

# **Licensing Processing Fees Are Inequitable; Permit DOI Vendor to Charge Different Processing Fees Based on Effort and Cost**

A presentation to the  
Joint Legislative Program Evaluation Oversight Committee

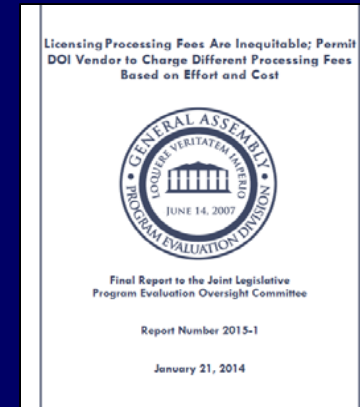
January 21, 2015

Carol Shaw, Principal Program Evaluator

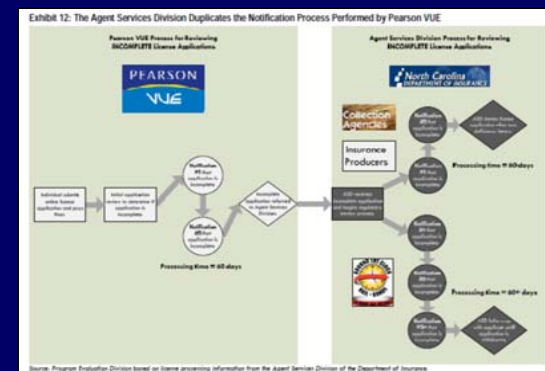


# Handouts

- A copy of the report and presentation slides



- White one-sided handout



# Evaluation Team

Carol Shaw, Evaluation Lead

Jim Horne, Senior Program Evaluator

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# Study Direction

- Session Law 2013-360, Section 22.6
- Directed the Program Evaluation Division to examine the licensure application process and licensure fees for occupations regulated by the Department of Insurance that are not directly associated with the insurance industry

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# Overview: Findings

1. Licensure processing fees are disproportionate to the relative cost of processing different types of license applications
2. The Agent Services Division chooses to duplicate two licensure procedures performed by the contractor in an effort to provide good customer service
3. The Department of Insurance has improved licensure services through outsourcing and continues to work with the contractor to address licensure concerns

## Overview: Recommendation

Direct the Department of Insurance to issue a request for proposal for a licensing administrative services contract that allows the contractor to charge different processing fees based on the cost and effort necessary to process licenses

# Licenses Issued by the Department of Insurance - Agent Services Division (ASD)

- 24 different licenses are issued to the insurance industry
- 7 non-insurance licenses:

## Bail Bond Industry Licenses

- Bail Bond Runner
- Surety Bail Bondsman
- Professional Bail Bondsman

## Non-Insurance Business Entity Licenses

- Collection Agency
- Motor Club Company
- Premium Finance Company – Type A
- Premium Finance Company – Type B

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# Outsourcing Licensing Administrative Services

- In 2011, the General Assembly authorized DOI to contract for license processing services and allow a contractor to charge license applicants and licensees a reasonable fee for services
- DOI selected Pearson VUE in December 2011 under a five-year contract to provide licensing administrative services starting in 2012

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# Outsourcing Licensing Administrative Services

- Contract requires Pearson VUE to
  - Collect and remit all statutory licensure fees
  - Conduct initial review of license applications
  - Obtain supporting documents for applications
  - Respond to licensure questions
  - Develop electronic applications for non-insurance entities
- Pearson VUE provides services at no cost to DOI by collecting processing fees:
  - \$50 for each new license application and
  - \$40 for each renewal and reinstatement license
- The fees do not vary by type of license

