirements of Section 207 of the Federal Flood Insurance Reform Act of 2004.

N.J.A.C. 11:17-3.6(e) is proposed to be amended to refer to “license period” rather than “four years” to reflect differing periods of licensure.

N.J.A.C. 11:17-3.6(f)3 is proposed to be amended to provide that, effective January 1, 2007, each request for approval of a continuing education course shall be charged a processing fee of \$20.00. This reflects costs to the Department for review and approval of such courses. It should be noted that most states charge for course submissions and approvals. In addition, paragraph (f)6 is proposed to be amended to provide that, effective January 1, 2007, courses approved shall be approved for a period of two years from the approval date of the course. The rule also provides for a renewal fee of \$20.00. This reflects the national standard for providing a limited approval period for courses and a fee to reflect processing costs to the Department.

N.J.A.C. 11:17-3.6(g) is proposed to be amended to provide that the insurance education director or authorized personnel for an approved education provider shall report the name and producer license reference number of persons completing the continuing education course within five business days of course completion, rather than

within 30 days, to reflect the current national standard and standards set forth elsewhere in the chapter.

N.J.A.C. 11:17-3.6(i) is proposed to be amended to provide that written notification from the Department to the licensee that information pertinent to his or her continuing education obligation is available at any time via a secure internet connection shall satisfy the requirement that the Department issue to individual resident producers an accounting which identifies certain information.

N.J.A.C. 11:17-3.6(k) is proposed to be amended to delete the provision that the Department shall, at least four months prior to renewal of a license, issue a statement to individual resident producers indicating whether the continuing education requirement for renewal has been met. The Department believes that this is no longer necessary because producers will now have access online to this information at any time. With respect to credits for courses that the producer asserts were not credited, this rule is also proposed to be amended to refer only to courses completed prior to the renewal of the producer's license. This reflects the requirement that continuing education requirements must be completed prior to renewal of the license.

The Department is proposing to make other changes to this rule as a matter of form.

Finally, N.J.A.C. 11:17-3.7, regarding recognized professional designations, is proposed to be repealed as no longer required. This rule currently provides that individuals holding specified professional designations may qualify for waivers of the prelicensing education and testing requirements otherwise required. The waiver provisions in proposed N.J.A.C. 11:17-3.4(e) reflect the uniform standards adopted by the

NAIC, which provide that applicants holding specified designations may be exempted from the prelicensing education requirements, but may not have the testing requirements waived.

A 60-day comment period is provided for this notice of proposal, and therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

Social Impact

The proposed amendments and repeal revise the existing producer licensing rules to reflect the current uniform standards adopted by the NAIC and other states to help ensure consistency with the mandate of GLBA. The Department believes that the proposed amendments and repeal will benefit producers, insurance education and examination providers, and the Department by providing a uniform set of standards for filing applications, education, testing and licensure, reflecting the national standard, including the ability to submit information online and provide and take classes online. This, in turn, will help provide more certainty to applicants, licensees, and insurance education and examination providers, as well as the Department, regarding the requirements for obtaining and maintaining an insurance producer license in this State. The framework proposed to be established will streamline the application and renewal process, thus benefiting applicants, producers, insurance education and examination providers, and the Department.

Economic Impact

Generally, the proposed amendments and repeal should benefit applicants, licensees, and insurance education and examination providers. These individuals and

entities will continue to be required to bear any costs associated with complying with the existing rules and the proposed amendments, including paying the currently required and proposed new fees and providing information within the timeframes proposed to be prescribed. However, the Department notes that the timeframes reflect the times currently utilized for the submission or provision of required information and the fees reflect costs to the Department in establishing and monitoring the system for the new biennial license required to be issued, as well as other requirements under the uniform standards reflected in the proposed amendments. In addition, the proposed fees reflect that submission of information online is less costly to the Department than the submission and processing of paper applications and renewals. Also, as noted in the Summary above, the fees for filings related to the appointment and termination of agents may be allocated by agreement between the appointing insurer and the agent. All regulated entities have the option of complying with the required provisions either through electronic online submissions or through the continued use of paper filing. The Department anticipates that, given the extensive use of electric online submissions in other contexts, such available procedures will be utilized with respect to the producer licensing requirements where provided. This, in turn, will ultimately reduce costs to applicants, licensees, other regulated entities and the Department. Furthermore, by providing the option for classroom instruction to be conducted via the internet rather than solely in a classroom, insurance education providers may reduce costs by providing courses online, rather than through maintenance and provision of physical structures and incurring costs related thereto. Similarly, those seeking to take the courses can eliminate costs associated with travel to and from continuing education and testing centers.

The Department will incur costs in establishing the new electronic systems set forth in the proposed amendments. The Department anticipates that these costs will be partially defrayed by the fees proposed to be charged.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendments and repeal are not subject to any Federal requirements or standards. Although GLBA provides for ramifications if states do not adopt uniform standards, specific licensing standards are not established under any Federal law.

Jobs Impact

The Department does not anticipate that any jobs will be generated or lost as a result of the proposed amendments. However, to the extent that the regulatory framework for licensing of producers set forth the proposed amendments and repeal streamlines the process, it may encourage more individuals or businesses to enter into this area and obtain such licensing, thereby increasing the number of licensed insurance producers in this State and support personnel related thereto.

The Department invites interested parties to submit any data or studies concerning the jobs impact of the proposed amendments together with their written comments on other aspects of the proposal.

Agriculture Industry Impact

The proposed amendments and repeal will not have any impact on the agriculture industry in this State.

Regulatory Flexibility Analysis

The proposed amendments and repeal will apply to “small businesses” as that

term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The small businesses to which the proposed amendments and repeal will apply will be New Jersey resident business entity producers, insurance education providers, and independent examination vendors resident in this State. These entities will be required to incur any costs associated with complying with the proposed amendments and repeal as set forth in the Economic Impact above. The Department does not believe that additional professional services will be required in order to comply with the proposed amendments and repeal. Many of the costs of compliance with the proposed amendments and repeal are similar to those associated with compliance with the existing requirements.

