

2007  
SUNSET  
REVIEW

Colorado Department of Regulatory Agencies  
Office of Policy, Research and Regulatory Reform

## The Functions of the Division of Insurance Related to the Licensing of Insurance Producers



October 15, 2007

# STATE OF COLORADO



Bill Ritter, Jr.  
Governor

D. Rico Munn  
Executive Director

**DEPARTMENT OF REGULATORY AGENCIES**  
Office of Policy, Research and Regulatory Reform  
**Bruce Harrelson, Director**

1560 Broadway, Suite 1550  
Denver, CO 80202  
Phone: (303) 894-7855  
FAX: (303) 894-7885  
[www.dora.state.co.us/opr](http://www.dora.state.co.us/opr)

October 15, 2007

Members of the Colorado General Assembly  
c/o the Office of Legislative Legal Services  
State Capitol Building  
Denver, Colorado 80203

Dear Members of the General Assembly:

The mission of the Department of Regulatory Agencies (DORA) is consumer protection. As a part of the Executive Director's Office within DORA, the Office of Policy, Research and Regulatory Reform seeks to fulfill its statutorily mandated responsibility to conduct sunset reviews with a focus on protecting the health, safety and welfare of all Coloradans.

DORA has completed the evaluation of the functions of the Division of Insurance related to the licensing of insurance producers. I am pleased to submit this written report, which will be the basis for my office's oral testimony before the 2008 legislative committee of reference. The report is submitted pursuant to section 24-34-104(8)(a), of the Colorado Revised Statutes (C.R.S.), which states in part:

The department of regulatory agencies shall conduct an analysis of the performance of each division, board or agency or each function scheduled for termination under this section...

The department of regulatory agencies shall submit a report and supporting materials to the office of legislative legal services no later than October 15 of the year preceding the date established for termination...

The report discusses the question of whether the regulatory program provided under Article 1 of Title 10, C.R.S., serves to protect the public health, safety or welfare. The report also discusses the effectiveness of the Division of Insurance and staff in carrying out the intent of the statutes and makes recommendations for statutory changes in the event this regulatory program is continued by the General Assembly.

Sincerely,

D. Rico Munn  
Executive Director



**2007 Sunset Review  
Regulation of Insurance Producers**

Department of Regulatory Agencies

Bill Ritter, Jr.  
Governor

D. Rico Munn  
Executive Director

**Executive Summary**

**Quick Facts**

**What is Regulated?** Insurance producers, also known as insurance agents, solicit, negotiate, deliver, renew and sell insurance policies to individual citizens as well as businesses in Colorado.

**Who is Regulated?** In fiscal year 05-06, there were 100,626 individual insurance producers holding 132,908 active licenses.

**How is it Regulated?** The Colorado Commissioner of Insurance (Commissioner) licenses insurance producers and approves them to sell various lines of insurance (also known as lines of authority), including life, accident and health, variable life and variable annuity, property, casualty and personal lines. Depending on the line of authority, an insurance producer must complete a certain number of hours of pre-licensure, as well as continuing, education and pass an examination.

**What Does it Cost?** In 2007, license fees were:

	New	Renewal
Resident	\$52.50	\$ 13.50
Nonresident	\$93.50	\$ 41.50
Resident Surplus Lines	\$269	\$269
Nonresident Surplus Lines	\$409	\$409

**What Disciplinary Activity is There?** Between fiscal years 01-02 and 05-06, the Commissioner's disciplinary proceedings with respect to insurance producers consisted of:

Complaints Filed	1,915
Revocations	125
Suspensions	506

**Where Do I Get the Full Report?** The full sunset review can be found on the internet at:  
<http://www.dora.state.co.us/opr/oprpublications.htm>

**Key Recommendations**

**Continue the regulation of insurance producers for 11 years, until 2019.**

The relatively low number of consumer complaints filed against insurance producers can be attributable to the comprehensive requirements insurance producers must satisfy prior to selling insurance products in Colorado, as well as the various sections within the Division of Insurance that actively investigate potential issues and complaints. The comprehensive regulation of insurance producers serves to insulate consumers from potential harm regarding insurance products. As a result, the regulation of insurance producers should be continued for 11 years, until 2019.

**Allow insurance producers to obtain a crop hail line of authority in Colorado.**

Colorado law authorized the sale of crop hail insurance until 2001, at which time Colorado statutes were amended to repeal this line of authority in compliance with an effort to remain consistent with recommendations made by the National Association of Insurance Commissioners' Producer Licensing Working Group (PLWG). Since that time, however, the PLWG has reversed itself and now recommends reauthorizing the crop hail line of authority.

**Repeal the statutory provision requiring the Commissioner to reject the registration of any name that is similar to another currently on file.**

The Commissioner is responsible for ensuring that no insurance producer sells insurance under a trade name that is similar to the trade name used by any other insurance producer. Since the Office of the Colorado Secretary of State registers trade names, and thereby ensures that no two trade names are deceptively similar, the requirement that the Commissioner perform the same function is unnecessarily duplicative, and should be repealed.

### *...Key Recommendations Continued*

#### **Require insurance producers who have their licenses revoked or who surrender their licenses to wait two years before applying for new licenses.**

Revocation proceedings can be lengthy and expensive and are typically undertaken only when the alleged conduct is so egregious that the licensee must be removed from practice in order to protect the public. However, the insurance statutes make no provision for an individual who has had an insurance producer license revoked to wait to apply for a new license. This not only poses a risk to the public, but also requires the Commissioner to incur additional expenses in processing the new application and, if it is denied and appealed, additional legal expenses.

#### **Major Contacts Made During This Review**

Colorado Association of Health Plans  
Division of Insurance  
Producer Advisory Council members  
Professional Independent Insurance Agents of Colorado

#### **What is a Sunset Review?**

A sunset review is a periodic assessment of state boards, programs, and functions to determine whether or not they should be continued by the legislature. Sunset reviews focus on creating the least restrictive form of regulation consistent with protecting the public. In formulating recommendations, sunset reviews consider the public's right to consistent, high quality professional or occupational services and the ability of businesses to exist and thrive in a competitive market, free from unnecessary regulation.

Sunset Reviews are Prepared by:  
Colorado Department of Regulatory Agencies  
Office of Policy, Research and Regulatory Reform  
1560 Broadway, Suite 1550, Denver, CO 80202  
[www.dora.state.co.us/opr](http://www.dora.state.co.us/opr)

# Table of Contents

Background .....	1
<i>The Sunset Process</i> .....	1
<i>Methodology</i> .....	3
<i>Profile of the Industry</i> .....	4
<i>History of Regulation</i> .....	9
Legal Framework.....	10
Program Description and Administration .....	15
<i>Licensing</i> .....	16
<i>Examinations</i> .....	19
<i>Fees</i> .....	20
<i>Complaints/Disciplinary Actions</i> .....	21
Analysis and Recommendations.....	24
<i>Recommendation 1 – Continue the regulation of insurance producers for 11 years, until 2019</i> .....	24
<i>Recommendation 2 – Allow insurance producers to obtain a crop hail line of authority in Colorado.</i> .....	25
<i>Recommendation 3 – Eliminate the provision requiring the Commissioner of Insurance to reject the registration of any name that is similar to another currently on file</i> .....	26
<i>Recommendation 4 – Require insurance producers who have their licenses revoked or who surrender their licenses to wait two years before applying for new licenses.</i> ..	26
Appendix A – Sunset Statutory Evaluation Criteria .....	28
Appendix B – Resident Licensing Information .....	29
Appendix C – Non-Resident Licensing Information .....	33
Appendix D - Resident Examination Information .....	37

---

---

## ***Background***

### *The Sunset Process*

Regulation, when appropriate, can serve as a bulwark of consumer protection. Regulatory programs can be designed to impact individual professionals, businesses or both.

As regulatory programs relate to individual professionals, such programs typically entail the establishment of minimum standards for initial entry and continued participation in a given profession or occupation. This serves to protect the public from incompetent practitioners. Similarly, such programs provide a vehicle for limiting or removing from practice those practitioners deemed to have harmed the public.

From a practitioner perspective, regulation can lead to increased prestige and higher income. Accordingly, regulatory programs are often championed by those who will be the subject of regulation.

