A State-Federal Relations Committee of the National Conference of Insurance Legislators (NCOIL) met for a special session on producer and company licensing post–Gramm-Leach-Bliley (GLBA) at the Sheraton Seattle Hotel & Towers in Seattle, Washington, on July 20, 2007, at 4:15 p.m.

Rep. Craig Eiland of Texas, chair of the Committee, presided.

Other members of the Committee present were:
Sen. Ruth Teichman, KS
Rep. Robert Damron, KY
Rep. Fulton Sheen, MI
Rep. George Keiser, ND
Rep. Frank Wald, ND

Sen. Steve Stivers, OH
Rep. Ronald Peterson, OK
Rep. Brian Kennedy, RI
Rep. Virginia Milkey, VT

Other legislators present were:
Rep. Donald Flanders, NH
Rep. Charles Curtiss, TN
Rep. Kathleen Keenan, VT

Also in attendance were:
Susan Nolan, Nolan Associates, NCOIL Executive Director
Candace Thorson, NCOIL Deputy Executive Director
Mike Humphreys, NCOIL Director of Legislative Affairs & Education, Life, Health, and Workers’ Compensation Insurance

PRODUCER AND COMPANY LICENSING POST-GLBA
Rep. Eiland said the Committee would hear from a panel of witnesses regarding their perspectives on producer and company licensing following the 1999 enactment of the federal Gramm-Leach-Bliley Act (GLBA). He said GLBA attempted to, among other things, streamline licensing throughout the states.

Rep. Eiland highlighted issues of concern, including redundancy and compliance costs.

PANELIST PERSPECTIVES
REGULATOR
Iowa Insurance Commissioner Susan Voss spoke, via conference call, in her capacity as Chair of the NAIC Finance Subcommittee of the National Insurance Producer Registry (NIPR). She said the NAIC had urged states to “be on the same page” with respect to producer licensing and that streamlining producer licensing was a 2007 NAIC priority. Commissioner Voss acknowledged that while uniformity was proceeding on track, more work was needed.

BROKER
Paulette Solinski of AON noted that following the enactment of GLBA the hope among interested parties was that producer licensing would proceed in a manner akin to licensing of drivers, whereby obtaining a
license in one state would provide the seamless ability to be licensed in all other jurisdictions. However, she noted, this streamlining was not in place.

Ms. Solinski offered examples of how states differ in their licensing requirements. She said that in California, Virginia, Florida, and New York a producer could apply online and pay the licensing fees by credit card, but that in California one would also have to submit a paper application and in Florida one might have to submit a supplemental application. In Washington, she said, paper applications were required along with four (4) separate checks.

Ms. Solinski suggested to Committee members that the process could be improved by using the Producer Licensing Database but commented that the database also needed more work. She said the current cost to become licensed in all 50 states was approximately $5,000.

AGENT—PIA
David Eppstein of the National Association of Professional Insurance Agents (PIA) said that, following passage of GLBA, the NAIC and NCOIL had acted quickly in trying to achieve uniformity of producer licensing. He noted, however, that the states and NAIC were not uniformly applying the provisions of the NAIC Producer Licensing Model Act.

AGENT—IIABA
Wes Bissett of the Independent Insurance Agents and Brokers of America (IIABA) told the Committee that producer licensing was the Big I’s most important public policy issue. He noted that even small insurance agencies operate in multiple states and that compliance with differing sets of licensing requirements was very costly. He urged regulators to adhere to Producer Licensing Model Act provisions.

Mr. Bissett said that many existing requirements in state laws are not allowed under GLBA and that states need to implement true reciprocity. He urged the NAIC to use the authority granted it under GLBA to bring about necessary reforms. He then discussed duplicative licensing requirements, describing provisions in some states that require licensing of agencies in addition to licensing of individual agents and, in some instances, a third (or corporate) license requirement. Mr. Bissett affirmed the Big I’s support for state-based regulation but noted his membership might support an optional federal charter (OFC) in the future if progress on uniform agent licensing was inadequate.

LIFE INSURER
John Gerni of the American Council of Life Insurers (ACLI) discussed the demographics of the life insurance sales force, noting that it was aging and shrinking. He cited a need for the NAIC to streamline the agent licensing process, whether those efforts related to pre-licensing education requirements or the actual licensing process itself. He said that some states had taken action but that further work was needed in many jurisdictions—in the areas of, among others, online education, elimination of paper licensing requirements, and uniform fingerprinting. Mr. Gerni praised action in Texas that allowed life-only licensing.

PROPERTY-CASUALTY INSURER
Neil Alldredge of the National Association of Mutual Insurance Companies (NAMIC) suggested that producer licensing should be among the easiest tasks of state regulation. He maintained that no valid reasons exist for differences among states and told the Committee that states must fix the producer licensing system if they are serious about reforming and continuing state-based oversight.

QUESTIONS AND DISCUSSION
Rep. Eiland asked panel members and others to offer their suggestions on what state legislators or the NAIC could do to address the concerns raised.
Commissioner Voss said the issues were ripe for legislators (in addition to the NAIC) to address and noted that some matters were not the prerogative of regulators or the NAIC. An example, she said, related to secretaries of state imposing out-of-state corporate filing requirements, which Commissioner Voss said could be an effort to generate revenue. She said Florida has statutes that make non-resident producer licensing very difficult and that, under these circumstances, the legislature would need to act.

Mr. Bissett agreed that legislators must be proactive. He noted that 45 states had enacted the Producer Licensing Model Act; said that the Act requires reciprocity and only requires three (3) items from non-resident producers; and expressed frustration that many states impose additional requirements beyond those provided for in the Act. He disputed the notion that legislatures needed to address issues relating to secretaries of state.

Mr. Alldredge suggested that states should determine whether or not they should impose company licensing requirements that go beyond what is needed to obtain a certificate. He again emphasized the need for uniformity.

Scott Cipinko of the Law Offices of SJ Cipinko, LLC, relayed his own experiences transferring his insurance agent license from one state to another. He told members that he was required, among other things, to surrender his Illinois license while making application to Georgia, resulting in a 90-day period in which he had no license in either jurisdiction. He commented that producer licensing should have been the subject of the first interstate compact.

Mr. Eppstein said that Mr. Cipinko’s experiences were typical. He said rules and regulations were getting in the way of good business practices. With respect to the issue raised regarding secretaries of state, Mr. Eppstein said insurance departments should be the only state governmental entities regulating insurance.

William Anderson of the National Association of Insurance and Financial Advisors (NAIFA) agreed that states and the NAIC must address the problems cited by the panelists, but he noted that NAIFA had seen great strides in producer licensing since GLBA, especially due to the NIPR. Mr. Anderson said the NIPR had created virtual uniformity for producer licensing because the database is able to accommodate state differences.

Commissioner Voss and Mr. Bissett debated issues regarding secretaries of state including, among other things, the ability of Big I members to directly challenge their licensing authority.

Rhode Island Insurance Superintendent Joseph Torti said that in 2007 his state eliminated licensing requirements for businesses in an attempt to expedite producer licensing. He said a problem his state encountered related to the calculation of retaliatory fees. Superintendent Torti explained that Rhode Island’s solution was to impose an additional $5 fee for non-resident applicants.

ADJOURNMENT
There being no further business the special meeting was adjourned at 5:15 P.M.