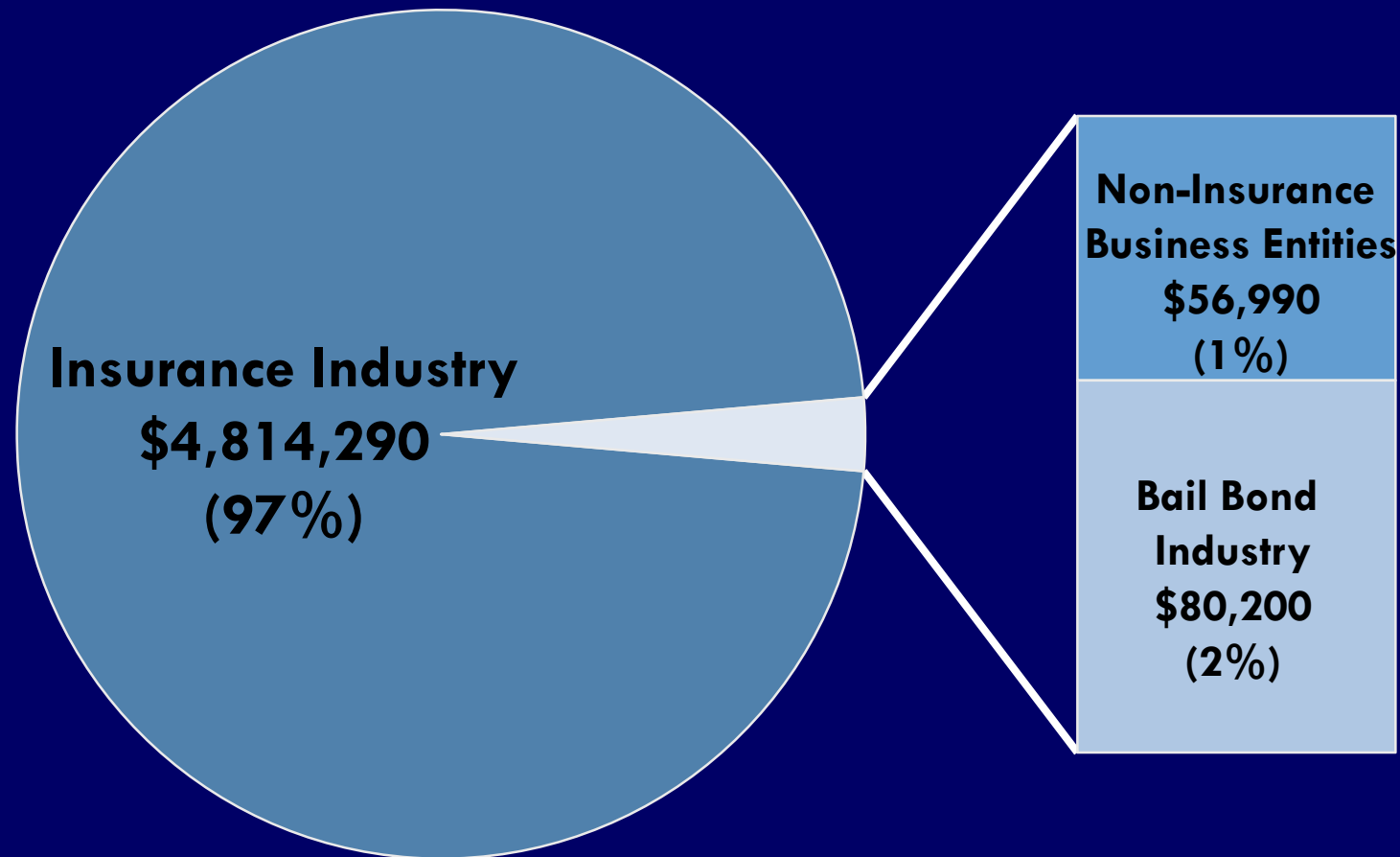
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# Finding 1.

