

LEGISLATIVE REVIEW OF ADOPTED REGULATIONS INFORMATIONAL STATEMENT AS REQUIRED BY NRS 233B.066

LCB FILE NO. R184-22

The following statement is submitted by the State of Nevada, Department of Business and Industry, Division of Insurance (“Division”) for adopted amendments to Nevada Administrative Code (“NAC”) Chapter(s) 683A, 685A, 692A, and 695J.

1. A clear and concise explanation of the need for the adopted regulation.

The Gramm-Leach-Bliley Act (“GLB”), and the National Association of Registered Agents and Brokers which is included in the GLB legislation, mandated that states work to standardize producer licensing and create a system of reciprocal licensing among the states. Nevada has been working to implement the NAIC Uniform Producer Model to be more uniform in its licensing provision with other states. This regulation continues the work to standardize producer licensing requirements with most other states, in accordance with federal law.

Currently 46 states in the United States have a passing score of 70% for their licensing exams. Nevada is the only state in the country with an 80% passing score, which is the highest requirement in the country. Nevada has approximately 40,000 licensed resident producers and over 200,000 non-resident producers. All Nevada non-resident producers reached a lower examination threshold in their home state to then obtain a Nevada non-resident’s license and be able to sell insurance to Nevada residents, while Nevada producers are required to reach an 80% score to be eligible to obtain non-resident licenses and sell in other states.

It should also be noted that Nevada has a large percentage of its population where English is the second language, and insurance examinations in Nevada are only available in English. During the 2017 session of the Nevada Legislature, Senator Hardy sponsored Senate Bill 135, which was intended to make the Nevada insurance producer licensing examination available in Spanish, however the bill ended up dying in committee due to the fiscal impact on the state’s budget the bill would create.

Insurance licensing examinations are intended to determine sufficient entry-level competency to be able to sell insurance policies, however it is not expected that newly licensed producers will have all of the knowledge or expertise they will need over their carriers. As producers get involved in more specialized and complex insurance products, carriers are expected to provide additional education to their agents, and the state’s continuing education requirements exist to ensure that insurance licensees continue to expand their knowledge throughout their careers. The Division feels that the 70% threshold is an appropriate and uniform standard for evidence of sufficient competency for initial licensing.

2. A description of how public comment was solicited, a summary of public response, and an explanation of how other interested persons may obtain a copy of the summary.

(a) A description of how public comment was solicited:

Public comment was solicited by emailing the proposed regulation, notice of workshop, notice of intent to act upon the regulation, and small business impact statement to persons on the Division's mailing list requesting notification of proposed regulations. The documents were also made available on the website of the Division, <http://doi.nv.gov/>, the website of the Nevada Legislature, <http://www.leg.state.nv.us>, and the Nevada Public Notice website, <http://www.notice.ng.gov>. The documents were also emailed, or mailed where no email address was available, to the main library for each county in Nevada.

Public comment was also solicited at the workshop held on November 2, 2022, and at the hearing held on November 16, 2022. The public workshop and hearing took place virtually via Webex.

(b) A summary of the public response:

During the workshop for R184-22, which was held on November 2, 2022, we had public comment provided from a representative of the American Council of Life Insurers ("ACLI") who supported the regulation and its 70% passing score, and two representatives of the Nevada Independent Insurance Agents ("NIIA") association testified to their opposition to the proposed regulation. The NIIA testimony indicated they are concerned that lowering the passing rate to 70% had the potential of producing licensees in Nevada who do not have sufficient knowledge to properly advise and protect consumers while selling insurance.

During the hearing, which was held on November 16, 2022, a representative for the ACLI testified in support of the proposed regulation. We also received written public comments from the Latin Chamber of Commerce, Nevada, Globe Life, the National Association of Insurance and Financial Advisors, Nevada or NAIFA-Nevada and the American Council of Life Insurers or ACLI, which were in support of the proposed regulation.

The Latin Chamber of Commerce, Nevada indicated they supported the proposed regulation to change the test score to 70% to ensure that Nevada residents are held to the same standards as their non-resident competition. They indicated they expect this regulation will help bring more diversity to an industry that needs it and consumers looking for help.

Globe Life's written testimony focused on the importance of uniformity in producer licensing and that Nevada residents be granted the same pathway to licensing that is offered to other state applicants. Their letter also addresses that the current passing score was adopted four decades ago, and it has no relationship to the current exams that are used. They also addressed that more than twenty states use the same exam provider as Nevada, which would create nearly identical tests, but the other states use 70% as the appropriate passing score.

NAIFA-Nevada indicated they support the regulation to move the Nevada examination passing score to 70% to be in line with the 46 states that use a 70% passing score to ensure uniformity and accessibility for prospective agents looking to enter the industry. NAIFA-Nevada indicated that they worked closely with the NAIC, NCOIL and fellow insurance professional organizations in the development of the NAIC Uniform Producer Model, and they feel this

regulation will be helpful in expanding recruitment efforts to be able to better reach the minority communities who may not be aware of financial planning or insurance resources that are available.

ACLI's letter also expressed support for this regulation to level the playing field for Nevada producers and to continue building the uniform state licensing system envisioned by the Gramm-Leach-Bliley Act. Their letter stresses that licensing exams are supposed to measure whether examinees possess entry-level knowledge and the evidence from the majority of states suggests 80% sets a bar beyond entry-level knowledge.

(c) An explanation of how other interested persons may obtain a copy of the summary:

The summary in part 2(b) above reflects the public comments and testimony that transpired with regard to regulation R184-22. A copy of said summary may be obtained by e-mail request to regs@doi.nv.gov.