On the other hand, by erecting barriers to entry into a given profession or occupation, even when justified, regulation can serve to restrict the supply of practitioners. This not only limits consumer choice, but can also lead to an increase in the cost of services.

There are also several levels of regulation. Licensure is the most restrictive form of regulation, yet it provides the greatest level of public protection. Licensing programs typically involve the completion of a prescribed educational program (usually college level or higher) and the passage of an examination that is designed to measure a minimal level of competency. These types of programs usually entail title protection – only those individuals who are properly licensed may use a particular title(s) – and practice exclusivity – only those individuals who are properly licensed may engage in the particular practice. While these requirements can be viewed as barriers to entry, they also afford the highest level of consumer protection in that they ensure that only those who are deemed competent may practice and the public is alerted to those who may practice by the title(s) used.

Certification programs offer a level of consumer protection similar to licensing programs, but the barriers to entry are generally lower. The required educational program may be more vocational in nature, but the required examination should still measure a minimal level of competency. Additionally, certification programs typically involve a non-governmental entity that establishes the training requirements and owns and administers the examination. State certification is made conditional upon the individual practitioner obtaining and maintaining the relevant private credential. These types of programs also usually entail title protection and practice exclusivity.

---

While the aforementioned requirements can still be viewed as barriers to entry, they afford a level of consumer protection that is lower than a licensing program. They ensure that only those who are deemed competent may practice and the public is alerted to those who may practice by the title(s) used.

Registration programs can serve to protect the public with minimal barriers to entry. A typical registration program involves an individual satisfying certain prescribed requirements – typically non-practice related items, such as insurance or the use of a disclosure form – and the state, in turn, placing that individual on the pertinent registry. These types of programs can entail title protection and practice exclusivity. Since the barriers to entry in registration programs are relatively low, registration programs are generally best suited to those professions and occupations where the risk of public harm is relatively low, but nevertheless present. In short, registration programs serve to notify the state of which individuals are engaging in the relevant practice and to notify the public of those who may practice by the title(s) used.

Finally, title protection programs represent one of the lowest levels of regulation. Only those who satisfy certain prescribed requirements may use the relevant prescribed title(s). Practitioners need not register or otherwise notify the state that they are engaging in the relevant practice, and practice exclusivity does not attach. In other words, anyone may engage in the particular practice, but only those who satisfy the prescribed requirements may use the enumerated title(s). This serves to indirectly ensure a minimal level of competency – depending upon the prescribed preconditions for use of the protected title(s) – and the public is alerted to the qualifications of those who may use the particular title(s).

Licensing, certification and registration programs also typically involve some kind of mechanism for removing individuals from practice when such individuals engage in enumerated proscribed activities. This is generally not the case with title protection programs.

As regulatory programs relate to businesses, they can enhance public protection, promote stability and preserve profitability. But they can also reduce competition and place administrative burdens on the regulated businesses.

Regulatory programs that address businesses can involve certain capital, bookkeeping and other recordkeeping requirements that are meant to ensure financial solvency and responsibility, as well as accountability. Initially, these requirements may serve as barriers to entry, thereby limiting competition. On an ongoing basis, the cost of complying with these requirements may lead to greater administrative costs for the regulated entity, which costs are ultimately passed on to consumers.

---

Many programs that regulate businesses involve examinations and audits of finances and other records, which are intended to ensure that the relevant businesses continue to comply with these initial requirements. Although intended to enhance public protection, these measures, too, involve costs of compliance.

Similarly, many regulated businesses may be subject to physical inspections to ensure compliance with health and safety standards.

Regulation, then, has many positive and potentially negative consequences.

The regulatory functions of the Division of Insurance (DOI) with respect to insurance producer licensing, in accordance with Article 1 of Title 10, Colorado Revised Statutes (C.R.S.), shall terminate on July 1, 2008, unless continued by the General Assembly. During the year prior to this date, it is the duty of the Department of Regulatory Agencies (DORA) to conduct an analysis and evaluation of the DOI related to the licensing of insurance producers pursuant to section 24-34-104, C.R.S.

The purpose of this review is to determine whether the currently prescribed regulation should be continued for the protection of the public and to evaluate the performance of the DOI in relation to the regulation of insurance producers. During this review, the DOI must demonstrate that the regulation serves to protect the public health, safety or welfare, and that the regulation is the least restrictive regulation consistent with protecting the public. DORA's findings and recommendations are submitted via this report to the legislative committee of reference of the Colorado General Assembly. Statutory criteria used in sunset reviews may be found in Appendix A on page 28.

### *Methodology*

As part of this review, DORA staff attended Producer Advisory Council meetings, interviewed DOI staff, reviewed DOI records including complaint and disciplinary actions, interviewed officials with state and national professional associations, interviewed insurance producers, reviewed Colorado statutes and DOI rules, and reviewed the laws of other states.



---

## *Profile of the Industry*

The DOI is charged with regulating the entire insurance industry in Colorado. This is a daunting task, considering the tremendous volume and complexity of insurance products available to consumers. Additionally, the DOI is also responsible for regulating insurance carriers (companies), which includes licensing, discipline, market conduct examinations, etc. Due to the fact that regulating the insurance industry is broad, complex and expansive, the scope of this sunset review is limited to an analysis of the functions of the DOI related to the licensing of insurance producers.

Insurance producers are charged with soliciting, negotiating, delivering, renewing and selling insurance policies to individual citizens as well as businesses in Colorado. In order to offer insurance products, insurance producers are required to obtain a license from the DOI, and that license must remain in good standing.

The DOI monitors, imposes disciplinary actions and resolves complaints related to insurance producers. The DOI regulates insurance producers to serve the public interest in the following areas:<sup>1</sup>

- Providing a prompt, effective complaint resolution process for Colorado consumers;
- Providing prompt and effective service and education to Colorado consumers, the public, and regulated entities;
- Promoting and preserving a sound, competitive insurance marketplace through effective state regulation;
- Promoting access to affordable insurance that allows for adequate consumer choice;
- Promoting and developing more streamlined, uniform, and efficient regulatory processes; and
- Ensuring that management systems are in place to operate the DOI efficiently and effectively.

Additionally, the Commissioner of Insurance (Commissioner) is responsible for ensuring that the business of insurance is conducted in accordance with the laws of the state. Section 10-1-108(7), C.R.S., describes the Commissioner's duties:

It is the duty and responsibility of the Commissioner to supervise the business of insurance in the state to assure that it is conducted in accordance with laws of this state and in such a manner as to protect policyholders and the general public.

---

<sup>1</sup> Colorado Division of Insurance, *About the Division*, retrieved June 19, 2007, from [www.dora.state.co.us/insurance/about/About1.html](http://www.dora.state.co.us/insurance/about/About1.html)

---

## **Insurance Lines of Authority**

Insurance producers may sell multiple lines of insurance, which requires them to hold a separate line of authority (license) for each line sold. Currently, there are 14 lines of authority in Colorado.

Additionally, the lines of authority are divided into two categories: major and limited. Major lines of authority are more commonly purchased insurance products, while limited lines of authority are not as widely held by either businesses or the general public. In Colorado, the major lines of authority include:

- Life;
- Accident and health;
- Variable life and variable annuity;
- Property;
- Casualty; and
- Personal lines.

Insurance producers possessing a life insurance line of authority may offer various products to their clients, including:

- Term life insurance;
- Universal life insurance; and
- Whole life insurance.

Term life insurance offers protection for consumers for a specified period of time, usually 1 to 30 years, or until a specified age.

Universal life insurance offers the consumer flexibility when choosing the amount of insurance to be purchased as well as the payment of the premium. Within a universal life insurance policy, the consumer, as his or her needs change, may adjust the amount of coverage and the premium paid.

Whole life insurance provides a guaranteed death benefit for the insured's entire life, unlike term life insurance, which provides coverage for a specified period.

Additionally, accident and health insurance is coverage for sickness, bodily injury, or accidental death.<sup>2</sup> In other words, accident and health insurance covers a person's medical expenses if he or she is sick or injured.

---

<sup>2</sup> § 10-2-407(1)(b), C.R.S.

---

Variable life insurance provides death benefits and cash values that vary in accordance with the performance of a selected investment portfolio.<sup>3</sup> In order to possess a variable life insurance license in Colorado, an insurance producer must possess a life insurance line of authority as well as an active securities license, which must be registered with the National Association of Securities Dealers by passing one of three securities examinations (6, 63 or 7). If an insurance producer possesses both the Colorado life insurance line of authority and an active securities license, he or she is eligible to receive a variable life insurance line of authority.

