

# STATEMENT OF SCOPE

## Office of the Commissioner of Insurance

**Rule No.:** ss. Ins 6.57, 6.58, 6.59, 6.61, 6.63, 6.92, 6.93, and 28.04

**Relating to:** changes in the agent licensing process.

**Rule Type:** Permanent and Emergency

### **1. Finding/nature of emergency (Emergency Rule only):**

The Office of the Commissioner of Insurance (OCI) currently contracts with Vertafore (formerly SIRCON) to provide a range of services relating to OCI's agent licensing process. In early December 2015 OCI will be switching to the National Association of Insurance Commissioner's (NAIC) State Based System (SBS). SBS is a comprehensive web-based application that was developed to assist state regulators with many aspects of the agent licensing process.

After a careful review of OCI's current agent licensing process, OCI determined that switching from Vertafore to SBS will provide a more efficient and effective tool for administering the process. First, SBS affords a streamlined process in which many aspects of the agent licensing process, including pre-licensing requirements, applications, company appointment billings, terminations, notices, and continuing education are consolidated in one place. SBS also provides both OCI and licensees with immediate and direct access to important information that is necessary to regulate and operate in the insurance industry.

In addition, SBS will create greater uniformity between OCI's agent licensing process and those in other states because SBS was created by the NAIC in coordination with the National Insurance Producers Registry as an initiative to promote greater national licensing uniformity. Finally, the comprehensive nature of the SBS application is necessary to facilitate an integrated online platform that will allow OCI and licensees to easily locate, update, and track important information, access and process licensing requirements, and more effectively and efficiently communicate with each other through electronic means.

The transition to SBS will require OCI to make a number of minor changes to the current agent licensing provisions in the insurance code. The changes will allow for greater flexibility to use electronic means such as email to communicate with licensees and companies, update the licensing application submittal process, and require licensees to continually update personal and business information. As the transition to SBS is occurring in early December when OCI's contract with Vertafore expires, an emergency rule making the changes outlined above is necessary in order to ensure a smooth migration to the SBS system without causing a significant disruption to OCI's agent licensing process.

### **2. Detailed description of the objective of the proposed rule:**

In early December 2015 OCI will be transitioning from Vertafore to the NAIC's SBS, which is a comprehensive web-based application that was developed to assist state regulators with many aspects of the agent licensing process. The proposed emergency and permanent rules will make a number of minor

changes to the current agent licensing provisions in the insurance code which are necessary for the integration of SBS. These changes will include greater flexibility in the use of electronic communication, updates to the licensing application submittal process, and requirements to update changed personal and business information. These changes and the integration into the SBS system will result in a more effective and efficient agent licensing system as it will facilitate an integrated online platform that will allow OCI and licensees to easily locate, update, and track important information, access and process licensing requirements, and efficiently communicate with each other through electronic means.

### **3. Description of the existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:**

The current provisions governing the appointment of agents by insurers are contained in s. 628.11, Wis. Stat., and s. Ins 6.57, Wis. Adm. Code. Section Ins 6.57 (3), Wis. Adm. Code, requires that payment notification for the annual appointment fee be done through mail; the proposed rule will permit notification to be done through electronic means, such as email. In addition, the proposed rule will amend s. Ins 6.57 (4), Wis. Stat., to reflect the statutory requirements for the annual appointment fee of \$16 for resident and \$40 for nonresident intermediaries under ss. 628.11 and 601.31 (1) (n), Wis. Stat.

The process for licensing insurance intermediary firms is governed by ss. 628.04 and 628.10, Wis. Stat., and s. Ins 6.58, Wis. Adm. Code. The proposed rule will amend s. Ins 6.58 (3), Wis. Adm. Code, to require applicants to submit the licensing application online using the appropriate NAIC Uniform Application. Section Ins 6.58 (5), Wis. Adm. Code, will also be amended to permit fee notification for license renewals to be done through e-mail, instead of first-class mail. Finally, the proposed rule will also require notification for changes to the business name, address or e-mail address under s. Ins 6.58 (6), Wis. Adm. Code.

The current requirements and procedures addressing the issuance of intermediary licenses are outlined in s. 628.04, Wis. Stat., and s. Ins 6.59, Wis. Adm. Code. The current rules generally require applicants to fill out and submit OCI forms when applying for an agent license; the proposed revisions will require applicants to use the NAIC Uniform Application.