The proposed amendments and repeal, as described in the Summary above, reflect the uniform standards adopted by the NAIC established pursuant to GLBA for states to adopt uniform standards for the licensing of insurance producers and continue to implement N.J.S.A. 17:22A-26 et seq. The purpose of these requirements is to ensure that individuals and entities required to be licensed as insurance producers possess the requisite knowledge regarding the requirements associated with particular lines of insurance and otherwise are familiar with the requirements of New Jersey law regarding the sale, negotiation or effectuation of insurance in this State. These requirements do not vary based on business size. The existing regulatory framework established by N.J.S.A. 17:22A-26 et seq. and implemented by N.J.A.C. 11:17-1 through 3 does not provide any differentiation in compliance requirements based on business size. Accordingly, the proposed amendments provide no differentiation in compliance requirements based on business size.

Smart Growth Impact

The proposed amendments and repeal will not have an impact on the achievement of smart growth or the implementation of the State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

11:17-1.2 Definitions

(a) (No change.)

(b) The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

...

“Authorized submitter” means a person authorized by a producer or applicant to enter the producer or applicant’s information onto electronic online applications, renewals and other electronic transactions that are approved for use by the Department. An authorized submitter shall obtain all information required in the electronic transaction from the applicant or named producer or, for business entities, from a designated licensed responsible producer, officer, director, partner or owner of ten percent or more of the business entity.

“Branch office” means an office in New Jersey other than a principal office where a [resident] licensee conducts insurance business.

...

“Car rental insurance” means insurance offered, sold or solicited in connection with and incidental to the rental of rental cars for a specified duration, whether at the rental office or by pre-selection of coverage in master, corporate,

group or individual agreements that: is non-transferable; applies only to the rental car that is the subject of the rental agreement; and is limited to the following kinds of insurance:

1. Personal accident insurance for renters and other rental car occupants, for accidental death or dismemberment, and for medical expenses resulting from an accident that occurs with a rental car during the rental period;

2. Liability insurance that provides protection to the renters and other authorized drivers of a rental car for liability arising from the operation or use of the rental car during the rental period;

3. Personal effects insurance that provides coverage to renters and other vehicle occupants for loss of, or damage to, personal effects in the rental car during the rental period; or

4. Roadside assistance and emergency sickness protection insurance.

...

“Controlling interest” means, for purposes of N.J.S.A. 17:22A-32e, that an officer, director, partner or owner of an entity filing for a producer license owns 10 percent or more of that entity.

...

“Electronic online submission” means the submission of an initial application, renewal, or any other information required by this chapter submitted

online through the Department’s website, www.njdobi.org, in accordance with the instructions therein.

...

“National Producer Number” or “NPN” means a unique identifier assigned to each licensed producer by the National Association of Insurance Commissioners.

A producer’s NPN shall be the same in all states in which the producer is licensed.

...

“Travel insurance” means insurance coverage for trip cancellation, trip interruption, baggage, life, sickness and accident, disability, and personal effects when limited to a specific trip and sold in connection with transportation provided by a common carrier.

(c) (No change.)

SUBCHAPTER 2. LICENSING RULES

11:17-2.1 Term of license

(a) [The] For licenses issued or renewed prior to January 1, 2007, the standard term of an insurance producer license shall be 16 licensing quarters. Licensing quarters shall begin on the first day of February, May, August and November of each year. Licenses shall expire in the fourth year on the last day of the quarter before the quarter in which the license was effective.

(b) Each license issued shall contain an expiration date. An initial license shall be deemed effective as of the date of issuance of any temporary authority issued pursuant to N.J.A.C. 11:17-2.4.]

(b) The terms of individual producer licenses are established as set forth below.

1. The first term of licenses that are initially issued, or of licenses that were previously in effect and are initially renewed, on or after January 1, 2007 shall expire on the last day of the birth month of the producer in the year that will result in the term of the license being at least 18 months.

2. Commencing on the first license expiration on the last day of the birth month of an individual producer as set forth in (b)1 above, all such licenses shall thereafter expire biennially on the last day of the birth month of the individual producer that is two years subsequent to the preceding expiration date.

3. For example, a producer is initially licensed on February 1, 2007. His or her birth month is March. The second birth month after the February 1, 2007 issue date is March 2008 (less than 18 months). In this case, the first renewal will be March 31, 2009, and subsequent renewals would be on March 31, 2011, March 31, 2013, and so on. If the birth month was September, the second September 30 following the February 1, 2007 issue date would be September 30, 2008, more than 18 months from issuance. Thus, the license would initially renew on September 30, 2008 and thereafter on September 30, 2010, September 30, 2012, and so on.

(c) The terms of business entity producer licenses are established as set forth below.

1. The first term of licenses initially issued, or of licenses that were previously in effect and are initially renewed, on or after January 1, 2007 shall

expire on May 31 of the first year that will result in the term of the license being at least 18 months.

2. Commencing on the first license expiration on a May 31 date as set forth in (c)1 above, all such licenses shall thereafter expire biennially on the second May 31 date that is two years subsequent to the preceding expiration date.

3. For example, a business entity license renews on February 1, 2007. Since the second May 31 following this renewal (May 31, 2008) is less than 18 months from the prior renewal date, the license would not expire until May 31, 2009, and subsequent renewals would be on May 31, 2011, May 31, 2013, and so on. If the business entity renewed on October 31, 2007, the license would expire on May 31, 2009, since the license term would be more than 18 months and, if renewed, again expire on May 31, 2011, May 31, 2013, and so on.

(d) An insurance producer license shall remain in effect unless revoked or suspended as long as the renewal fee set forth in N.J.A.C. 11:17-2.12 is timely paid and, in the case of resident individual insurance producers, education requirements are timely satisfied.

(e) An initial license shall be deemed effective as of the date of issuance of any temporary authority issued pursuant to N.J.A.C. 11:17-2.4(a) if the application for licensure and applicable fees are received by the Department prior to expiration of the temporary authority.