Variable annuity products are often complex investment vehicles and can provide a stream of income for a long period of time. As a result, annuities are mainly used for retirement income, although they can be used to assist in paying for a child's college tuition, creating a trust fund, or providing income for a surviving spouse.

Property insurance coverage is for the direct or consequential loss or damage to property of every kind.<sup>4</sup> Property insurance includes fire insurance, flood insurance, earthquake insurance and home insurance.

Casualty insurance coverage protects the insured against legal liability, including for death, injury, or disability or damage to real or personal property.<sup>5</sup> Otherwise stated, casualty insurance provides the insured coverage for unforeseen accidents, which may include auto liability insurance for car accidents.

Personal line insurance is the final major line of authority available to Colorado residents. Personal line insurance includes property and casualty insurance sold to individuals and families primarily for noncommercial purposes.<sup>6</sup>

There are also a variety of limited lines of insurance available to Colorado residents. Available limited lines of insurance include:

- Credit insurance;
- Title insurance;
- Bail bond;
- Travel ticket;
- Surplus;
- Health Maintenance Organizations (HMO) and nonprofit hospital; and
- Crop hail.

---

<sup>3</sup> *Variable Universal Life Insurance: Is it Worth it?* Retrieved June 29, 2007, from <http://www.consumerfed.org/pdfs/VULReport0203.pdf>

<sup>4</sup> § 10-2-407(1)(d), C.R.S.

<sup>5</sup> § 10-2-407(1)(e), C.R.S.

<sup>6</sup> § 10-2-407(1)(n), C.R.S.

---

Credit insurance is purchased on a debtor to provide indemnity for a loan balance if the debtor is unable to repay the loan due to income loss. Otherwise stated, credit insurance protects the debtor by repaying the loan if the debtor experiences an unexpected loss of income (e.g., if a debtor is laid off from his or her job).

Title insurance is a policy that protects a buyer against errors or omissions or defects in the title of real property.<sup>7</sup> Title insurance also protects buyers from undisclosed or unseen defects in the property.

There are three types of bail bonding agents in Colorado, including:

- Surety bond agents;
- Professional cash bond agents; and
- Cash bonding agents.

Surety bond agents issue bonds on behalf of one or more surety companies.

Professional cash bond agents furnish bail for compensation in any court or courts in Colorado in connection with judicial proceedings. Professional cash bond agents are not eligible to be full-time salaried officers or employees of an insurer.<sup>8</sup>

Cash bonding agents provide bail for compensation; however, cash bonding agents are not employed by surety companies.

The information related to insurance producers will not include bail bonding agents for the remainder of this report. Due to the complexity of the bail bonding industry, the DOI's licensing of bail bonding agents receives its own sunset review, which is scheduled for 2012.

Travel ticket insurance protects the insured on vacations from unexpected or unforeseen circumstances, including, but not limited to, lost luggage and trip cancellations.

---

<sup>7</sup> Financial terms glossary, *Denver Real Estate*, retrieved June 19, 2007, from [http://www.kristalsellsdenver.com/finance\\_glossary.htm](http://www.kristalsellsdenver.com/finance_glossary.htm)

<sup>8</sup> § 10-12-101(7), C.R.S.

---

Surplus lines of insurance cover unusual risks or exposures that traditional (major lines of authority) do not cover. Examples of surplus lines include, but are not limited to:<sup>9</sup>

- A developer re-building homes and businesses in a hurricane-prone area;
- A sports celebrity who wants to insure his or her legs or hands;
- A school district building a new school;
- A nonprofit that seeks to provide food, medical care and education in developing countries;
- A research lab working on a promising, yet unproven, new drug; and
- A law firm specializing in intellectual property work.

Health Maintenance Organizations (HMO) and nonprofit hospital lines of authority cover the solicitation of membership in a health maintenance organization or nonprofit hospital, medical-surgical or health service.<sup>10</sup> Effective January 2002, the HMO and nonprofit hospital lines of authority are no longer issued in Colorado. However, existing licenses may be renewed until the licensee fails to meet the continuing education requirements.<sup>11</sup>

Crop hail is insurance coverage that includes planted and growing crops. Crop hail coverage insures against the loss of agricultural production or income due to specified or multiple perils (e.g., changes in market prices) or weather events. Effective January 2002, crop hail licenses are no longer issued in Colorado; however, existing licenses may be renewed by the DOI.

Colorado, specifically the DOI, no longer issues HMO, nonprofit hospital and crop hail lines of authority. The National Association of Insurance Commissioners (NAIC) Producer Licensing Working Group (PLWG) was created to address reciprocity or uniformity within the states that agreed to participate in the reciprocity agreement. The PLWG recommended discontinuing the aforementioned lines of authority in order to eliminate lines of authority that were not being utilized.

As a result, the PLWG recommended that states that were issuing the HMO, nonprofit hospital and crop hail lines of authority discontinue doing so. In order to remain reciprocal with other states participating in the reciprocity agreement, a law was passed in Colorado to discontinue issuing new licenses for these lines of authority.

---

<sup>9</sup> National Association of Professional Surplus Lines Offices, Ltd., *What is Surplus Lines?* Retrieved June 20, 2007, from [http://www.napslo.org/content/Careers/WhatIsSurplusLines\\_/surpluslines.htm](http://www.napslo.org/content/Careers/WhatIsSurplusLines_/surpluslines.htm)

<sup>10</sup> DOI. Regulation 1-2-10 § 9(A).

<sup>11</sup> DOI. Regulation 1-2-10 § 9(B).

---

## *History of Regulation*

Colorado began regulating insurance through the State Auditor's Office in 1883. The Colorado Department of Insurance was formed in 1913, in response to widespread growth in the industry. In the mid-1960s, the Insurance Department became part of DORA as the Division of Insurance (DOI). The head of the DOI is the Commissioner of Insurance, who is appointed by the Governor and confirmed by the Senate.<sup>12</sup>

In 1999, the U.S. Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA repealed Depression-era restrictions against affiliations between banks, insurance companies and securities firms, while affirming the functional regulation of insurance by the states. The GLBA also contained provisions requiring the states to achieve reciprocity or uniformity as it relates to insurance producer licensing, including continuing education requirements, effective November 12, 2002, or face the pre-emption of non-resident licensing by the National Association of Registered Agents and Brokers.

Since the passage of the GLBA, the NAIC has focused on responding to the call for increased uniformity as it relates to the regulation of insurance by the states. The NAIC also assists states in meeting the deadlines established in the GLBA as it relates to producer licensing, as well as in creating the standards for uniformity in company and producer licensing.

In 2002, Colorado adopted the NAIC's Producer Licensing Model Act (Act). One of the purposes for adopting the Act was to ensure that Colorado remained reciprocal with other states' insurance producer requirements.

---

<sup>12</sup> Colo. Const. Art. IV, § 23.

---

## Legal Framework

State statutes and the rules promulgated thereunder by the Division of Insurance (DOI) govern insurance producers in Colorado. Specifically, Article 2 of Title 10, Colorado Revised Statutes (C.R.S.), contains the statutory directives for the licensing of insurance producers in Colorado. The 11 parts that comprise Article 2 include:

- General;
- Prelicensure education;
- Continuing education;
- Licensing and appointment of insurance producers;
- Nonresident licenses;
- Banks and bank holding companies;
- Business conduct of licensees;
- Disciplinary actions;
- Reinsurance intermediary model act;
- Managing general agents act; and
- Effective date - applicability.

Part 1 defines the role of the Commissioner of Insurance (Commissioner) in promulgating insurance producer rules, as well as the administration of the remainder of the insurance Producer Licensing Model Act. Part 1 also outlines the specific characteristics that exempt insurance employees from being defined as insurance producers, including:<sup>13</sup>

Any employee of an insurance company, including an insurance producer, who is engaged in the performance of usual or customary executive, administrative, or clerical duties, which do not include the negotiation or solicitation of insurance and do not receive a commission.

