



**National Association of Insurance and Financial Advisors**

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November 21, 2007

Mr. Jeffrey Stoltzfoos  
Office of the Assistant Secretary for Financial Institutions  
Mr. Mario Ugoletti  
Office of Financial Institutions Policy  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

**Re: Treasury Department Review of the Regulatory Structure Associated with Financial Institutions; TREAS-DO-2007-0018**

**VIA E-Mail**

Dear Messrs. Stoltzfoos and Ugoletti:

The National Association of Insurance and Financial Advisors (NAIFA) appreciates the opportunity to provide you with comments regarding the Treasury Department's review of the regulatory structure in the United States for financial institutions, including insurance entities.

Founded in 1890 as the National Association of Life Underwriters, the National Association of Insurance and Financial Advisors comprises 770 state and local associations representing the business interests of 225,000 members and their employees nationwide. Members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. NAIFA's website can be accessed at [www.naifa.org](http://www.naifa.org).

NAIFA and its members have a strong interest in the U.S. insurance regulatory structure, both in its current form and in any changes that are considered and made going forward. We share Treasury's belief that insurance is a key element of the U.S. financial system, and welcome the inclusion of the insurance sector in your review of the U.S. financial regulatory structure.

The comments that follow do not specifically address each of the questions listed in the notice for comment. Rather, the following approaches the issues more generally, providing NAIFA's views regarding the current state of the insurance regulatory system and explores ways to improve the system going forward.

## **Insurance Regulatory Reform is Essential for a Strong and Healthy Insurance Marketplace**

NAIFA members are long-time supporters of state regulation and remain steadfastly committed to this tradition. Having said that, we recognize that there are serious deficiencies in the state insurance regulatory system and that reform is critical to protect consumers and ensure a strong and healthy insurance marketplace. We believe, as others do, that fixing the problems with the insurance regulatory system will yield a strong and healthy insurance marketplace, ultimately providing better and greater choices for consumers.

In addition to the existing regulatory challenges, the changing dynamics of the financial services industry in the 21<sup>st</sup> century compel NAIFA to be open to all promising options to improve the regulation of the industry. Insurance producers have been working with state insurance regulators for years to encourage sensible reforms to make the quilt of state insurance laws and regulations more uniform, thus enabling producers to better compete in an increasingly crowded financial services marketplace. Improvements in regulation benefit consumers, as well, who share the heavy burden of paying for the costs of complying with the current system.

State insurance regulation has failed to adapt to changes in the industry and the markets it serves, resulting in the significant regulatory problems that exist today. Unnecessary distinctions among the states and inconsistencies within the states on issues such as licensing, product approval, and consumer protection, thwart competition, reduce predictability and add unnecessary expenses to the cost of doing business. Similarly, these outdated rules and practices do not serve the goals of regulation in today's converging financial services marketplace.

We recognize the challenges facing state regulators in their efforts to achieve reform. It has proved to be very difficult for state regulators and their legislatures to unilaterally correct the identified deficiencies in state insurance regulation. Both practical and political realities dictate that, if identical bills are proposed in 50 state legislatures, 50 different bills will emerge from those 50 separate legislative processes. There are numerous reasons for this lack of success – lack of will, disagreements over substantive details, structural impediments, and the fact that it is simply very difficult to get 50 different jurisdictions to act in a coordinated fashion, and act quickly in a constantly changing global marketplace.

State insurance regulators have made great efforts in the past several years to reform and modernize the system, working through the NAIC to devise regulatory reforms on the national level and institute them state-by-state. Unfortunately, their efforts have met with limited success. The financial accreditation program is an example of state regulation and cooperation at its best. But the wheels of state regulation move slowly, and, beyond the accreditation program, it has proved nearly impossible to achieve consensus on, and uniform implementation of, model laws and rules. Even the life insurance compact, which is an undisputed success for the states, has

only been enacted in 30 states to date, and the likelihood that it will be enacted in all 50 states is very slim.

### **Producer Licensing Reform Illustrates the Difficulty the States Have Achieving Nationwide Results**

Here is another example, in an area that is most important to NAIFA members – producer licensing and regulation: NAIFA has worked for years to get the NAIC and state insurance regulators to fix the cumbersome, duplicative state-based system of producer licensing. The NARAB provisions of the Gramm Leach Bliley Act (GLBA) successfully pushed the states to enact reform. In 2000, the NAIC adopted the Producer Licensing Model Act (PLMA), which provides for a system of reciprocal licensing in the states pursuant to the NARAB requirements. The PLMA has been enacted in some form in over 40 states and the District of Columbia.

NAIFA has supported the NAIC’s producer licensing reform efforts at every step of the way and we are, in large part, responsible for enactment of the PLMA in the states. NAIFA is a board member of the National Insurance Producer Registry (NIPR), which operates the electronic database of producer information that has made licensing significantly faster and easier, and is an active participant at the national level, working with an NAIC coalition in the development of specific recommendations for achieving true reciprocity and uniformity in producer licensing nationwide.