Pearson VUE's licensure processing fees are disproportionate to the relative cost of processing different types of license applications

# The Majority of Pearson VUE's Revenue Comes from the Insurance Industry

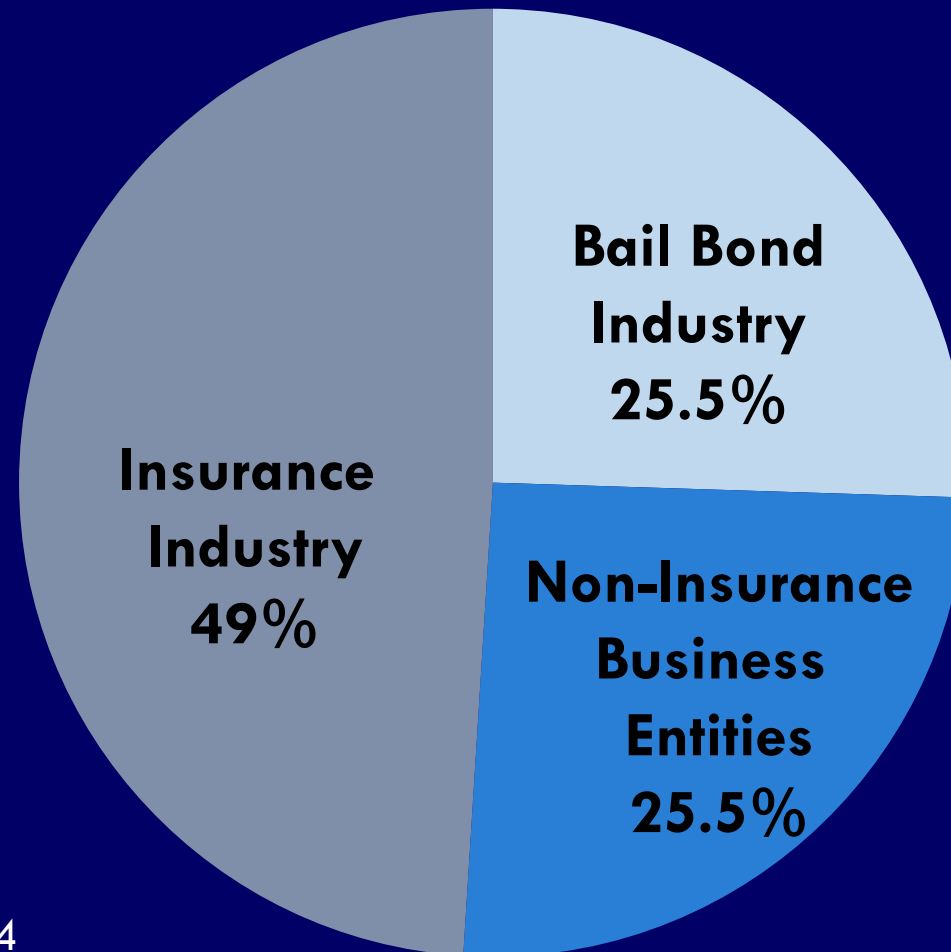


Fiscal Year 2013–14 Processing Fees Earned by Pearson VUE = \$4,951,480

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# 51% of Pearson VUE's Operating Expenses Were Related to Processing Licenses for the Bail Bond Industry and NIBEs