(a) Producers licensed in accordance with the Act and this chapter shall be authorized to write the kinds of insurance designated, if qualified by each authority set forth below.

1. – 8. (No change.)

9. Limited lines Authority includes:

i. (No change.)

ii. Car rental insurance, for licenses issued or renewed effective on or after January 1, 2007;

[ii.] **iii.** (No change in text.)

[iii.] **iv.** Ticket insurance, **for licenses issued or renewed prior to January 1, 2007;**

v. Travel insurance, for licenses issued or renewed effective on or after January 1, 2007;

Recodify existing iv. – vii. as **vi. – ix.** (No change in text.)

(b) (No change.)

(c) No person shall be authorized to transact business regarding contracts on a variable basis unless that person also holds a securities license as required by this State or any other state or Federal law, as applicable **and maintains an active producer license in this State with variable life and variable annuity authority.** [Producers licensed with life authority prior to November 4, 2002, and who hold a securities license may continue to sell variable products until December 31, 2003. These producers shall

qualify and apply for licenses as variable life and variable annuity producers by January 1, 2004.

(d) Insurers may continue to submit requests for limited insurance representatives until June 30, 2003. All limited insurance representatives registered with the Department must qualify and apply for licenses as limited line producers by January 1, 2004.]

11:17-2.3 Application filing requirements for initial licenses

(a) Requirements for a first time applicant for an individual license are as follows:

1. A properly completed application, in a form, **including electronic online submissions**, approved by the Department or the current version of the NAIC uniform application for individual [nonresident] producers in effect at the time of application, requesting issuance of an insurance producer license with one or more authorities, which shall contain the applicant's legal name, home address, date of birth, social security number, business mailing and location address, business trade name, if any, and responses to questions concerning **the** applicant's character and fitness for licensing. The application must be signed, dated and certified to be correct by the applicant **or, in electronic online submissions, by the authorized submitter**. In lieu of the NAIC uniform application, a nonresident applicant may submit a copy of the application for licensure submitted to the home state **with a statement certifying to the truthfulness and accuracy of all responses to the questions concerning the applicant's character and fitness for licensure as of the date of the submission**;

2. If a resident, when required, a certificate evidencing completion of an approved course of prelicensing education or a certificate evidencing waiver of that requirement; and a certificate evidencing that the applicant has passed the State licensing examination for the authority or authorities requested **within one year of the examination date**, or a certificate evidencing waiver of the examination requirement **pursuant to N.J.S.A. 17:22A-35**;

3. – 4. (No change.)

5. If a resident, properly completed criminal history requests and fingerprint forms in a format prescribed by the Department, **which shall include electronic fingerprinting**; and

6. (No change)

(b) A first time applicant for a business entity license shall submit the following:

1. A properly completed application in a form, **including electronic online submissions**, approved by the Department or the current version of the NAIC uniform application for business entities in effect at the time of application, requesting issuance of an insurance producer license for one or more authorities, which shall contain the business entity's legal name; business mailing and location address; other business names, if any; names, license reference numbers, if any, and license authorities of each licensed officer or partner; names, addresses and license reference numbers, if any, of all persons owning [five] **10** percent or more of the business entity; and responses to questions concerning the applicant's character, fitness and financial responsibility. The

application must be dated, signed and certified to be correct by all officers or partners of the organization that hold, or have applied for, New Jersey insurance producer licenses. In lieu of the NAIC uniform application, a nonresident applicant may submit a copy of the application for licensure submitted to the home state;

2. (No change.)

3. If the applicant is a business entity applying for a nonresident license, a certification evidencing that the applicant is authorized in the home state to transact insurance business with comparable authorities, **if such verification is not available on the Producer Licensing Database maintained by the NAIC;**

4. For resident business entities, properly completed fingerprint forms in a format prescribed by the Department, **which shall include electronic fingerprinting,** for each officer, director, partner or owner of [five] **10** percent or more of the applicant business entity;

5. – 6. (No change.)

(c) (No change.)

11:17-2.4 Temporary work authority; **change in residence status**

(a) (No change.)

(b) A nonresident licensee, upon moving his or her residence or primary place of business into the State of New Jersey and [losing] **requesting** resident status in [the home state] **New Jersey,** shall within [20] **30** days thereof notify the Department of his or her change of address **and contact information** and [intent] , **within 90 days of change in resident status in the prior state, notify the Department of the request** to qualify

as a resident insurance producer in New Jersey. The licensee shall submit completed criminal history requests and fingerprint forms in a format prescribed by the Department, including electronic fingerprinting. Upon receipt of this information, the licensee's status shall be changed from nonresident to resident. [Upon such notification, the licensee may continue to act as an insurance producer for a period of 90 days from the date of such notification. The Commissioner or his or her designee may, for good cause shown, extend this time.]

11:17-2.5 License renewal

(a) A current licensee shall renew a license in the following manner:

1. At least 10 days before the license expiration date, each licensee shall submit a properly completed renewal application, including electronic online submissions, together with payment of renewal fees in accordance with N.J.A.C. 11:17-2.12. The renewal application shall be signed, dated and certified to be correct by the licensee or a licensed officer, [or] partner, owner or designated licensed responsible producer of a licensed business entity, or an authorized submitter for electronic online submissions. The licensee shall certify that he, she or it continues to be qualified in accordance with the insurance laws of New Jersey.

(b) (No change.)

[(c) Any licensee who does not desire license renewal shall notify the Department by submitting the renewal application signed, dated and marked on the face, "Do Not Renew".]

[(d)] (c) (No change in text.)

[(e)] **(d)** An applicant who files a late renewal request within one year of the license expiration date shall be granted a waiver from the prelicensing education and examination requirement set forth in N.J.A.C. 11:17-[3.2 and 3.3] **3.4 and 3.5**.