Additionally, Part 2 addresses the prelicensure education requirements for insurance producers in Colorado. Prelicensure education must be completed as a condition of initial licensure for candidates who attempt to obtain life, sickness and accident, or property and casualty lines of authority.<sup>14</sup> In order to be eligible to take an insurance producer written examination in Colorado, a candidate must complete prelicensure education requirements for the aforementioned lines of authority.

---

<sup>13</sup> § 10-2-105(2)(a), C.R.S.

<sup>14</sup> § 10-2-201(1)(a), C.R.S.

---

Prelicensure education is not required in the following circumstances:<sup>15</sup>

- A candidate is applying to reinstate a canceled or expired resident insurance producer license in Colorado when his or her license has been inactive for one year or less;
- A candidate is applying for a temporary license;
- A candidate who is applying for a resident license in Colorado was previously licensed in his or her former resident state, and has completed or satisfied prelicensure education as required by his or her domiciled state; and
- A candidate applying for a non-resident license in Colorado holds a line or lines of authority in his or her home state.

Part 3 addresses the continuing education requirements for insurance producers in Colorado. Insurance producers in Colorado are required to complete up to 24 hours of continuing education instruction by attending such courses or programs of instruction as may be approved by the Commissioner.<sup>16</sup> At least three of the 24 hours of continuing education must be courses in ethics.<sup>17</sup> It is the responsibility of the insurance producer to maintain records sufficient to document successful completion of 24 hours on a biennial basis.<sup>18</sup> Supporting documents must be:<sup>19</sup>

- Maintained by the producer for five years following license continuation; and
- Available for audit by the DOI or the continuing education administrator.

Part 4 requires insurance producers to possess a valid Colorado license in order to sell, solicit, or negotiate insurance products.<sup>20</sup> Prior to receiving a license in Colorado, insurance producer candidates are required to pass a written examination.<sup>21</sup> The examination fee, as outlined in DOI rule, is \$73.<sup>22</sup>

---

<sup>15</sup> § 10-2-202(1), C.R.S.

<sup>16</sup> § 10-2-301(1), C.R.S.

<sup>17</sup> § 10-2-301(1), C.R.S.

<sup>18</sup> DOI Regulation 1-2-4 § 5(A).

<sup>19</sup> DOI Regulation 1-2-4 § 5(D)(2)(b).

<sup>20</sup> § 10-2-401(1), C.R.S.

<sup>21</sup> § 10-2-402(1), C.R.S.

<sup>22</sup> Division of Insurance. DOI Regulation 1-2-10 § 12.



---

A candidate must also complete a resident insurance producer application verifying a number of issues, including, but not limited to:<sup>23</sup>

- The candidate is at least 18 years of age;
- The candidate has not committed any act which is grounds for denial, suspension, or revocation; and
- The candidate is a resident of Colorado or is a resident of another state and his or her insurance producer license is in good standing.

Part 5 contains the provisions governing non-resident licenses. A non-resident insurance producer may be issued a license to sell insurance products, excluding bail bonding agents, if he or she meets the following criteria:<sup>24</sup>

- Maintains a license in good standing in the person's home state;
- Holds a similar license that is awarded on the same basis in the non-resident's home state and for the same line or lines of authority applied for in Colorado;
- Submits the proper request for licensure and has paid the appropriate fees;
- Files with the Commissioner a current certification of license status; and
- Submits or transmits to the Commissioner the application for licensure that the person submitted to his or her home state, or in lieu of the application, a completed uniform application.

Part 6 contains the provisions for prohibiting misleading advertising regarding the sale of insurance products. Specifically, Part 6 prohibits financial institutions, or any subsidiary, affiliate, or employee of a financial institution from issuing advertising that would lead a reasonable person to believe that the State of Colorado or the federal government:<sup>25</sup>

- Is responsible for insurance sales activities of the financial institution or any subsidiary, affiliate or employee thereof;
- Guarantees any return on insurance products or is a source of payment of any insurance obligations sold by the financial institution or any subsidiary, affiliate or employee thereof.

---

<sup>23</sup> § 10-2-404(1), C.R.S.

<sup>24</sup> § 10-2-502(1), C.R.S.

<sup>25</sup> § 10-2-605(1), C.R.S.

---

Part 7 outlines the business conduct for insurance producers. Specifically, Part 7 requires any insurance producer using an assumed name, including without limitation, a trade or fictitious name, under which the insurance producer conducts business to register the name with the Commissioner prior to using the assumed name.<sup>26</sup> Producers must provide written notice to the Commissioner of any change in or discontinuance of the use of any name.<sup>27</sup>

Part 8 contains the provisions for disciplinary actions against insurance producers in Colorado. An insurance producer may have his or her license suspended, revoked, refused to continue or renewed for any of the following reasons:<sup>28</sup>

- Any incorrect, misleading, incomplete, or materially untrue information in the license application;
- Any cause for which issuance of the license could have been refused had it then existed and been known to the Commissioner at the time of issuance;
- Violation of, or noncompliance with, any insurance law, or violation of any lawful rule, order, or subpoena of the Commissioner at the time of issuance;
- Obtaining or attempting to obtain any such license through misrepresentation or fraud;
- Improperly withholding, misappropriating, or converting to the licensee's or applicant's own use any moneys or property belonging to policyholders, insurers, beneficiaries, or others received in the course of the business of insurance;
- Misrepresentation of the terms of any actual or proposed insurance contract or application for insurance;
- Conviction of a felony or misdemeanor involving moral turpitude;
- Commission of any unfair trade practice or fraud;
- The use of fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in Colorado or elsewhere;
- Suspension, revocation, or denial of an insurance license in any other state, province, district, or territory;
- Forgery of another's name to an application for insurance to any document related to an insurance transaction;
- Cheating on an examination, including, but not limited to, improperly using notes or any other reference material to complete an examination;
- Failure to fully meet licensing requirements;
- Knowingly accepting insurance business from a person who is not licensed;

---

<sup>26</sup> § 10-2-701, C.R.S.

<sup>27</sup> DOI. Regulation 1-2-10 § 8.

<sup>28</sup> § 10-2-801(1), C.R.S.

- 
- Failing to comply with an administrative or court order imposing a child support obligation; or
  - Failing to pay state income tax or comply with any administrative or court order directing payment of state income tax.

Part 9 contains the Reinsurance Intermediary Act, which outlines the pretenses under which a reinsurance producer may sell insurance in Colorado. The Reinsurance Intermediary Act also requires that the reinsurance producer possess an active insurance producer license prior to selling reinsurance products.

Part 10 contains the Managing General Agents Act, which outlines the licensure requirements for Managing General Agents (MGA) in Colorado. An MGA is a person, firm, association or corporation who negotiates and binds ceding reinsurance contracts on behalf of an insurer or manages all or part of the insurance business of an insurer.<sup>29</sup>

The licensure requirements for MGAs in Colorado are as follows:<sup>30</sup>

- The Commissioner requires that only licensed insurance producers in Colorado are permitted to act in the capacity of an MGA;
- The Commissioner requires that no person, firm, association or corporation may act in the capacity of an MGA representing an insurer domiciled in Colorado with respect to risks located outside Colorado unless such person is licensed as an insurance producer in Colorado;
- The Commissioner may require a bond in an amount acceptable to the Commissioner for the protection of the insurer; and
- The Commissioner may require the MGA to maintain an errors and omissions policy.

Finally, Part 11 requires insurance producers to renew existing licenses upon expiration. Specifically, Part 11 requires the Commissioner to determine the timeframe in which a license must be renewed in Colorado.

Insurance producer licenses are:

subject to payment of a continuation fee by the last day of the producer's birth month during the second year after issuance of the license and then by the last day of the producer's birth month every two years thereafter.<sup>31</sup>

---

<sup>29</sup> § 10-2-1002(2)(a), C.R.S.

<sup>30</sup> § 10-2-1003(1), C.R.S.

<sup>31</sup> DOI Regulation 1-2-10 § 5(B).

---

## *Program Description and Administration*

The Division of Insurance (DOI) is responsible for a broad range of compliance-related activities concerning the insurance industry in Colorado. Specifically related to the regulation of insurance producers, there are four sections that actively regulate insurance producers:

- Compliance;
- Investigations;
- Licensing; and
- Consumer Affairs.

The Compliance Section is charged with ensuring that all regulated entities are in compliance with all insurance laws. This section analyzes and applies insurance laws, identifies and analyzes legal and policy issues and develops strategies for addressing compliance issues. Additionally, the Compliance Section:

- Monitors the marketplace to identify new or emerging trends related to insurance issues; and
- Acts as a resource for market conduct investigations.