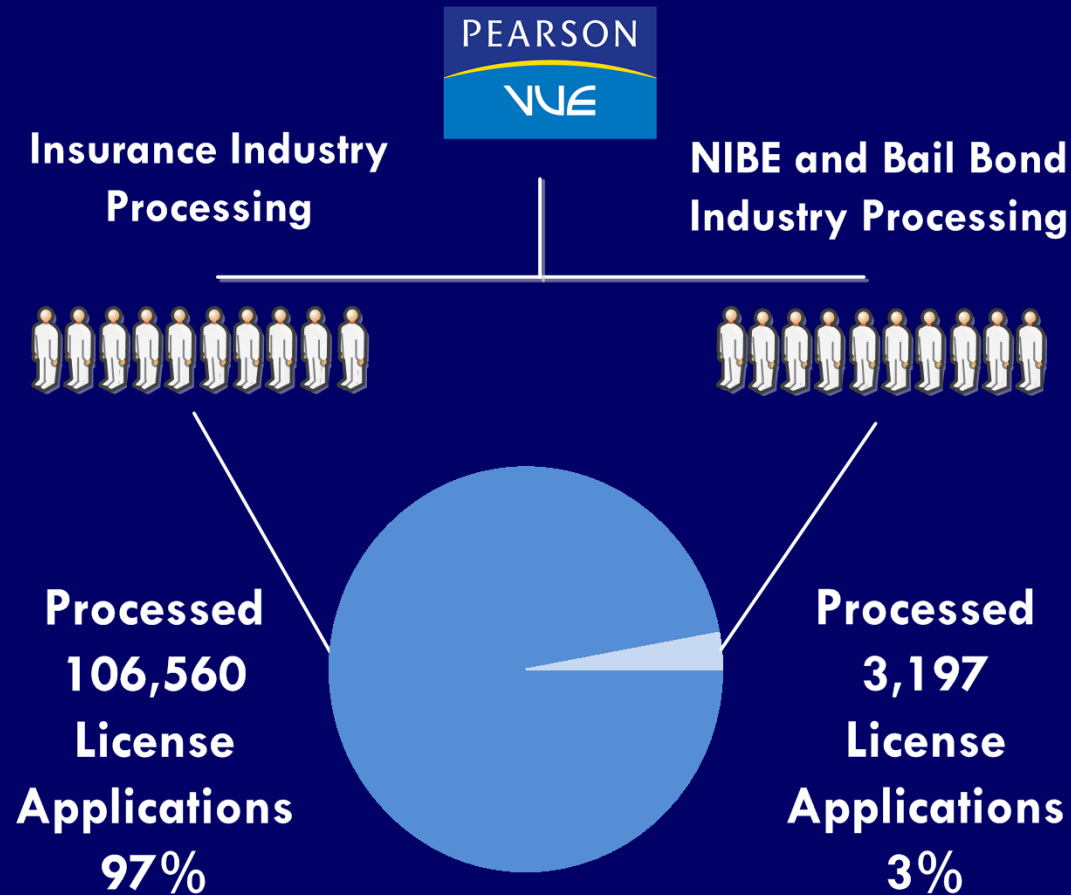
2012 –2014

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# Half of Pearson VUE's Staff Process Only 3% of License Applications

## North Carolina Licensing Office



# Pearson VUE Can Process Several Insurance Licenses in the Time Required to Process One Surety Bail Bondsman or One Collection Agency License

Insurance  
Producer License

Hours Minutes  
00:10

Surety Bail Bondsman  
License

Hours Minutes  
01:30

Collection  
Agency License

Hours Minutes  
02:30

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# The Licensure Requirements for NIBEs and the Bail Bond Industry Are More Complicated

Licensed Industries	Number of Required Supporting Documents	
	Initial Applications	Renewal Applications
Non-Insurance Business Entities	10 – 50+	5 – 50+
Bail Bond Industry	9 – 20+	3 – 15+
Insurance Industry	2 – 11	0 – 9

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## Finding 2.

The Agent Services Division chooses to duplicate two licensure procedures performed by Pearson VUE in an effort to provide good customer service



# ASD Verifies Criminal Misdemeanor and Civil Judgment Checks Performed by Pearson VUE

- Systems operated by the Administrative Office of the Courts are difficult to search because they do not have a unique identifier and rely on name searches
- Conducting a second review allows ASD to monitor and verify checks performed by Pearson VUE and ensures that an unqualified bail bond license applicant or licensee does not receive a license

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# ASD Duplicates the Notification Process Performed by Pearson VUE

- The Pearson VUE contract requires sending two notifications to request missing information for license applications
- After 60 days, Pearson VUE refers incomplete license applications to ASD
- ASD continues to request missing application materials from license applicants:
  - NIBEs and insurance license applications receive two additional notifications
  - Bail bond industry license applications receive two or more additional notifications

# ASD Reviews Incomplete Applications to Provide Good Customer Service

- ASD could reduce its regulatory workload and save over \$50,000 by denying licensure to applicants or licensees submitting incomplete applications to Pearson VUE
- Following up on incomplete applications provides ASD an opportunity to ensure customer satisfaction and receive direct feedback from applicants and licensees on the quality of licensing services

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## Finding 3.