11:17-2.6 Additional authorities

(a) A currently licensed individual producer may obtain additional authorities as described in N.J.A.C. 11:17-2.2 by submitting **a written request to the Department or by completing an online application, and by providing** the following:

[1. His or her current original license, marked to request the additional authority or authorities, dated, signed and certified to be correct by the applicant;]

1. The producer's name, residence and business addresses, contact information and New Jersey Producer License Reference Number or National Producer Number;

2. If a resident, a certificate evidencing completion of an approved course of prelicensing education, if required, or a certificate evidencing waiver of this requirement, and a certificate evidencing that the applicant has passed the State licensing examination for the authority or authorities requested **within one year of the examination date**, or a certificate evidencing waiver of this requirement;

3. If a nonresident, certification from the applicant that he, she or it holds a current license with comparable authority in the home state; **and**

4. (No change.)

(b) A currently licensed business entity producer may obtain additional authorities as described in N.J.A.C. 11:17-2.2 by submitting **a written request to the Department dated, signed and certified to be correct by a licensed officer, partner, owner or designated licensed responsible producer who holds or has applied for that authority or by completing an online application, and by providing** the following:

[1. Its current original license, marked to request the additional authority or authorities, dated, signed and certified to be correct by a licensed officer or partner who holds or has applied for that authority;]

1. The business entity's name, address, contact information and New Jersey Producer License Reference Number or National Producer Number; and, if signed by the designated licensed responsible producer, the New Jersey Producer License Reference Number or National Producer Number of the designated licensed responsible producer;

2. – 3.. (No change.)

11:17-2.7 Legal and business names; addresses

(a) – (e) (No change.)

(f) The requirements for business addresses and notification of change of business mailing or location address [and], residence address, **phone number and email address**, are as follows:

1. All licensees shall provide the Department with a complete and current business mailing address, and, if different, a street or location address, **phone number and, if applicable, email address**. Individual licensees shall also provide the

Department with a complete and current residence address, **phone number and, if applicable, email address.**

2. All licensees shall provide in the format prescribed by the Department notification of any change of business mailing or location address [and], residence address, **phone numbers and email addresses.** within 30 days of the change and maintain a proof of notification for five years or until receipt of a [new or renewed] license or other documentation from the Department showing the new address.

3. (No change.)

(g) A licensee shall advise the Department of a change of any legal name, business name or a change of the address which appears on the license by [noting the change on its current original license and returning it to the Department for cancellation and reissuance of a new license containing the updated information or by electronic means] **electronic submission or by submitting a written request signed by the producer or a licensed owner, officer, partner or designated licensed responsible producer of the business entity indicating the change required and, in the event of a name change, appropriate supporting documentation of the change.** No fee shall be required for such changes. If the notice is to change a legal or business name of a resident business entity, the business name shall be approved by the Department in accordance with (b) above and the hard copy request shall be accompanied by a copy of the document filed in the Department of Treasury, Division of Revenue Business Services, County Clerk or other authority evidencing that the change has been properly recorded or, if the notice is given by electronic means, a copy of the authority shall be immediately mailed to the Department.

11:17-2.8 Branch offices

(a) Except for licensees with authority in only ticket insurance, group mortgage cancellation insurance, legal insurance, credit insurance, **car rental insurance**, **travel insurance** or self-storage personal property insurance, licensees shall file with the Department by hard copy or electronic means a branch office registration form within 30 days before business is first conducted there. A branch office registration form shall be accompanied by the processing fee specified in N.J.A.C. 11:17-2.12. The appropriate registration form will be prescribed by the Department.

(b) Upon receipt of a properly completed branch office registration form and fee, the Department shall [issue a branch office certificate] **enter information confirming the registration of the branch office into its producer licensing database**. Branch office [certificates] **registrations** shall expire contemporaneously with the producer's own license. The branch office [certificate] **registration** shall not authorize the transaction of business at any location other than that named **on the accepted registration form**.

(c) The licensee shall advise the Department in writing by hard copy or electronic means of the closing of any branch office within [20] **30** calendar days of the closing [by returning the branch office certificate for cancellation].

(d) – (e) (No change.)

11:17-2.9 Business relationships

(a) The agency relationship between company and producer is subject to the following requirements:

1. (No change.)

2. An insurance company contracting with a licensed insurance producer shall be responsible to advise the Department of that relationship by filing a notice within 15 days after execution of the contract **or within 15 days after the first insurance application is submitted by the producer**, on a form prescribed by the Department or by using the online appointment and termination system available through the National Insurance Producer Registry, incorporated herein by reference, as amended and supplemented, located at <http://www.licenseregistry.com> containing the company's name and **license** reference number; the producer's name and **license** reference number; and the effective date of the contract. The form shall contain the name and title of the company official who signed and certified the notice. **The fee set forth in N.J.A.C. 11:17-2.12 for each appointment shall be collected from the insurer.**

3. – 4. (No change.)

5. All appointment notifications shall be renewed with the Department annually on May 1. An insurer shall utilize the online appointment renewal process available through the National Insurance Producer Registry, incorporated herein by reference, as amended and supplemented, located at <http://www.licenseregistry.com> The renewal appointment fee as set forth in N.J.A.C. 11:17-2.12 shall be collected from the insurer. All active appointments on record with the Department as of April 1 of the same year shall be subject to renewal.

[5.] **6.** The agency contract shall be deemed to continue in effect until a notice of termination of that contract is filed by the insurance company with the

Department on a form prescribed by the Commissioner or by using the online appointment and termination system available through the National Insurance Producer Registry, incorporated herein by reference, as amended and supplemented, located at <http://www.licenseregistry.com>. **The fee set forth in N.J.A.C. 11:17-2.12 for each termination shall be collected from the insurer.**

Recodify existing 6. – 8. as **7. – 9.** (No change in text.)

(b) (No change.)

11:17-2.11 Licensing information requirements

(a) The following requirements relate to the provision of criminal history information by licensed producers and license applicants.