The Investigations Section is responsible for investigating alleged violations of the insurance statutes by insurance producers. The Investigations Section's scope of responsibilities includes:

- Collecting evidence against a suspected violator;
- Contacting witnesses;
- Conducting interviews; and
- Taking written statements from alleged victims.

Upon receiving and analyzing information collected, the Investigations Section prepares cases that are referred to the Attorney General's Office, Business and Licensing Section for further action, or negotiates stipulated agreements. For example, the Investigations Section could settle a violation with an insurance producer by imposing a fine, revoking an insurance producer license or suspending the insurance producer's license.

The Licensing Section monitors all aspects of insurance producer licensing in Colorado, including ensuring that individuals who are attempting to secure an insurance producer license in Colorado complete the appropriate requirements.

---

Finally, the Consumer Affairs Section is responsible for fielding inquiries and complaints from consumers regarding insurance issues. The Consumer Affairs Section handles a large volume of requests from a variety of sources, including:

- Individual consumers;
- Employers;
- Insurance producers (agents and brokers); and
- Companies concerned about competitors.

Insurance producers are required to obtain a license for each line of authority they choose to possess. Currently, the DOI regulates 132,908 insurance licenses (56,715 resident and 76,193 non-resident), representing all lines of authority in Colorado. Individuals may possess more than one insurance license; there are 100,626 individual licensed insurance producers in Colorado. In order to be eligible to solicit and sell insurance products in Colorado, an individual must satisfy a variety of requirements prior to receiving a license.

### *Licensing*

There are several criteria an individual must satisfy prior to obtaining an insurance producer license (and ultimately selling insurance products):

- Completing prelicensure education;
- Obtaining a license to sell insurance products in Colorado; and
- Completing continuing education credits.

#### **Prelicensure Education**

All applicants for a major line(s) of authority including life, health, property, casualty or personal lines of authority are required to fulfill the prelicensure requirements prescribed by the DOI.

Prelicensure education was established to provide a baseline level of competency for insurance producers prior to selling products. Specific exemptions to required prelicensure education apply to insurance producers who wish to apply for reinstatement of an expired or canceled existing insurance producer license if the license has been inactive for less than one year. Also, a prospective insurance producer may be extended an exemption from the prelicensure education requirement if he or she is applying for a temporary license. A temporary license can be used for no more than 180 days in Colorado. An insurance producer who was previously licensed in another state and completed the prelicensure requirements is not required to complete the prelicensure education requirement prior to receiving a license.

---

All individuals interested in obtaining a resident insurance producer major line of authority (excluding variable life and variable annuity) must satisfactorily complete the prelicensure education requirements prior to taking the licensing examination. Prelicensure education requirements are divided into two categories: Basic and Specific lines of authority. Basic prelicensure education requirements include:<sup>32</sup>

- Three hours of Principles of Insurance;
- Four hours of Legal Concepts and Regulations; and
- Three hours of Ethics.

It is important to note that individuals applying for more than one major line of authority only need to fulfill the aforementioned requirements once.<sup>33</sup>

In addition to the basic prelicensure education requirements outlined above, an individual who is moving forward in his or her completion of the required prelicensure education requirements must complete an additional set of hours for each line of authority. The additional hours are as follows:<sup>34</sup>

- Life insurance – 40 hours;
- Health insurance – 40 hours;
- Property insurance – 20 hours;
- Casualty insurance – 20 hours; and
- Personal lines insurance – 10 hours.

Prelicensure education can be fulfilled in a variety of ways in Colorado:<sup>35</sup>

- Completion of a baccalaureate degree program with a major in insurance from an accredited university or college;
- Professional designation through a recognized course of study, i.e., Chartered Life Underwriter (CLU), Chartered Property Casualty Underwriter (CPCU), etc.;
- Completion of a full-time prelicensure education program operated by a qualified domestic company with a qualified home office located in Colorado;
- Completion of approved courses or programs; or
- Completion of a prelicensure course in the former state of licensure if entering Colorado on a letter of clearance.

---

<sup>32</sup> State of Colorado, *Insurance Licensing Candidate Handbook*, p.4 (January 2007).

<sup>33</sup> DOI Regulation 1-2-5 § 3.

<sup>34</sup> State of Colorado, *Insurance Licensing Candidate Handbook*, p.4 (January 2007).

<sup>35</sup> DOI Regulation 1-2-5 § 4.

---

Individuals who are new residents to Colorado and have an insurance producer license from another state can send a letter of clearance to the DOI. A letter of clearance is used for the purpose of terminating an insurance producer's resident producer license in one state and applying for a new resident license in a new state.<sup>36</sup>

Prelicensure education and programs are subject to certification by the Commissioner of Insurance (Commissioner). Any full-time program of prelicensure education operated by an insurance company with a qualified home office located in Colorado is not required to submit courses for review and certification by the Commissioner.<sup>37</sup> However, all other prelicensure education courses must be submitted to the Commissioner for approval. Requests must include a Program of Training Approval Request Form in addition to the following information:<sup>38</sup>

- Course or program outline showing individual topic(s) to be covered and hours to be satisfied;
- Copies of all proposed study materials. Publicly published text or other study materials require submission of the title, edition date, publisher, and authority. The DOI may request the text of other materials, as necessary;
- Instructor qualifications;
- Method of measuring satisfactory completion; and
- Payment of a nonrefundable fee, currently \$20.

Once approved, a course may be offered for five years without additional notice to the DOI so long as the course content is not materially changed, except to reflect changes in the insurance laws.

Additionally, Colorado, as well as a number of other states, participates in a reciprocal agreement. If an applicant has an insurance producer license from one state that is a party to the agreement, the applicant does not have to take additional classes in order to obtain an insurance producer license in Colorado.

If, however, prelicensure training is not required by the applicant's home state and the applicant has been licensed in another state less than one year, he or she is required to complete Colorado's prelicensure education requirements.

An individual who is licensed in any of the 50 states or the District of Columbia or U.S. Virgin Islands for more than a year is exempt from Colorado's prelicensure education requirements.<sup>39</sup>

---

<sup>36</sup> Colorado Division of Insurance. Request for Letter of Clearance.

<sup>37</sup> DOI Regulation 1-2-5 § 6.

<sup>38</sup> DOI Regulation 1-2-5 § 6.

<sup>39</sup> State of Colorado, *Insurance Licensing Candidate Handbook*, p. 4 (January 2007).

---

Upon completing the prelicensure education requirements, an individual is eligible to pursue state licensure to sell insurance products to consumers. Prospective insurance producers must pass a written examination, which is administered by Promissor, an examination services vendor, and pay a \$73-fee.

Appendices B and C beginning on page 29, illustrate the number of insurance licenses (resident and non-resident) for each line of authority in Colorado for fiscal years 01-02 through 05-06.

### *Examinations*

Examinations to obtain an insurance producer license in Colorado were developed by DOI staff in conjunction with Promissor. Development teams consisted of DOI staff, industry personnel, and examination developers employed by Promissor. Each major line of authority examination consists of two parts: basic insurance product knowledge and insurance laws, rules, regulations and practices that are unique to Colorado.<sup>40</sup>

Limited lines of authority examinations are also administered in Colorado. The length and format of the limited lines of authority examinations vary, but they are usually one-part examinations covering both product knowledge and state laws, rules and regulations.<sup>41</sup>

DOI contracts with Promissor to administer the insurance producer examinations. Additionally, prior to taking the examination, an individual must complete an application and pay the \$73-fee. Once the applicable fees have been paid, an individual must reserve a time to take the examination. The examination is offered Monday through Friday at various sites located throughout the state. Currently there are seven test locations, including:<sup>42</sup>

- Durango;
- Colorado Springs;
- Denver/Greenwood Village;
- Greeley;
- Grand Junction;
- Pueblo; and
- Denver/Wheat Ridge.

---

<sup>40</sup> State of Colorado, *Insurance Licensing Candidate Handbook*, p.11 (January 2007).

<sup>41</sup> State of Colorado, *Insurance Licensing Candidate Handbook*, p.11 (January 2007).

<sup>42</sup> State of Colorado, *Insurance Licensing Candidate Handbook*. (January 2007).



