

COMMONWEALTH OF VIRGINIA

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BUREAU OF INSURANCE



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June 1, 2018

The Honorable Kirk Cox
Speaker of the House of Delegates of Virginia
P. O. Box 1205
Colonial Heights, VA 23834

The Honorable Stephen D. Newman
President Pro Tempore, Senate of Virginia
P. O. Box 480
Forest, VA 24551

Re: Annual Life & Annuities Agent Examination Pass Rate Report

Dear Speaker Cox and Senator Newman:

This report has been prepared pursuant to subsection A of § 38.2-1815 of the Code of Virginia, which requires the State Corporation Commission ("Commission") to review annually whether the Life & Annuities examination's pass rate is consistent with the 2011 National Association of Insurance Commissioners ("NAIC") State Licensing Handbook ("Handbook"), or any successor publication adopted by the NAIC. The Commission's Bureau of Insurance ("Bureau") adheres to the recommended Best Practices developed from the new testing and examination standards adopted by the NAIC in 2013. The Bureau also complies with additional considerations outlined in the 2013 Handbook relating to the development of examinations and the monitoring of their pass rates.

Comparing pass rates for first-time test takers for the Life & Annuities exam, statistical analysis shows that since the Bureau adopted the NAIC 2013 testing and examination standards, including implementing a one-part exam in 2015, the pass rate for first-time test takers has resulted in pass rates increasing from 46% in 2009 to 64% in 2018. For the 2017-calendar year, there were 2,565 Life and Annuities prelicensing examinations delivered and graded. The pass rate for first-time test takers is 64%. In 2016, the pass rate for first-time test takers was 63%.

As part of a comprehensive strategy to determine whether the pass rate for the Virginia life and annuities agent examination is consistent with the 2013 Handbook or any successor publication, the Bureau contracts with Pearson VUE ("Pearson") to manage the day-to-day licensing examination process, including reviewing examination content, providing appropriate test center facilities, and administering licensing examinations. Prelicensing examinations are reviewed by professional testing experts, including

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psychometricians, insurance industry representatives, and Bureau Subject Matter Experts ("SME") with a focus on developing a robust examination that does not exhibit uncharacteristically high or low pass rates and is non-discriminatory, legally defensible and designed for entry level candidates. The Bureau, with assistance of Pearson, continuously monitors the examination process by reviewing questions verifying that candidates with minimally competent entry level knowledge of life insurance and annuities should be able to pass the exam. Adhering to NAIC Best Practices, the Bureau does not artificially establish passing scores.

In addition, the Bureau annually reviews the Life & Annuities examination as part of its Examination Review Workshop ("ERW") with Pearson, insurance industry representatives, and Bureau SMEs. A comprehensive review of the testing process, including a review of each examination question, and a review of the exam content outline, is conducted, with an emphasis on assessing the level of knowledge required for minimally competent entry level candidates. By utilizing a comprehensive strategy for developing test items the Bureau ensures measurement of the knowledge, skills and abilities necessary for initial insurance licensees to perform their jobs effectively. The latest annual ERW was held in December 2017.

The Bureau will continue to monitor the examination process to ensure that the pass rate for the Virginia life and annuities agent examination remains consistent with the 2013 Handbook or any successor publication.

Respectfully submitted,



Michael T. Beavers, CFE, CPCU, CIC, CIE
Deputy Commissioner,
Agent Regulation Division

Cc: Scott A. White,
Commissioner of Insurance