3. The number of persons who:

- (a) Attended the hearing: 19
- (b) Testified at the hearing: 2
- (c) Submitted to the agency written statements: 4

4. A list of names and contact information, including telephone number, business address, business telephone number, electronic mail address, and name of entity or organization represented, for each person identified above in #3 (b) and (c), as provided to the agency:

Testified at the hearing:

Name	Entity/Organization Represented	Business Address	Telephone No./ Business Telephone No.	E-Mail Address
Nicholas Stosic	Nevada Division of Insurance	1818 E. College Pkwy., Carson City, NV 89706	775-687-0783	nstosic@doi.nv.gov
Michael Hillerby	American Council of Life Insurers		775-398-4730	mhillerby@kcnvlaw.com

Submitted to the agency written statements:

Name	Entity/Organization Represented	Business Address	Telephone No./ Business Telephone No.	E-Mail Address
Beatriz Saenz	Latin Chamber of Commerce Nevada, Inc.	300 N. 13 th Street Las Vegas, NV 89101	702-385-7367	beatriz@lvcc.com
Peggy Camerino	Globe Life		727-644-5759	pcamerino@globe.life
Jessica Ciccarelli/ Bianca Weiss	NAIFA-Nevada		703-770-8153	bweiss@naifa.org
John Mangan	ACLI	101 Constitution Ave, N.W., Suite 700 Washington, D.C. 20001-2133	503-701-7503	johnmangan@acli.com

5. A description of how comments were solicited from affected businesses, a summary of their responses, and an explanation of how other interested persons may obtain a copy of the summary.

(a) A description of how comments were solicited from affected businesses:

Comments were solicited from affected businesses in the same manner as they were solicited from the public. Please see the description provided above in response to #2(a).

(b) A summary of the responses from affected businesses:

None were received

(c) An explanation of how other interested persons may obtain a copy of the summary:

The summary in part 5(b) above reflects the public comments and testimony that transpired with regard to regulation R184-22. A copy of said summary may be obtained by e-mail request to regs@doi.nv.gov.

6. If after consideration of public comments, the regulation was adopted without changing any part of the proposed regulation, provide a summary of the reasons for adopting the regulation without change.

The adopted version of the regulation was changed from the LCB version. Section 1 of the LCB draft modifies NAC 683A.180 to require producer applicants to attest that he or she has successfully completed a course of instruction prior to taking the appropriate licensing examination. 2019 Legislature Assembly Bill 88 modified NRS 683A.251 by eliminating the requirement for taking a pre-licensing education course to sit for an insurance exam. The updated DOI Revised Proposed Regulation under Section 1, repeals NAC 683A.180 in its entirety, since

that section of code now conflicts with the Nevada Revised Statutes.

The LCB draft Section 3 includes new language regarding the required score for an examination for a surplus lines broker's license, however the surplus lines subject matter is already included in the property and casualty license exam, and a separate examination is not required to add the surplus-lines line of authority to a Property and Casualty license. The DOI Revised Proposed Regulation R184-22 removes the new language being added to chapter 685A in Section 3 of the LCB version, so the DOI revised version now only contains 7 sections.

The revised regulation Section 3, what is Section 4 in the LCB version, also adds the words "of the month" to subsection 2, so the revised language now reads, "A license which is not renewed expires at midnight on the last day of the month specified on the license for the renewal. The Commissioner may accept a request for renewal received by the Commissioner within 30 days after the expiration of the license if the request is accompanied by the statement required pursuant to NRS 692A.1033 and a fee for renewal of 150 percent of all applicable fees otherwise required, except for any fee required pursuant to NRS 680C.110."

All other language in the DOI Revised Proposed Regulation R184-22 matches the language of the LCB draft dated September 7, 2022.

7. (a) The estimated economic effect of the adopted regulation on the business which it is to regulate:

- (1) Both adverse and beneficial effects:
 - i. Beneficial: This regulation will level the playing field for Nevada producer applicants who are applying for non-resident producer licenses in other states, and should increase the ability for applicants where English is a second language to obtain a Nevada Producer License.
 - ii. Adverse: No adverse impacts are expected.
- (2) Both immediate and long-term effects:
 - i. Immediate: This regulation will level the playing field for Nevada producer applicants who are applying for non-resident producer licenses in other states, and should increase the ability for applicants where English is a second language to obtain a Nevada Producer License.
 - ii. Long-Term: This regulation will level the playing field for Nevada producer applicants who are applying for non-resident producer licenses in other states, and should increase the ability for applicants where English is a second language to obtain a Nevada Producer License.

(b) The estimated economic effect of the adopted regulation on the public:

- (1) Both adverse and beneficial effects:
 - i. Beneficial: We are not able to provide an estimate of the beneficial impacts of reducing the passing score, however it should increase the ability of Nevada residents to sell insurance products and make income from those sales.
 - ii. Adverse: No adverse effects are expected.

- (2) Both immediate and long-term effects:
 - i. Immediate: No adverse effects are expected.
 - ii. Long-Term: No adverse effects are expected.

8. The estimated cost to the agency for enforcement of the adopted regulation.

This regulation will create no additional costs for enforcement.

9. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

There are no regulations of other state or governmental agencies which the proposed regulation overlaps or duplicates.

10. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of those provisions.

No provisions are more stringent than a federal regulation related to this topic.

11. If the regulation establishes a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

No new fee or increased fee is created by this regulation.