---

During fiscal years 01-02 through 05-06, Promissor administered approximately 102,048 examinations in Colorado for both major and limited lines of authority. Appendix D on page 37 provides a detailed illustration of the number of examinations administered, as well as the corresponding passing rate for each test.

### **Continuing Education Credits**

Insurance producers who pass the written examination and obtain state licensure to sell insurance products in Colorado must satisfy continuing education requirements as delineated in DOI rules:<sup>43</sup>

- After the first continuation cycle, every insurance producer who is licensed in Colorado and not otherwise specifically exempted, must complete 24 credit hours of approved courses biennially;
- At least 18 of the 24 credit hours must be in approved courses in the authorities for which the insurance producer is licensed;
- At least three of the 24 hours of continuing education must be courses in ethics; and
- A maximum of six of the 24 hours must be in approved courses on subjects designated by the Commissioner whenever the Commissioner determines that continuing education in such subjects is needed to protect insurance consumers.

Additionally, as part of the reciprocal agreement by participating states (currently 47 states participate in the continuing education reciprocal agreement) non-resident producers who are licensed and in good standing within their domiciled state are not required to complete continuing education requirements in addition to the continuing education requirements in his or her home state. Colorado actively participates in the continuing education reciprocal agreement.

### *Fees*

The Commissioner, by rule, as authorized in section 10-2-413, Colorado Revised Statutes (C.R.S.), is responsible for establishing insurance producer fees for both initial licenses and renewal of existing licenses in Colorado. There is a different fee structure established for both resident and non-resident producers. Table 1 outlines the fee schedule for resident and non-resident insurance producers in obtaining a new license in Colorado, while Table 2 illustrates the fee schedule for Colorado insurance producers regarding the renewal of an existing license.

---

<sup>43</sup> DOI Regulation 1-2-4 § 5(A).

<b>Table 1 New License</b>	
License Type	Fee
Resident	\$52.50
Non-resident	\$93.50
Resident Surplus Lines	\$269
Non-resident Surplus Lines	\$409
Professional Bail Bonding	\$248

<b>Table 2 Renewal License</b>	
License Type	Fee
Resident	\$13.50
Non-resident	\$41.50
Resident Surplus Lines	\$269
Non-resident Surplus Lines	\$409
Professional Bail Bonding	\$248

The cost differential between resident and non-resident licenses for both new and renewal licenses is standard practice in most states. That is, most states charge higher licensing fees for non-resident insurance producers than for resident insurance producers.

The State of Colorado is in line with other states regarding the fees it charges for insurance producer licenses. In fact, the State of Colorado generally falls in the lower end of fees for various insurance producer licenses.

### *Complaints/Disciplinary Actions*

The DOI receives a variety of complaints regarding insurance producers. Complaints against insurance producers in Colorado are initiated by consumers, fellow insurance producers or insurance companies (carriers). Table 3 outlines the complaints filed against insurance producers between fiscal years 01-02 and 05-06.

**Table 3  
Insurance Producer Complaint Information**

<b>Nature of Complaint</b>	<b>FY 01-02</b>	<b>FY 02-03</b>	<b>FY 03-04</b>	<b>FY 04-05</b>	<b>FY 05-06</b>
Standard of Practice	276 <sup>44</sup>	350 <sup>45</sup>	266 <sup>46</sup>	862 <sup>47</sup>	156 <sup>48</sup>
Other	0	0	0	1	4
Total	276	350	266	863	160

<sup>44</sup> 273 Marketing and Sales, 1 Underwriting, 2 Claims Handling.

<sup>45</sup> 346 Marketing and Sales, 1 Underwriting, 3 Claims Handling.

<sup>46</sup> 264 Marketing and Sales, 2 Underwriting.

<sup>47</sup> 855 Marketing and Sales, 1 Underwriting, 3 Claims Handling, 3 Policy Holder Service. Approximately 400 of the 855 Marketing and Sales investigations opened in Fiscal year 04-05 were opened to identify bail bond producers that had not filed, or had failed to file timely annual reports.

<sup>48</sup> 154 Marketing and Sales, 2 Underwriting, 1 Policyholder Service.

As noted in Table 3, there were 160 complaints filed against insurance producers in fiscal year 05-06. Complaints filed against insurance producers vary greatly. For example, one complaint filed against an insurance producer in fiscal year 05-06 alleged that the insurance producer altered the license issued by the State of Colorado. Specifically, the insurance producer altered the license to include property insurance line of authority on his license even though he did not complete the appropriate requirements to include the property line of authority on his license. The complaint alleges that the insurance producer sold several automobile policies while he was not licensed to do so.

Additionally, the DOI received a complaint against an insurance producer alleging that he replaced a prior variable annuity sold to his parents with new policies. The complaint also alleges that his parents were not aware of the surrender charges, fees, surrender period, tax consequences and that the new policies were not suitable for his parents.

The DOI also imposes disciplinary actions on insurance producers in Colorado. There are a variety of forms of discipline the DOI may impose on insurance producers, depending on the violation and the discipline history of the insurance producer's license. Table 4 outlines the final actions imposed on insurance producers during the indicated fiscal years.

Although the number of disciplinary actions appears to be high for each fiscal year outlined in Table 4, it is relatively low compared to the total number of insurance producers licensed in Colorado. For example, in fiscal year 05-06, there were 352 total disciplinary actions against insurance producers who were licensed; however, this number is low when compared to the total number of licensed insurance producers during the same timeframe. In fact, there were 100,626 insurance producers possessing 132,908 insurance licenses in Colorado.

**Table 4  
Final Disciplinary Actions**

Type of Action	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Revocation	17	15	16	37	40
Surrender of License	3	1	1	0	2
Suspension	111	179	145	21	50
Fines	36	71	49	156	87
Probation/Practice Limitation	1	6	9	4	4
License Denied	30	23	22	19	36
Other	42	87	59	156	87
Total Disciplinary Actions	240	382	301	423	352
Actions Related to Unauthorized Insurance	116	46	36	12	9

The DOI utilizes a number of disciplinary actions, as referenced in the aforementioned table. The DOI imposes discipline on insurance producers for a variety of offenses. For example, in fiscal year 05-06, an insurance producer's license was summarily suspended for violating a number of Colorado insurance laws, including the unsuitable sale of annuities to seniors.

The DOI may also impose fines on insurance producers for violations of state statutes, rules or any other procedures enforced by the DOI. Table 5 illustrates the fines imposed by the DOI in fiscal years 01-02 through 05-06.

**Table 5  
Insurance Producer Fines**

Fiscal Year	Number of Fines Imposed	Total Value of Fines Imposed
01-02	36	\$73,100
02-03	71	\$78,400
03-04	49	\$71,151
04-05	156	\$285,300
05-06	87	\$275,550

As illustrated in Table 5, there are a number of fines imposed on insurance producers. For example, an insurance producer in fiscal year 05-06 was ordered to pay a \$3,000-fine as part of a stipulated agreement in order to resolve allegations that he forged a premium cost containment certificate.

Finally, the DOI may order restitution payments to consumers who may have been taken advantage of financially. Table 6 outlines the restitutions ordered by the DOI from insurance producers during fiscal years 01-02 through 05-06; however, the DOI was unable to provide the total amount of restitution ordered in fiscal years 01-02 and 02-03. This is due to the fact that data was not entered into the database accurately.

**Table 6  
DOI-Ordered Restitution**

Fiscal Year	Number of Times Restitution was Ordered	Amount of Restitution Ordered
01-02	6	-
02-03	6	-
03-04	7	\$53,505
04-05	2	\$28,200
05-06	8	\$86,025

The DOI may order restitution payments for a variety of reasons. For example, in fiscal year 05-06, an insurance producer was ordered to pay \$1,828 in restitution to a consumer as part of a stipulated agreement to resolve allegations that the insurance producer violated Colorado insurance law, including fiduciary responsibility.

---

## ***Analysis and Recommendations***

*Recommendation 1 – Continue the regulation of insurance producers for 11 years, until 2019.*

The first sunset criterion asks whether regulation is necessary to protect the public health, safety and welfare. The Division of Insurance (DOI) regulates insurance producers in Colorado. Due to the complexity of insurance products available to Colorado consumers, and the potential for harm against consumers, regulation of insurance producers by the DOI is warranted.