1. An applicant for an **initial** individual resident license shall [submit with his or her initial application New Jersey State Police and Federal fingerprint cards and] **complete an electronic fingerprint scan through the vendor approved by the Department, pay the fees required [to pay] for its processing, and upon request by the Department, submit proof of completion.**

2. An applicant for a resident business entity license shall [submit with its application New Jersey State Police and Federal fingerprint cards and the fee required to pay for their processing,] **complete an electronic fingerprint scan through the vendor approved by the Department, pay the fees required for their processing, and upon request by the Department, submit proof of completion** for each officer, director, partner and owner of [five] **10** percent or more of the organization. Applicants who contemporaneously submit resident business entity and resident individual applications need not submit duplicates.

3. – 4. (No change.)

5. Failure to indicate a criminal conviction on the application for an insurance producer's license shall constitute a material misrepresentation and subject a licensee to the penalties provided at N.J.S.A. 17:22A-40a and c **and 17:22A-45.**

6. All licensed insurance producers shall otherwise comply with the criminal and administrative action reporting requirements set forth at N.J.S.A. 17:22A-40a(18) and 17:22A-47.

(b) Upon request by the Department, a licensed producer or license applicant shall supply copies of any documentation pertaining to any bankruptcy **involving funds held on behalf of others**, assignment to creditors, insurance related debt or child support action. Failure to respond to any specific request or to submit documentation requested shall constitute grounds for denial of the license application or renewal of the license, or suspension or revocation of any current license.

(c) Licensed business entities shall notify the Department within 30 days of the addition or deletion of any licensed or unlicensed officer, director, partner or owner of [five] **10** percent or more of the licensed organization. [Notification] **For resident business entities, notification** of the addition of any unlicensed officer, director, partner or owner of [five] **10** percent or more of the licensed business entity shall be accompanied by properly completed fingerprint forms together with the required fee. Licensed business entities shall retain evidence of notification for a period of five years or, until receipt of documentation from the Department verifying such change, if earlier.

(d) (No change.)

11:17-2.12 Fees

(a) The following fees shall be payable as set forth in this chapter:

1. License fee, not limited line, **for a four-year license issued or renewed prior to January 1, 2007: \$ 300.00;**

2. **License fee, not limited line, for a biennial license issued or renewed on or after January 1, 2007: \$150.00;**

3. **License fee for limited line only, for a four-year license issued or renewed prior to January 1, 2007: \$150.00;**

4. **License fee for limited line only, for a biennial license issued or renewed on or after January 1, 2007: \$75.00;**

[2.] **5. Filing or processing initial application, electronic online submission: \$ 20.00;**

6. **Filing or processing initial application, paper application: \$40.00;**

[3.] **7. Additional authority filing, electronic online submission: \$20.00;**

8. Additional authority filing, paper application: \$40.00;

[4.] **9. Reinstating terminated license before its stated expiration date, electronic online submission: \$20.00;**

10. Reinstating terminated license before its stated expiration date, paper submission: \$40.00;

[5.] **11. Any branch office registration: \$ 20.00;**

[6. Limited line license: \$ 150.00;]

12. License renewal processing fee for paper renewals: \$20.00;

[7.] **13.**Late renewal fee, not limited line: \$ 100.00; [and]

[8.] **14.** Late renewal fee, limited line: \$ 50.00;

15. Producer company appointment or termination fee, electronic online submissions: \$25.00;

16. Producer company appointment or termination fee, paper submission: \$35.00; and

17. Producer company appointment renewal fee: \$25.00.

(b) – (d) (No change.)

11:17-2.13 Denial of license

(a) Whenever it appears from an application, renewal[s] form, attached documents or Department records that an applicant has not demonstrated the qualifications prescribed in the Act and this chapter, the Department shall advise the applicant in writing that the license requested is denied; shall specify the reason for denial; and shall further advise the applicant of the right to request a hearing in accordance with the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq., and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1, and the procedure for doing so.

(b) – (c) (No change.)

11:17-2.14 Surrender and cancellation of license; reinstatement after surrender

(a) – (c) (No change.)

(d) In the event a license is lost or destroyed, the licensee may request a duplicate by submitting a [certified] **signed** statement attesting to the loss.

(e) (No change.)

SUBCHAPTER 3. PROFESSIONAL QUALIFICATIONS

11:17-3.1 Approval of insurance education program

(a) – (b) (No change.)

(c) Insurance education providers seeking approval to teach courses of prelicensing education shall also provide:

1. (No change.)

2. The names of the courses, by license authority, which will be taught by the insurance education provider, if approved; [and]

3. A copy of the enrollment application for the insurance education provider, the student contract, and any other agreement between the insurance education provider and student; **and**

4. Copies of the course curriculum and a detailed description of the methods that the provider will use to document that the student has satisfactorily mastered the course content for each line of authority for which pre-licensing education shall be offered.

(d) (No change.)

(e) Applications for program approval shall be reviewed to determine compliance with the requirements prescribed in this subchapter. An applicant shall supply such additional information or documentation as may be required by the Department to determine whether such requirements are met.

1. – 3. (No change.)

4. At least 10 days prior to the renewal date, the provider's insurance education director shall submit a properly completed renewal application; **and, if offering prelicensing education, copies of the course curriculum and a detailed description of the methods that the provider will use to document that the student has satisfactorily mastered the course content for each line of authority for which pre-licensing education is offered;** and the \$ 300.00 renewal fee. Applications for renewal shall be reviewed by the Department in accordance with the procedures established in this section for new insurance education provider approval. Failure to submit the renewal application for receipt by the date of expiration shall be deemed to establish that the insurance education provider approval has expired, and the provider is not thereafter authorized to teach or offer insurance courses to satisfy professional qualification requirements for prelicensing or continuing education for producers.

11:17-3.2 Insurance education provider duties and requirements

(a) Each approved insurance education provider (except as modified hereafter) shall:

1. – 4. (No change.)