The Department of Insurance has improved licensure services through outsourcing and continues to work with Pearson VUE to address licensure concerns

# Outsourcing Saves \$211,177 Annually and Improves Revenue Collection

Budget Reduction Description	Fiscal Year 2013–14 Estimated Annual Cost Savings
Position Reductions (3)	\$ 139,612
Mailing Services	40,948
Lockbox Fees	21,897
Postage	<u>8,720</u>
<b>Total Estimated Cost Savings</b>	<b>\$ 211,177</b>

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# Outsourcing Strengthened ASD Regulatory and Compliance Activities During Fiscal Year 2013–14

License Regulatory and Compliance Activities	Percent Increase After Outsourcing	
Closed Complaints	31%	↑
Informal Conferences	35%	↑
Voluntary Settlement Agreements	245%	↑
Voluntary License Surrenders	164%	↑
License Regulatory and Compliance Activities	Percent Decrease After Outsourcing	
Administrative Hearings	48%	↓
Consent Orders	100%	↓
License Revocations	83%	↓

Compares Fiscal Year 2013–14 regulatory and compliance information to data from Fiscal Year 2010–11 (prior to outsourcing)

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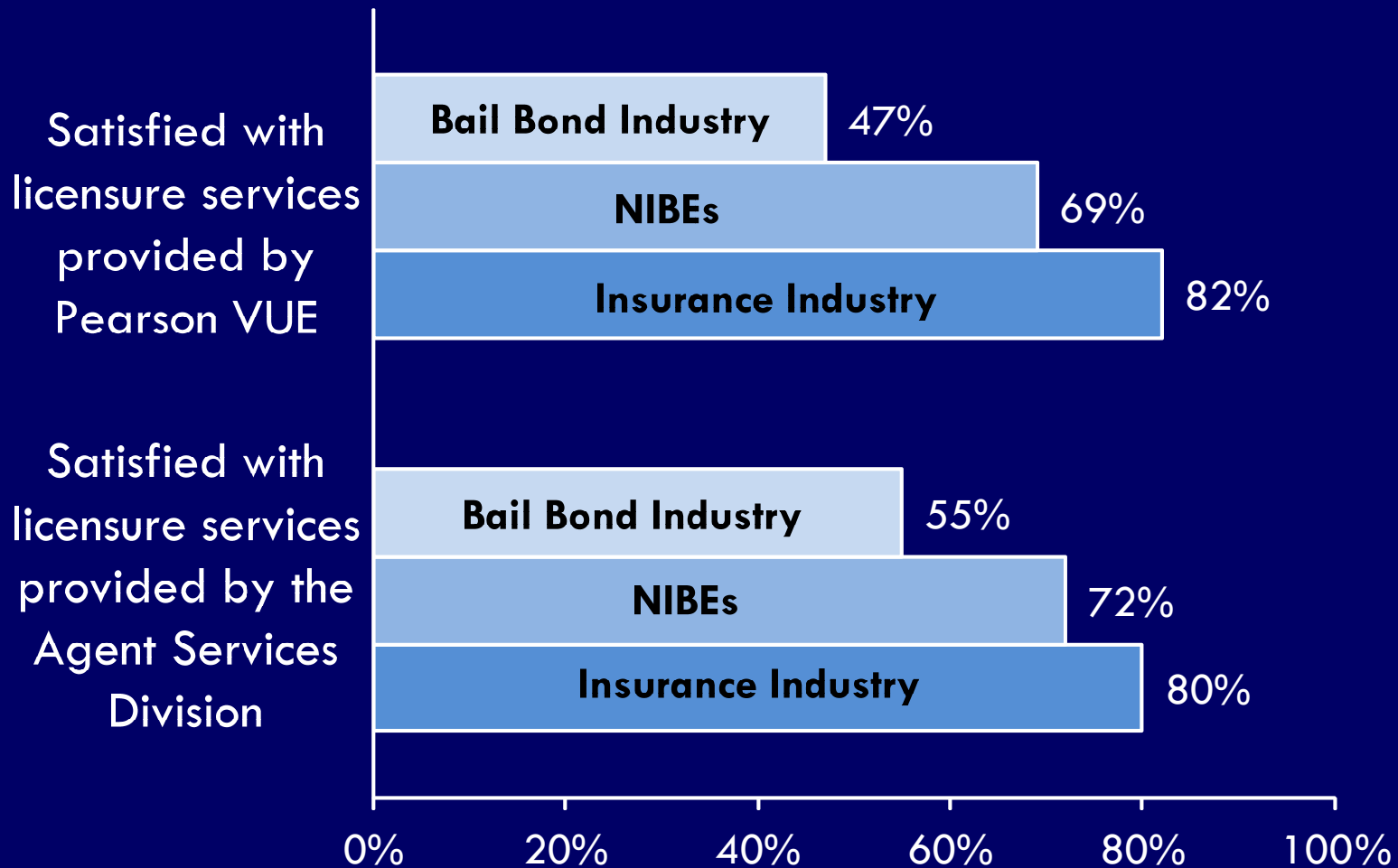
# Outsourcing Improved Customer Service for Applicants