Currently, there are 100,628 individual insurance producers who possess 132,908 insurance licenses (both resident and non-resident) in Colorado. Insurance producers sell a variety of products, including major and limited lines of insurance. In Colorado, major lines of insurance include:

- Life;
- Accident and health;
- Variable life and variable annuity;
- Property;
- Casualty; and
- Personal lines.

Available limited lines of insurance include:

- Credit;
- Title;
- Bail bond;
- Travel ticket;
- Surplus lines;
- Health Maintenance Organizations (HMO) and nonprofit hospital; and
- Crop hail.

In 2002, Colorado adopted the National Association of Insurance Commissioners (NAIC) Producer Licensing Model Act (Act). The National NAIC developed the Act in 2002. One of the purposes for adopting the Act was to ensure that Colorado remained reciprocal with other states' insurance producer requirements.

Additionally, the Act includes requirements for prelicensure education, line of authority examinations and continuing education. The aforementioned requirements enhance consumer protection by ensuring that insurance producers meet basic levels of competency as well as complete continuing education requirements.

---

During the last five fiscal years, the DOI has received relatively few complaints regarding insurance producers given the large number of licensed insurance producers in Colorado. In fact, there were only 160 insurance producer complaints in fiscal year 05-06, while there were approximately 100,626 licensed insurance producers selling billions of dollars in annual premiums related to various insurance products.

The relatively low number of consumer complaints filed against insurance producers can be attributable to the comprehensive requirements insurance producers must satisfy prior to selling insurance products in Colorado, as well as the various sections within the DOI that actively investigate potential issues and complaints.

The comprehensive regulation of insurance producers by the DOI, as well as the requirements within the Act, serve to insulate consumers from potential harm regarding insurance products in Colorado. As a result, the regulation of insurance producers by the DOI should be continued for 11 years, until 2019.

*Recommendation 2 – Allow insurance producers to obtain a crop hail line of authority in Colorado.*

Currently, the DOI does not issue new crop hail lines of authority to insurance producers in Colorado. However, the DOI does permit the renewal of existing crop hail lines of authority. Insurance producers who possess the crop hail line of authority must complete the required continuing education and remain in good standing with the DOI in order to renew an existing license.

In 2001, a statutory change occurred that prohibited the DOI from issuing new crop hail line of authority licenses in Colorado. The NAIC created a Producer Licensing Working Group (PLWG) to address reciprocity or uniformity within the states (including Colorado) that agreed to participate in the reciprocity agreement. The PLWG was charged with eliminating lines of authority that were not being utilized and crop hail was one of those lines.

However, the PLWG recently agreed to re-introduce the crop hail line of authority for reciprocity among participating states. As a result, in order to remain reciprocal, the DOI has requested that the crop hail line of authority be available to insurance producers. That is, insurance producers should, once again, be able to secure a crop hail line of authority in Colorado.

---

*Recommendation 3 – Eliminate the provision requiring the Commissioner of Insurance to reject the registration of any name that is similar to another currently on file.*

Under section 10-2-701, Colorado Revised Statutes (C.R.S.), the Commissioner of Insurance (Commissioner) is responsible for determining whether to register a name that could potentially conflict with another similar name already registered. Internally, the DOI has outlined extensive guidelines that seek to address what constitutes a similar name. However, due to the fact that new issues may arise with what constitutes a similar name, the DOI continually needs to update the guidelines in an attempt to form comprehensive guidelines.

Currently, the Secretary of State's Office approves names for businesses. If there are concerns with the usage of a similar name regarding insurance producers in Colorado, the DOI currently makes the determination whether a name can be used. Due to the fact that the Secretary of State already approves similar names, it is redundant and unnecessary for the DOI to be responsible for denying similar name requests.

Eliminating the requirement of the DOI to deny a similar name language in statute may potentially reduce the producer licensing workload, while allowing the DOI staff to further focus on the regulation of insurance producers. The elimination of the aforementioned requirement will serve to increase the DOI's focus on consumer protection.

*Recommendation 4 – Require insurance producers who have their licenses revoked or who surrender their licenses to wait two years before applying for new licenses.*

Section 10-2-801, C.R.S., authorizes the Commissioner to revoke the license of an insurance producer for violating the insurance statutes.

Revocation proceedings can be lengthy and expensive and are typically undertaken only when the alleged conduct is so egregious that the licensee must be removed from practice in order to protect the public.

Similarly, many licensees, when forced with the prospect of revocation proceedings, will voluntarily surrender their licenses.

However, the insurance statutes make no provision for an individual who has had an insurance producer license revoked to wait to apply for a new license. As a result, such an individual could apply for a new license the very day that a revocation order becomes effective. This not only poses a risk to the public, but also requires the DOI to incur additional expenses in processing the new application and, if it is denied and appealed, additional legal expenses.

---

As a result, at least 27 statutes regulating various professions and occupations in Colorado provide for a waiting, or “cooling off” period. These periods range from between one and three years, with most (14 programs) requiring such individuals to wait two years before applying for a new license.

The same concerns apply to insurance producers who surrender their licenses rather than face revocation proceedings. These individuals should not be allowed to immediately apply for a new license.

Since it is a waste of state resources to revoke the license of an insurance producer only to have that same individual immediately apply for a new license, since such a loophole is a risk to the public and since many other regulatory programs impose a waiting period, an insurance producer who has had a license revoked or who surrenders his or her license should be required to wait two years before applying for a new insurance producer license.



---

## ***Appendix A – Sunset Statutory Evaluation Criteria***

- (I) Whether regulation by the agency is necessary to protect the public health, safety and welfare; whether the conditions which led to the initial regulation have changed; and whether other conditions have arisen which would warrant more, less or the same degree of regulation;
- (II) If regulation is necessary, whether the existing statutes and regulations establish the least restrictive form of regulation consistent with the public interest, considering other available regulatory mechanisms and whether agency rules enhance the public interest and are within the scope of legislative intent;
- (III) Whether the agency operates in the public interest and whether its operation is impeded or enhanced by existing statutes, rules, procedures and practices and any other circumstances, including budgetary, resource and personnel matters;
- (IV) Whether an analysis of agency operations indicates that the agency performs its statutory duties efficiently and effectively;
- (V) Whether the composition of the agency's board or commission adequately represents the public interest and whether the agency encourages public participation in its decisions rather than participation only by the people it regulates;
- (VI) The economic impact of regulation and, if national economic information is not available, whether the agency stimulates or restricts competition;
- (VII) Whether complaint, investigation and disciplinary procedures adequately protect the public and whether final dispositions of complaints are in the public interest or self-serving to the profession;
- (VIII) Whether the scope of practice of the regulated occupation contributes to the optimum utilization of personnel and whether entry requirements encourage affirmative action;
- (IX) Whether administrative and statutory changes are necessary to improve agency operations to enhance the public interest.

---

## Appendix B – Resident Licensing Information

**Table 7**  
**Life Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1,327	7,180	8,507
02-03	2,390	10,972	13,362
03-04	2,840	13,377	16,217
04-05	3,547	10,257	13,804
05-06	5,339	10,322	15,661

**Table 8**  
**Accident and Health Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1,305	10,024	11,329
02-03	1,710	15,164	16,874
03-04	1,980	17,374	19,354
04-05	2,543	12,181	14,724
05-06	4,275	9,758	14,033

**Table 9**  
**Property Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	842	5,607	6,449
02-03	1,188	8,250	9,438
03-04	1,382	9,660	11,042
04-05	1,663	7,118	8,781
05-06	2,206	6,142	8,348

**Table 10  
Casualty Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	8,43	5,600	6,443
02-03	1,182	8,250	9,432
03-04	1,378	9,662	11,040
04-05	1,670	7,100	8,770
05-06	2,206	6,155	8,361

**Table 11  
Title Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	73	634	707
02-03	102	730	832
03-04	165	1,040	1,205
04-05	194	689	883
05-06	402	631	1,033

**Table 12  
Personal Lines Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	197	6	203
02-03	92	29	121
03-04	34	603	637
04-05	128	233	361
05-06	152	226	378

**Table 13  
Crop Hail Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	3	92	95
02-03	0	151	151
03-04	1	122	123
04-05	2	103	105
05-06	3	78	81

