



Licensing Division

Insurance Producer Licensing in Minnesota

September 5, 2012

Introduction

- Minnesota issues half a million occupational and business licenses each year for approximately 900 license types
- The Department of Commerce administers nearly 300,000 licenses for professionals in insurance, real estate, securities, debt collection, and other fields
- Nearly a third of these are held by insurance producers (formerly known as “agents” or “brokers”)

Producer Licensing

State statutes and rules

- Minnesota Statutes, Chapter 60K (“Insurance Producers”) and Minnesota Rules, Chapter 2795 (“Insurance Agents”)
- Chapter 60K incorporates the provisions of the Producer Licensing Model Act (PLMA) developed by the National Association of Insurance Commissioners (NAIC)

The NAIC

From naic.org:

The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

Producer Licensing Model Act

- The NAIC's PLMA was developed in response to industry concerns about differences in licensing requirements and procedures among the states
- Adopted by most states (Minnesota in 2001, effective 7/1/2002)
- Necessary for reciprocity and uniformity

Uniform Licensing Standards

- To further encourage uniformity among the states, the NAIC maintains Uniform Licensing Standards
- State compliance is audited
- Minnesota strives to remain compliant

Who is required to have
an insurance producer license?

Licensable activities

- Under state law, an insurance producer license is required in order to “sell, solicit, or negotiate insurance”
- “Sell,” “solicit,” and “negotiate” all have specific legal meanings

Definitions

- Sell: “to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company.”
- Solicit: “attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company.”
- Negotiate: “the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms, or conditions of the contract if the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.”

NAIC guidance

- To assist the states and others in determining what activities constitute selling, soliciting, or negotiating insurance and thus require licensure, the NAIC adopted Implementation Guidelines for the PLMA
- Because Minnesota law follows the PLMA, these guidelines help to clarify the requirements of Chapter 60K

License not required

Non-licensable acts:

SOLICITING

- Dispensing brochures and other general information (so long as there is no conversation relating to the terms of a contract)
- Disseminating buyers' guides, applications for coverage, coverage selection forms, or other similar forms in response to a request from prospective or current policyholders
- Receiving and recording information from a policyholder to give to an insurance producer for his or her response
- Scheduling appointments with insurance producers to discuss insurance

NEGOTIATING

- Communicating with the policyholder or prospective policyholder in order to obtain factual information necessary for an insurance producer to complete a review

License not required

SELLING

- **Receiving requests for coverage for transmittal to a licensed insurance producer or for processing through an automated system developed and maintained under the supervision of an insurer or licensed insurance producer**
- **Receiving and recording information from an applicant or policyholder and preparing an application for insurance pursuant to instructions from and for the review of an insurance producer**
- **Obtaining underwriting information from credit agencies, DMV, and other insurance agencies and companies**
- **As an underwriter employed by an insurer or by a licensed insurance producer, upon receipt of an application submitted by a licensed producer, requesting and reviewing information relating to the audit of records or loss control on underwriting verifications and inspections, requesting and reviewing the results of a physical examination of a prospective insured named in a submitted application, requesting and reviewing information from persons other than the applicant, making a determination that the applicant meets the insurer's underwriting criteria, and mailing the policy to the policyholder or the producer**
- **Receiving and recording information from an applicant or policyholder and preparing for an insurance producer's review and signature all binders, certificates, endorsements, identification cards or policies pursuant to instructions from the insurance producer**
- **Receiving premiums at the recorded place of business where the payment is being made on a binder, endorsement, or existing policy**
- **Issuing certificates of insurance, endorsements, binders, commitments, insurance policies, or insurance identification cards (if issuance is physical delivery only)**

Other exemptions

Under Chapter 60K, a license as an insurance producer is not required of certain individuals under specified conditions, including “a person who secures and furnishes information for the purpose of group life insurance, group property and casualty insurance, group annuities, group or blanket accident and health insurance; or for the purpose of enrolling individuals under plans; issuing certificates under plans or otherwise assisting in administering plans; or performs administrative services related to mass-marketed property and casualty insurance; **where no commission is paid to the person for the service.**”

License required

Licensable acts:

SOLICITING

- Disseminating information as to rates secured by reference to a published or printed list or computer database of standard rates

NEGOTIATING

- Explaining, discussing, or interpreting coverage, analyzing exposures or policies, or giving opinions or recommendations as to coverage
- Discussing the effect of age, health, or other risk-related conditions of the prospective policyholder
- Counseling, urging, or advising any prospective purchaser to buy a particular policy or to insure with a particular company

SELLING

- Indicating that requested coverage is or will be bound or issued
- Binding coverage
- Issuing certificates of insurance, endorsements, binders, commitments, insurance policies, or insurance identification cards (if issuance is the effectuation of the insurance policy)

Appointments

- Under state law, a person performing acts requiring a producer license is at all times the agent of the insurer and not the insured
- Generally, a licensed insurance producer cannot engage in the business of insurance with an insurer unless the producer either has been appointed by that insurer, or has the permission of the insurer to transact business on its behalf and obtains an appointment from the insurer within 15 days after the first application is submitted to the insurer
- An individual may obtain a producer license before being appointed by an insurance company, but an appointment is required in order to transact business in Minnesota

How to get an insurance producer license

Lines of authority

- Insurance producer licenses are issued with one or more lines of authority
- Major lines are life; accident and health or sickness; property; casualty; variable life and variable annuity products; and personal lines
- Limited lines are credit; farm property and liability; title; travel; and bail bonds

Major line license requirements

- Successfully complete 20 hours of prelicense education per line of authority (except VL & VA)
 - or a two-year Minnesota vocational school degree in insurance
 - or a four-year college degree in business with an insurance emphasis
 - or hold one of the professional designations specified in the law [for example, for the health line of authority, Registered Health Underwriter (RHU), Certified Employee Benefit Specialist (CEBS), Registered Employee Benefits Counselor (REBC), or Health Insurance Associate (HIA)]
- Pass a written examination for the specific line of authority

Major line license requirements

- Be at least 18 years old
- Consent to a criminal history record check and submit fingerprints
- Not have committed any act that is a ground for denial, suspension, or revocation
- Submit an application
- Pay the application fee (\$50/line of authority plus a \$30 Technology Surcharge)

Additional information

- An initial insurance producer license expires 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 12 months, but no more than 24 months
- A renewed license is valid for 24 months
- At least 24 hours of continuing education, with three of those hours in a class or classes in ethics, must be completed in order to renew a license

Contacts

- **mn.gov/commerce/insurance**– hover over “Licensing,” then click on “Resident Producers”

- Questions:
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