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Technical Advisory

TA 297

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Subject: National Insurance Producer Registry (NIPR)

Background: The National Insurance Producer Registry (NIPR) is an electronic data base and communications system which is part of an ongoing effort to streamline, modernize and otherwise improve the various processes involved with producer licensing. In January 2010, the Louisiana Department of Insurance made usage of the NIPR mandatory for the submission of producer appointments, terminations, change of address, and other licensing information which is required to be sent to the LDI.

While nascent efforts were being made in the mid-1990's to develop more efficient ways to manage the necessary flow of producer licensing data between states for multi-state license holders, the Gramm-Leach-Bliley Act sparked a nationwide move to implement sweeping reforms.

In 1999, the Gramm-Leach-Bliley Act (GLBA) caused a seismic shift in the financial services industry. Titled the "Financial Services Modernization Act," the "modernizing" effects are still rippling through the financial services landscape today. Initially, the major impact on the insurance industry was the implementation of certain privacy provisions, such as an annual privacy notice, which is on-going. However, one of the largest issues that got swept up in the debate over just how much to "modernize" the insurance segment of the financial services business was the extent of federal control over insurance activities. Proponents of the McCarran-Ferguson Act of 1945 fought hard to retain complete control by the individual states. The "modernists" proved successful in pointing out the inefficiencies and crazy-quilt regulations and practices inherent in a marketplace of 50 different jurisdictions.

In the end, a compromise was struck in the final version of GLBA. States were given 3 years for a majority of states (29 under the law) to pass meaningful reforms aimed at reciprocal or uniform licensing laws and other changes. If not enough states adopted these measures by November 2002, a federal entity called the National Association of

Registered Agents and Brokers (NARAB) would be created, which would gain substantial regulatory control from the states over much of the insurance industry. Through the joint efforts of myriad industry groups, including Independent Insurance Agents and Brokers of America (IIABA) and state associations such as IIABL, as well as other national trade associations such as the National Association of Insurance Commissioners (NAIC), enough states passed regulatory reform in time to avoid the implementation of NARAB. By the deadline, 35 states had complied, and more states have followed suit since then.

So, while the initial hurdle of reciprocity and uniformity of licensing had been overcome to avoid NARAB, much more needed to be done in order for states to retain control of the insurance business.

The next major step was to bring more effective reform and streamlining to the licensing process for multi-state license holders. One of the vehicles which has been used by a large number of states to accomplish this is the Producer Licensing Model Act (PLMA) developed by the NAIC. Louisiana adopted the key provisions of the PLMA in 2009 (Act 485, effective 1/1/10). At the time of the passage of Act 485, one key industry executive described the purpose of the PLMA as follows: *“In an effort to streamline multistate licensing, and forestall federal regulation of insurance, insurance commissioners nationwide are adopting the NAIC Producer Licensing Model Act.”*

Adoption of the PLMA (Act 485) was the driving force behind the recent changes to Louisiana’s CE and licensing procedures, including birth month renewals, number of CE hours required, ethics requirements, fingerprinting of new agents, and so forth. For more information, [click here for IIABL Technical Advisory 276](#).

Additional efforts to continue streamlining and simplifying multi-state licensing procedures are also proving successful. While licensing reciprocity, uniformity of licensing procedures and other measures were being adopted, one big stumbling block to meaningful efficiency of the entire operation among the states was the millstone of moving stacks of paperwork in a timely fashion. Starting prior to the passage of GLBA, a number of groups began working on the problem. In time, a program called the National Insurance Producer Registry (NIPR), developed by the NAIC, proved one of the most effective, and is now in widespread use, including Louisiana.

Main Points: While proponents for maintaining state control over insurance have mostly prevailed so far, at the same time, most everyone agrees that additional reforms are needed. As any producer holding multi-state licenses can attest, the logistics of obtaining and renewing each state-issued license is cumbersome and time-consuming

for the producer, the agency, the appointing insurers, and each state's Department of Insurance. In fact, the Independent Insurance and Brokers of America recently reported that the average independent agency operates in at least eight states, while many are licensed to operate in considerably more jurisdictions. Factoring in multiple producers in the agency, licensed with several insurers, through multiple departments of insurance, and the scope of the paperwork logjam is obvious.

Automation has proven to be one of the key solutions to this complex problem. However, automation would only be useful if all the players agreed to use it, preferably if it was one common system. Voluntary participation simply for the sake of obvious efficiency compels many to cooperate. But avoiding mandatory control by the federal government (motto: "Either you fix it or we'll fix it for you") has provided great motivation and momentum to seek a workable multi-state system of information sharing and data management.

This is the essential background to the creation of the National Insurance Producer Registry (NIPR) (<http://www.nipr.com/>) in 1996, a non-profit affiliate of the National Association of Insurance Commissioners (NAIC). NIPR serves as a gateway of communication between state insurance regulators, insurers and producers to facilitate electronic exchange of vital information relating to licensing appointments, terminations, change of address, and other important information. In streamlining the process of routine information exchanges among the various regulatory parties, NIPR takes the "once and done," single-entry approach. Licensing appointments, terminations, changes of address and other important data can be sent to any and all necessary recipients once the entries are made via computer with the licensee's home state regulator. The data is then available to other state regulators, insurers, and others as needed.

In a press release dated March 25, 2011, NIPR announced that it had processed its 100th million transaction. Its current Producer Data Base (PDB) has approximately 4.9 million producers. And in recognition of certain personal security concerns, NIPR assigns each producer a 10-digit National Producer Number (NPN) instead of using Social Security numbers.

In Louisiana, the Department of Insurance reports that it receives in excess of 550,000 annual requests for revisions to information maintained in the various LDI databases, including company producer appointments and terminations, change of address, etc. Until now, this processing was done by paper submissions. **Importantly, as of January 1, 2010, LDI required the processing of appointments, terminations, and change of address be done through NIPR.**

Here are links to two announcements from LDI on this change.

(1) ["Company Appointment Information"](#)

(2) ["Change of Address for Producer of Adjuster"](#)

In addition, the Louisiana Department of Insurance has issued two Bulletins concurrent with the changes effective January 1, 2010.

(1) [LDI Bulletin No. 09-10: "Appointments and Terminations of Insurance Producers – Electronic Submission Required"](#)

(2) [LDI Bulletin No. 09-11: "Change of Address – Electronic Submission Required."](#)

Going forward, the battle over state vs. federal control of insurance remains on the radar. The adoption and usage of NIPR is voluntary on a state-by-state basis. Likewise, many states (such as Louisiana) voluntarily adopted the essential components of the Producer Licensing Model Act (PLMA). However, there are still some vocal and influential proponents of federal regulation of insurance. In an effort to counter these efforts, groups such as the Independent Insurance and Brokers of America (IIABA) are currently lobbying for passage of NARAB II, which would create a formal entity that would implement standardized, uniform guidelines and procedures related to multi-state licensing. In the current 112th Congress, H.R. 1112, the "National Association of Registered Agents and Brokers Reform Act" has been introduced in the U.S. House of Representatives. One fundamental principle of H.R. 1112 is that NARAB II would be a private, nonprofit entity managed by a board composed of state insurance regulators and marketplace representatives. NARAB II would not be a part of, or report to, any federal agency, nor would it have any federal regulatory power. The debate over state vs. federal control of insurance is ongoing, and highlights the importance of strong and effective grassroots efforts in the legislative arena by independent agents and others.

Necessary Action: Circulate this Technical Advisory to all appropriate agency staff.