**Table 14**  
**Health Maintenance Organization (HMO) Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	15	703	718
02-03	2	1596	1598
03-04	1	1184	1185
04-05	5	953	958
05-06	6	852	868

**Table 15**  
**Nonprofit Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1	144	145
02-03	1	354	355
03-04	0	247	247
04-05	0	212	212
05-06	1	183	184

**Table 16**  
**Credit Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	70	776	846
02-03	174	972	1,146
03-04	237	1,108	1,345
04-05	295	797	1,092
05-06	355	580	935

**Table 17**  
**Travel Ticket Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	31	309	340
02-03	61	401	462
03-04	69	742	811
04-05	130	486	616
05-06	250	209	459

**Table 18  
Variable Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	612	4,303	4,915
02-03	815	7,240	8,055
03-04	935	7,612	8,547
04-05	1,311	5,198	6,509
05-06	1,736	4,233	5,969

**Table 19  
Bail Bonds Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	19	209	228
02-03	32	451	483
03-04	41	236	277
04-05	52	301	353
05-06	108	118	226

**Table 20  
Surplus Lines Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	32	68	100
02-03	36	234	270
03-04	23	174	197
04-05	30	154	184
05-06	29	150	179

---

## Appendix C – Non-Resident Licensing Information

**Table 21**  
**Life Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	2,014	6,486	8,500
02-03	2,850	6,646	9,946
03-04	3,684	9,676	13,360
04-05	4,829	8,967	13,796
05-06	7,896	10,059	17,955

**Table 22**  
**Accident and Health Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1,573	11,104	12,677
02-03	2,104	11,236	13,340
03-04	2,666	16,163	18,829
04-05	3,736	10,621	14,357
05-06	7,417	8,216	15,633

**Table 23**  
**Property Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1,664	10,503	12,167
02-03	2,659	10,812	13,471
03-04	3,940	15,990	19,930
04-05	4,446	11,511	15,957
05-06	6,791	8,714	15,505

**Table 24  
Casualty Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1,676	10,558	12,264
02-03	2,674	10,881	13,555
03-04	3,962	16,088	20,050
04-05	4,476	10,980	15,456
05-06	6,809	8,775	15,584

**Table 25  
Title Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	30	62	92
02-03	43	75	118
03-04	48	131	179
04-05	83	93	176
05-06	138	120	258

**Table 26  
Personal Lines Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	12	4	16
02-03	193	21	214
03-04	267	473	740
04-05	844	451	1,295
05-06	993	664	1,657

**Table 27  
Crop Hail Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	3	56	59
02-03	0	77	77
03-04	1	81	82
04-05	0	52	52
05-06	0	32	32

**Table 28**  
**Health Maintenance Organization (HMO) Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	2	100	102
02-03	1	83	84
03-04	1	114	115
04-05	9	59	68
05-06	3	42	45

**Table 29**  
**Nonprofit Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	0	9	9
02-03	0	9	9
03-04	0	11	11
04-05	0	4	4
05-06	0	4	4

**Table 30**  
**Credit Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	7	111	118
02-03	14	131	145
03-04	11	232	243
04-05	21	97	118
05-06	44	27	71

**Table 31**  
**Travel Ticket Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1	7	8
02-03	0	4	4
03-04	2	10	12
04-05	3	5	8
05-06	5	4	9



**Table 32**  
**Variable Insurance Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	1,103	6,272	7,375
02-03	1,434	6,865	8,299
03-04	1,783	10,034	11,817
04-05	2,477	6,464	8,941
05-06	3,646	5,254	8,900

**Table 33**  
**Bail Bonds Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	0	0	0
02-03	0	0	0
03-04	0	0	0
04-05	0	0	0
05-06	0	0	0

**Table 34**  
**Surplus Lines Licenses**

<b>Fiscal Year</b>	<b>New Licensees</b>	<b>Renewal</b>	<b>Total</b>
01-02	15	25	40
02-03	97	84	181
03-04	116	189	305
04-05	164	278	442
05-06	220	320	540

## Appendix D - Resident Examination Information

LIFE EXAMS				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	7641	66%	N/A	N/A
2002-2003	7683	65%	N/A	N/A
2003-2004	6896	63%	N/A	N/A
2004-2005	7026	61%	N/A	N/A
2005-2006	7744	57%	N/A	N/A
ACCIDENT & HEALTH EXAMS				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	5441	66%	N/A	N/A
2002-2003	5377	63%	N/A	N/A
2003-2004	5211	61%	N/A	N/A
2004-2005	5524	58%	N/A	N/A
2005-2006	5951	59%	N/A	N/A
PROPERTY EXAMS				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	2651	65%	N/A	N/A
2002-2003	2553	65%	N/A	N/A
2003-2004	2880	61%	N/A	N/A
2004-2005	2936	60%	N/A	N/A
2005-2006	2953	55%	N/A	N/A

TITLE EXAMS				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	148	88%	N/A	N/A
2002-2003	206	83%	N/A	N/A
2003-2004	231	87%	N/A	N/A
2004-2005	231	80%	N/A	N/A
2005-2006	560	84%	N/A	N/A
PERSONAL LINES EXAMS				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	623	78%	N/A	N/A
2002-2003	297	65%	N/A	N/A
2003-2004	75	64%	N/A	N/A
2004-2005	225	72%	N/A	N/A
2005-2006	297	51%	N/A	N/A
CROP HAIL EXAMS				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	2	100%	N/A	N/A
2002-2003	0	0%	N/A	N/A
2003-2004	0	0%	N/A	N/A
2004-2005	0	0%	N/A	N/A
2005-2006	0	0%	N/A	N/A

<b>CASUALTY EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	3020	56%	N/A	N/A
2002-2003	2980	55%	N/A	N/A
2003-2004	3248	54%	N/A	N/A
2004-2005	3369	51%	N/A	N/A
2005-2006	3313	55%	N/A	N/A

<b>HMO EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	0	0%	N/A	N/A
2002-2003	0	0%	N/A	N/A
2003-2004	0	0%	N/A	N/A
2004-2005	0	0%	N/A	N/A
2005-2006	0	0%	N/A	N/A

**RESIDENT EXAMINATION INFORMATION**

<b>NON PROFIT EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	0	0%	N/A	N/A
2002-2003	0	0%	N/A	N/A
2003-2004	0	0%	N/A	N/A
2004-2005	0	0%	N/A	N/A
2005-2006	0	0%	N/A	N/A

<b>VARIABLE EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	0	0%	N/A	N/A
2002-2003	0	0%	N/A	N/A
2003-2004	0	0%	N/A	N/A
2004-2005	0	0%	N/A	N/A
2005-2006	0	0%	N/A	N/A

<b>ATTORNEY TITLE EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	0	0%	N/A	N/A
2002-2003	0	0%	N/A	N/A
2003-2004	0	0%	N/A	N/A
2004-2005	0	0%	N/A	N/A
2005-2006	0	0%	N/A	N/A

<b>PUBLIC ADJUSTER EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	2	50%	N/A	N/A
2002-2003	7	43%	N/A	N/A
2003-2004	4	75%	N/A	N/A
2004-2005	7	29%	N/A	N/A
2005-2006	4	25%	N/A	N/A

<b>CREDIT EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	365	72%	N/A	N/A
2002-2003	467	80%	N/A	N/A
2003-2004	418	72%	N/A	N/A
2004-2005	544	67%	N/A	N/A
2005-2006	397	71%	N/A	N/A
<b>TRAVEL TICKET EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	0	0%	N/A	N/A
2002-2003	0	0%	N/A	N/A
2003-2004	0	0%	N/A	N/A
2004-2005	0	0%	N/A	N/A
2005-2006	0	0%	N/A	N/A

<b>BAILBONDS EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	112	79%	N/A	N/A
2002-2003	139	74%	N/A	N/A
2003-2004	129	81%	N/A	N/A
2004-2005	124	81%	N/A	N/A
2005-2006	175	66%	N/A	N/A
<b>SURPLUS LINES EXAMS</b>				
FISCAL YEAR	NUMBER OF WRITTEN EXAMS	PASS RATE %	NUMBER OF PRACTICAL EXAMS	PASS RATE %
2001-2002	0	0%	N/A	N/A
2002-2003	4	75%	N/A	N/A
2003-2004	22	91%	N/A	N/A
2004-2005	16	81%	N/A	N/A
2005-2006	20	95%	N/A	N/A