5. [Use] **When using** classroom facilities [with], **provide** sufficient lighting, desks, tables and other equipment which are conducive to learning. Classroom facilities shall be open to the Commissioner or his or her designee for monitoring at any time;

6. (No change.)

7. Conduct and administer courses in a manner reasonably calculated to assure that certificates or reports of courses attended and completed accurately reflect the students' attendance, **for classroom courses of study**, and performance. [Except as may be provided consistent with the provisions of N.J.A.C. 11:17-3.4(k), for prelicensing education and for] **For** classroom or seminar **prelicensing education or** continuing education offerings, an instructor shall be physically present in the classroom during the entire course including any tests or examinations;

8. (No change.)

9. If approved to teach prelicensing courses, provide remedies for students who have failed the State licensing examination, which may include review courses or additional full courses at reduced rates. **Each provider offering prelicensing education courses shall provide each prospective student a written outline of available remedies during the registration process or earlier upon request;** and

10. (No change.)

(b) (No change.)

(c) An approved insurance education program shall issue to each student who has successfully completed a prelicensing education course a certificate which shall contain the following:

1. – 3. (No change.)

4. [Signatures of the student and] **A statement from** the instructor, authorized personnel, or the insurance education director of the program[;] **verifying completion of the course and that, based upon the results of an objective evaluation, the instructor is satisfied that the student knows the material; and** .

5. The course completion date[; and].

[6. A statement signed by an instructor that the student was instructed for the number of hours indicated on the certificate, that the instructor is satisfied that the student knows the material, and that the student has received at least a 70 percent minimum passing course grade on a final examination].

(d) An approved insurance education program shall issue to each student who has successfully completed a continuing education course a certificate verifying completion of the course. The certificate may be provided by electronic means and shall contain the following:

1. The name and provider authorization number of the approved education provider;

2. The course name and authorization code;

3. The student's name and New Jersey license reference number;

4. The course completion date; and

5. The signature of the course instructor or authorized insurance education director of the approved education provider.

11:17-3.4 Prelicensing education

(a) Except as provided in (e) through (g) below, each applicant for a resident insurance producer's license that is not solely for a limited line product shall pass a course of prelicensing education with the appropriate number of hours of classroom instruction described in (b) and (c) below. All changes in the appropriate number of hours for prelicensing education shall become effective as of [December 31, 2002] **January 1, 2007.**

(b) [Prior to being licensed in New Jersey for the first time as a producer, an applicant shall complete a course] **All prelicensing education courses listed in (c) below shall include content** on regulation of the insurance industry in New Jersey [for a total of 15 classroom hours. The course shall include], **including** the following topics:

1. – 6. (No change.)

(c) [In addition, prior] **Prior** to being admitted to the State licensing examination to obtain a particular producer license authority, an applicant shall complete a course of prelicensing education for the specific authority or authorities **with the minimum course hours** as follows:

1. Life and/or variable authorities, for a total of [25 classroom] **20** hours:

i. – v. (No change.)

2. [Health] **Accident and health or sickness** authority, for a total of [25 classroom] **20** hours:

i. ii. (No change.)

[3. Life, variable and health authorities, for a total of 50 classroom hours:

i. General life insurance concepts;

ii. Suitability;

iii. Annuities;

iv. Contracts on a variable basis;

v. General health insurance concepts; and

vi. New Jersey law and practice regarding life and health insurance.]

[4.] **3.** Property authority, for a total of [40 classroom] **20** hours:

i. (No change.)

ii. Health insurance concepts; [and]

iii. Flood insurance and the National Flood Insurance

Program;

[iii.] **iv** (No change in text.)

[5.] **4.** Casualty authority, for a total of [40 classroom] **20** hours:

i. iii. (No change.)

[6. Property and casualty authorities, for a total of 80 classroom hours:

- i. General property insurance concepts;
- ii. General casualty insurance concepts;
- iii. Health insurance concepts; and
- iv. New Jersey law and practice regarding property/casualty

and health insurance.]

[7.] **5.** Title insurance authority, for a total of [45 classroom] **20**

hours:

- i. – ii. (No change.)

[8.] **6.** Personal Lines authority, for a total of [50 classroom] **20** hours:

- i. – iii. (No change.)

(d) (No change.)

[(e) A person holding an approved insurance professional designation described in N.J.A.C. 11:17-3.7 shall not be required to complete the courses of prelicensing education.]

(e) An individual who applies for an insurance producer license in this State who was previously licensed for the same lines of authority in another state shall not be required to complete any prelicensing education or examination. This exemption is only available if the person is currently licensed in good standing in that state; or if the application is received within 90 days of the cancellation of the applicant's previous license and the prior state issues a certification that, at the time of

cancellation, the applicant was in good standing in that state or the state's producer database records, maintained by the NAIC, indicate that the producer is or was licensed in good standing at the time of cancellation for the lines of authority requested.

(f) (No change.)

(g) Upon application to the Department, any of the courses in (b), (c) and (d) above may be waived for any license applicant who can demonstrate that he or she satisfies at least one of the following conditions:

1. – 3. (No change.)

4. For title insurance authority only, that he or she is an attorney at law admitted to practice in New Jersey[.];

5. For life authority, that the person holds the following professional designation(s): Certified Employee Benefits Specialist (CEBS); Chartered Financial Consultant (ChFC); Certified Insurance Counselor (CIC); Certified Financial Planner (CFP); Chartered Life Underwriter (CLU); Fellow, Life Management Institute (FLMI); or LUTC Fellow (LUTCF);

6. For accident and health or sickness authority, that the person holds the following professional designation(s): Registered Health Underwriter (RHU); Certified Employee Benefits Specialist (CEBS); Registered Employee Benefits Consultant (REBC); or Health Insurance Associate (HIA);

7. For property, casualty, or personal lines authorities, that the person holds the following professional designation(s): Accredited Adviser in

Insurance (AAI); Associate in Risk Management (ARM); Certified Insurance Counselor (CIC); or Chartered Property & Casualty Underwriter (CPCU); and

8. The Commissioner may grant a waiver based upon additional professional designation(s) upon finding that the education necessary for the designation(s) satisfies the program of study required for prelicensing education in the applicable line of authority.