Section Ins 6.61, Wis. Adm. Code., addresses intermediary records. Under s. Ins 6.61 (15), Wis. Adm. Code, intermediaries are required to notify OCI of any changes in their name, residence address or mailing address. The proposed change will require intermediaries to also submit changes to their e-mail and business addresses.

Sections 628.04 and 628.10, Wis. Stat., and s. Ins 6.63, Wis. Adm. Code, outline the process for renewing agent licenses. Under s. 6.63 (2) and (4), Wis. Adm. Code, a fee notice is required to be sent by first-class mail prior to the renewal date. The proposed rule will permit the fee notice to be sent by e-mail. In addition, the proposed rule will specify the proper licensing application form if one is to be included in the notification.

Sections 628.10, 628.92, and 628.93, Wis. Stat., and ss. Ins 6.92 and 6.93, Wis. Adm. Code, govern the licensing requirements for individual navigators and navigator entities. The proposed rule will permit the fee notification to be sent by e-mail instead of first-class mail as required under ss. Ins 6.92 (6) and 6.93 (2), Wis. Adm. Code.

Finally, s. 628.04 (3) and 628.10 (2) (a), Wis. Stat., and s. Ins 28.04, Wis. Adm. Code, outline the continuing education process and requirements for insurance intermediaries. Under s. Ins 28.04 (1) (f), Wis. Adm. Code, notification must be sent through first-class mail to intermediaries lacking the necessary

education credit hours prior to the end of the reporting period, which also specifies the number of credit hours needed to be in compliance. The proposed rule will eliminate the need for a separate notice to be sent specifying the number of deficient credit hours and will permit for any notice given to be completed through electronic means. Similarly, under s. Ins 28.04 (1) (g), Wis. Adm. Code, individuals who fail to meet the continuing education requirements by the end of the reporting period shall have their license revoke by notification sent through first-class mail. The proposed rule will permit the notification to be sent through e-mail.

**4. Detailed explanation of statutory authority for the rule (including the statutory citation and language):**

The Commissioner has the general authority to promulgate rules necessary to administer and enforce chs. 600 to 655, Wis. Stat., and as provided under ss. 227.11 (2) (a) and 601.41, Wis. Stat. Section 601.41 (2) and (3) (a), Wis. Stat., read in combination with ss. 628.04, 628.10, and 628.93, Wis. Stat., authorize the Commissioner to determine by rule the procedures for administering the agent licensing process, including identifying the forms and procedures for submitting applications and renewing individual, firm and navigator licenses. In addition, 601.41 (2) and (3) (a), Wis. Stat., read in combination with 628.34, Wis. Stat., authorize the Commissioner to establish minimum standards for intermediary records which includes requiring intermediaries to update any name, e-mail or address changes. Further, s. 628.11, Wis. Stat., specifically authorizes the Commissioner to establish reporting requirements for insurers regarding all agent appointments, including renewals and terminations of appointments. Finally, it should be noted that s. 628.10 (2) (a) and (am), Wis. Stat., require notification of renewal fees and failure to comply with continuing education credits to be sent by first-class mail 60 days prior to the due date. These two paragraphs are currently being revised to permit notification to be done through e-mail. Accordingly, the amended provisions referencing 628.10, Wis. Stat., specifically ss. Ins 6.58 (5),

6.63 (2) and (4), 6.92 (6) and 6.93 (2), and 28.04 (1) (f), Wis. Adm. Code, will be consistent with the revised version of s. 628.10 (2) (a) and (b), Wis. Stat., which is scheduled to be completed well before the emergency rule would take effect.

**5. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule:**

60 hours and no other resources are necessary to develop this rule.

**6. List with description of all entities that may be affected by the proposed rule:**

The proposed rule will affect insurance intermediaries, intermediary firms, insurance companies, surplus lines agents, life settlement brokers, reinsurance intermediaries, firms and managers, and individual navigators and navigator entities.

**7. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule:**

The office is unaware of any proposed or existing federal regulation that is intended to address the activities to be regulated by this proposed rule.

**8. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):**

This proposed rule will not have an economic impact. In addition, the appointment fees under s. 6.57 (4), Wis. Adm. Code, are already required by statute under ss. 628.11 and 601.31 (1) (n), Wis. Stat. Therefore, the revision in the proposed rule is simply to make s. 6.57 (4), Wis. Adm. Code, consistent with current statutory requirements.

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