- Provides online license applications for NIBEs and the bail bond industry
- Provides improved call center services with lower call abandonment rates
- Provides online address and email updates
- Provides electronic fee payment with debit and credit cards

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# Satisfaction with Licensure Services Provided by ASD and Pearson VUE Varies



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# ASD Required Pearson VUE to Correct Issues with Customer Service Quality

ASD's corrective action plan requires Pearson VUE to

- upgrade technology to improve the document and application matching procedure
- reduce staff turnover and cross-train customer service representatives

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# Recommendation

Direct the Department of Insurance to issue a request for proposal for a licensing administrative services contract that allows the contractor to charge different processing fees based on the cost and effort necessary to process licenses

# Require an Equitable Distribution of Costs for the Licensing Administrative Services Contract

- Processing fee revenue received from the insurance industry covers some of the cost to process license applications for NIBEs and the bail bond industry
- Pearson VUE varies processing fees by license type for the Colorado Division of Insurance based on the effort required
- Different processing fees for the insurance industry, NIBEs, and the bail bond industry will more equitably distribute the processing costs

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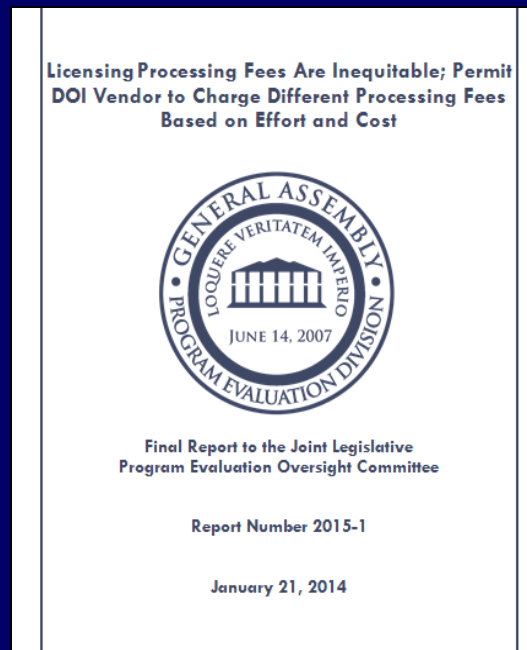
# Summary

- Pearson VUE's licensure processing fees are disproportionate to the relative cost of processing different types of license applications
- DOI has improved licensure services through outsourcing and continues to work with Pearson VUE to address licensure concerns
- Authorizing ASD to direct a vendor to charge different processing fees based on effort and cost will ensure a more equitable distribution of costs among the industries licensed by DOI

# Legislative Options

- Accept the report
- Refer report to any appropriate committees
- Instruct staff to draft legislation based on the report's recommendation

**Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)**



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