(h) An application for waiver shall be made on a form prescribed by the Department and shall be submitted directly to the Department prior to registering for the State licensing examination or making application for an insurance producer license. In addition to providing the information requested by the form:

1. Applicants seeking a waiver authorized by (g) above shall submit a recent certification of license status or letter of [severance] **clearance** issued by the insurance licensing authority in the state where they hold or held an insurance license **unless such information shall be available on the Producer Licensing Database maintained by the NAIC.**

2. – 4. (No change.)

5. Applicants seeking a waiver authorized by (g)5 through 7 above shall submit adequate proof of having earned such designation, which shall include an official document or transcript issued by the organization conferring the designation.

(i) If a waiver is approved pursuant to (g) and (h) above, the Department shall issue a letter of approval waiving the prelicensing education requirement, which the

applicant shall [thereafter attach to the producer license application when submitted to the Department] **submit when taking the examination for the line of authority for which the waiver is granted.**

(j) Waivers shall expire in [60] **90** days from the date of issuance and shall thereafter be reissued or renewed for good cause only, upon presentation of evidence satisfactory to the Department. [Any such extension shall not exceed an additional period of 30 days.]

(k) For all authorities, classroom attendance at any course(s) in (b), (c) or (d) above shall be waived by the Department for any applicant who can demonstrate that he or she is a person with a disability as defined in “the American with Disabilities Act” (42 U.S.C. § 12102) and that his or her disability substantially limits classroom attendance at the required courses. In order to obtain a waiver, the following procedure must be complied with prior to participation in the self-study course(s):

1. The applicant must file, in writing by hard copy or electronic means, a request for permission to take the course accompanied by a physician’s certification indicating the nature of the disability that substantially limits classroom attendance.]

[(l)] **(k)** (No change in text.)

11:17-3.5 State licensing examination; use of independent examination vendor; exemptions; retaking of examination

(a) Except for applicants seeking authority in only **travel insurance, car rental insurance,** ticket insurance, group mortgage cancellation insurance, legal insurance, credit insurance, or self-storage personal property insurance, all applicants for

a resident insurance producer license shall pass the State licensing examination, which may be given by the Department or by an independent vendor under contract to the Department.

(b) Any contract for development and administration of the New Jersey State insurance producer licensing examination shall include[,] the following terms and conditions.

1. (No change.)

2. Examinations shall be administered [not less than two times per month] **throughout the State** at such times and places as may be agreed upon by the Commissioner and the contract vendor. The contract vendor shall provide the Commissioner **or his or her designee** with [at least four months' prior notice of [scheduled] **a schedule of** test administration [dates] **locations and hours**.

3. The contract vendor shall:

i. Establish [at least four] **sufficient** test administration centers [within] **throughout** the State;

ii. – iii. (No change.)

4. At least one test administration center shall be [in] **within a reasonable distance of** each of the following areas **of the State:**

i. – iv. (No change.)

5. – 7. (No change.)

8. The contract vendor shall score examinations promptly, and shall provide score reports to all passing and failing candidates [within 15] **as soon as practical following the examination but in no event more than five** calendar days after each test date.

9. (No change.)

10. The contract vendor shall provide to the Department, **in a format acceptable to the Department:**

i. [Alphabetical lists] **Lists** containing candidate names, addresses, identification numbers, school code numbers and scores on State producer licensing examinations of passing and failing candidates; and

ii. (No change.)

11. – 13. (No change.)

14. At the request of the Department, the contract vendor shall defend and indemnify in whole or in part the Department of **Banking and** Insurance, the State of New Jersey and its agents, officers and employees from all claims, actions, damages, liability and expenses in connection with loss of life, personal injury, damage to property and/or failure to comply with the requirements of “The Americans with Disabilities Act” arising out of the ownership, occupancy or use by the contract vendor of any facilities used as test administration centers, occasioned wholly or in part by any act or omission of the contract vendor, its agents, contractors or employees.

15. – 16. (No change.)

17. The contract vendor shall transmit to the Department, in a form satisfactory to the Department, information collected during the test registration process to aid in prompt licensing of passing candidates, and may issue to passing candidates, on a form prescribed by the Department, a temporary work authority. The contract vendor shall deliver **to the Department or its designee electronic records, in a format prescribed by the Department, of** the test registration data of passing candidates to whom a temporary work authority has been issued [within 30 days of] **by the next business day following** the date of the test.

[(c) Applicants holding a recognized professional designation described in N.J.A.C. 11:17-3.7 are exempt from the licensing examination requirements.

(d) Applicants previously licensed as nonresidents who are applying as residents shall apply for a waiver of prelicensing education and pass the New Jersey law and practice portion of any required examination for the authority(ies) requested within 90 days of establishing New Jersey as the home state. The Department may, upon finding good cause pursuant to a timely, written request for an extension of time from the applicant, extend this time.]

Recodify existing (e) and (f) as **(c) and (d)** (No change in text.)

11:17-3.6 Continuing education

(a) [No] **For licenses issued for a four-year term, no** resident individual insurance producer licensed with life, accident and health or sickness, property, casualty, surplus lines, title, variable life and variable annuity or personal lines authority shall be renewed unless the renewal applicant demonstrates that he or she has completed 48 credit hours of approved continuing education courses during the previous four years, [24 of

which shall be in approved courses in the authorities for which the producer is licensed and] six of [those 24] which shall be in approved courses related to insurance fraud, professional ethics or any other subject matter required by the Commissioner for the protection of consumers. Producers licensed as of November 4, 2002 shall have until the second renewal following November 4, 2002 to comply with the requirement to obtain [24 credits in the authorities for which the producer is licensed, with] six [of those 24] credits in approved courses related to insurance fraud, professional ethics or any other subject matter required by the Commissioner for the protection of consumers.

1. For licenses initially issued on or after January 1, 2007 and, subject to (a)2 below, for renewals on or after January 1, 2007, no resident individual insurance producer licensed with life, accident and health or sickness, property, casualty, surplus lines, title, variable life and variable annuity or personal lines authority shall be renewed unless the renewal applicant demonstrates that he or she has completed 24 credit hours of approved continuing education courses during the previous license term, three of which shall have been in approved courses related to professional ethics.

2. During the transition period from four-year license terms to two-year license terms based upon the individual producer's date of birth as set forth in N.J.A.C. 11:17B-2.1(b), if the term of their expiring license was four years, in order to qualify for renewal, a resident individual producer licensee shall demonstrate that he or she has completed 48 hours of continuing education credits during the prior license term, six of which shall have been in approved courses related to professional ethics. If the term of their expiring license was two years or

longer as described in N.J.A.C. 11:17B-2.1(b), in order to qualify for renewal, such a licensee shall demonstrate that he or she has completed 24 credit hours of continuing education courses during the previous license term, three of which shall have been in approved courses related to professional ethics.

3. With respect only to the first renewal following the initial issuance or initial renewal of a license on or after January 1, 2007, no resident individual insurance producer with property authority who writes flood insurance shall be renewed unless the renewal applicant demonstrates that, as part of their total continuing education obligation as set forth above, he or she has completed a three credit hour approved continuing education course related to flood insurance and the National Flood Insurance Program during the previous license term.

(b) – (d) (No change.)

(e) Producers who fulfill the continuing education requirements for a professional insurance designation approved by the Department shall be awarded 12 credit hours for each full year of the [four years] **license period** preceding renewal for which these requirements were fulfilled. Application to obtain such approval shall be made on a form approved by the Department and accompanied by an official document or transcript from the organization awarding such designation.

(f) Approved insurance education providers shall submit courses for approval by the Department at least 30 days prior to the date the course is to begin. This 30-day requirement may be waived upon a showing by the program of unusual circumstances that require immediate action:

1. – 2. (No change.)

3. Effective January 1, 2007, each request for approval of a continuing education course shall be charged a processing fee of \$20.00. The Commissioner may determine the billing and collection format for periodic collection of course processing fees from providers.

[3.] **4.** (No change in text.)

[4.] **5.** Approval shall be considered for courses that include information on types of insurance products, insurance practices, ethics, insurance fraud, insurance taxation, relevant state or national laws, claims or underwriting practices or procedures or other topics directly related to the business of insurance. Approval shall not be granted for **credit hours for** course[s] **content** dealing in whole or in part with sales training, motivation or personal enrichment, or computer or business skills not specifically related to insurance, nor shall primarily social activities be considered in computing course length.

[5. All new courses submitted for approval after November 4, 2002 shall be processed and, if qualified, approved as conferring one credit per hour of course time. Classes approved prior to November 4, 2002 shall retain their previously assigned credit hours until submitted by the insurance education provider for reevaluation. All insurance education providers shall submit all courses for which credit was not computed on a one class hour to one credit hour basis for reevaluation by December 31, 2002.]

6. Effective January 1, 2007, courses approved pursuant to this subsection shall be approved for a period of two years from the approval date of the course. If the provider wishes to continue to use the course following expiration, it must submit a request to renew the approval of the course in a format prescribed by

the Department and pay a renewal fee of \$20.00. The Commissioner may determine the billing and collection format for periodic collection of course approval renewal processing fees from providers.

(g) The insurance education director or authorized personnel for an approved insurance education provider shall report the names and producer license reference number of those persons completing each continuing education course within [30] **five business** days of course completion or certification of continuing education credits, whichever is later. The instructor teaching the course may be deemed to have completed it for the purpose of securing continuing education credit. Instructors may only receive credit once for teaching any one approved course once during each [four-year] license cycle. The report shall be made to the Department, or its designee, in a format prescribed by the Department, and shall include the following information:

1. – 3. (No change.)

(h) Producers who request continuing education credit for successful completion of an insurance course from an accredited college or university or for successful completion of a course of study and examination for a course leading to attainment of an approved professional insurance designation shall submit to the Department, [on] **in** a [form] **format** prescribed by the Department, the request together with a transcript or other documentation certifying completion of the course and credits awarded.

(i) At least once each year, the Department, or its designee, shall issue to individual resident producers an accounting which shall identify and include[:] **the information in (i)1 through 4 below. Written notification to the licensee that the**

information is available at any time via a secure Internet connection shall satisfy the requirements of this provision.

1. The number of continuing education credits completed, the course or courses taken, and the school code where the credits were completed;
2. The total number of continuing education credits completed;
3. The total number of continuing education credits remaining to be completed; and
4. The license renewal date of the producer.

(j) (No change.)

(k) [At least four months prior to the renewal of license, the Department, or its designee, shall issue to individual resident producers a statement indicating, based on current records, whether the continuing education requirement for renewal has been met.] In the event the producer asserts that credit has not been recorded for a certified continuing education course **completed prior to the renewal of the producer's license**, it shall be the sole responsibility of the producer to request the insurance education provider of the approved program where the course was taken to file with the Department, or its designee, a supplemental report of continuing education credits.

(l) (No change.)

[11:17-3.7 Recognized professional designations

(a) The Department recognizes the following professional designations as acceptable substitutes for the producer education and examination requirements except continuing education:

1. For life, accident and health or sickness, variable life and variable annuity authorities, a Chartered Life Underwriter (CLU) or a Chartered Financial Consultant (ChFC) designation conferred by the American College of Life Underwriters;

2. For property, casualty, personal lines, bail bonds and surplus lines authorities, a Chartered Property/Casualty Underwriter (CPCU) designation conferred by The American Institute for Chartered Property Casualty Underwriters and The Insurance Institute of America.

(b) An applicant seeking to rely on a recognized professional designation to satisfy any education or examination requirements in accordance with (a) above, shall submit adequate proof of such achievement which shall include an official document or transcript issued by the organization conferring the designation.]