Although the passage of NARAB gave the states the needed incentive to streamline the insurance producer licensing system, it did not go far enough. Today, there are approximately 40 states that the NAIC has deemed “reciprocal” for NARAB purposes. Although other states have adopted portions of the PLMA, there remain a significant number of states – including major markets such as California and Florida – that are not reciprocal and therefore not in compliance. In addition, reciprocal states sometimes have similar legal requirements but differing standards for licensure – thus creating a patchwork of approaches across the country. Attached to this statement is a letter sent to the NAIC by NAIFA and two other insurance producer trade organizations, The Council of Insurance Agents & Brokers and The National Association of Professional Insurance Agents (Addendum A). The letter details the shortcomings of the state insurance producer licensing system and recommends actions for addressing those problems.

Although we are heartened that the NAIC has taken the initiative to establish the producer licensing coalition and focus their efforts on achieving full reciprocity and uniformity in producer licensing, we are realistic in our expectations. It is unlikely that the states can or will achieve complete producer licensing reform – or complete reform in any other area of insurance regulation – quickly or easily.

### **NAIFA Supports All Efforts to Fix the Status Quo – Including Congressional Action**

Despite the solid efforts made by the states to improve the current regulatory system, it has become increasingly clear that the state system needs help. NAIFA believes it is imperative that the problems and inefficiencies in the state regulatory system be corrected quickly, and supports the active involvement of the federal government in the reform process. To that end, in

2002, NAIFA adopted an official policy position, amended in 2004, that supports congressional action to improve and augment the regulation of insurance, provided such action meets NAIFA's specific guidelines aimed at maintaining fairness to agents and protection for the consumers they serve. The policy highlights our support for the NAIC's regulatory modernization efforts and identifies certain federal proposals that could, if properly crafted, improve the regulation of our industry. A copy of our current Insurance Regulatory Reform Policy is attached as Addendum B.

While our regulatory reform policy continues our century-long support for state regulation of insurance and confirms our commitment to improve the state-based system, we believe the status quo of insurance regulation is detrimental to consumers and NAIFA members. Thus, our policy acknowledges that all regulatory reform options are on the table and that NAIFA is willing to consider a breadth of alternatives in our desire to fix the problems confronting us. As a result, the policy embraces federal initiatives to improve the regulation of insurance. Simply put, NAIFA favors reform, improvement and progress over the status quo.

Thank you for your consideration of NAIFA's views.

Sincerely,

/s/ William R. Anderson

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# # #

August 28, 2007

Commissioner Roger Sevigny  
New Hampshire Insurance Department  
21 South Fruit St.  
Suite 14  
Concord, NH 03301

Dear Commissioner Sevigny:

Thank you for your leadership of the NAIC's efforts to jumpstart producer licensing reform. As we discussed at the Coalition meeting in June, this endeavor is critically important. We all agree that despite the progress that has been made over the past several years, we have not fully realized the intent of the Gramm-Leach-Bliley Act or the promise of the Producer Licensing Model Act. Your fellow regulators have often stated that their ultimate goal is full reciprocity and full uniformity. Unfortunately, we remain a long way from those goals. We hope that with you and other commissioners engaged in the issue, we can make real progress in the near term.

At the June meeting, we discussed many of the challenges producers continue to face, and they range broadly – from pre-licensing education and examination requirements, to interpretation of statutory language, to uniformity standards, to reciprocity and NARAB compliance. Although there may be some differences with respect to the details, the undersigned trade associations – the Council of Insurance Agents & Brokers (The Council), the National Association of Insurance and Financial Advisors (NAIFA), and the National Association of Professional Insurance Agents (PIA) – are in agreement as to what the major problems are and their relative importance.

**1. Full Reciprocity:**

The most important goal – and the one that the NAIC and the states should attack immediately and forcefully – is achieving full reciprocity for non-resident licensure in every state. The NAIC and the states successfully fended off the creation of NARAB when a majority of the states were certified as having reciprocal licensure requirements for non-residents. Today, the number of NAIC-certified states is somewhere in the mid 40s. The last official list of certified states, from 2005, names 42 states as NARAB-compliant. In addition to those 42, the NAIC website lists several additional states as “actively participating in uniform treatment – licensure reciprocity,” although it is not clear whether these additional states have been certified by the NAIC as NARAB-compliant. A list of the NAIC-certified states and the additional states can be found on Attachment A.

Despite the certification of “a majority of the states” by the NAIC, full reciprocity remains elusive. Reciprocity comes up short not only because several states are not certified by the NAIC (and appear to have no interest in it), but because many of the certified states have

deficiencies in statute, regulation or practice, that impede true reciprocity. So full reciprocity is really a two-fold challenge: (1) get the recalcitrant states to enact the necessary statutory language to join the reciprocity regime and (2) get the certified states to remove all formal and informal obstacles to reciprocity. Both of these are critically important. Obviously, if we can get the 42+ certified states all on the same page, that would provide substantial relief to producers. But we cannot lose sight of the non-certified states, if for no other reason than they include two of the biggest markets in the country – California and Florida.

**Certified States:** In the certified states, there are a range of problems, some of which are mere nuisance (Utah requires the word “insurance” in entity names), some of which are speculative (Alaska does not require fingerprints, but the insurance commissioner has the authority to do so), and others material (in a dozen states or more, the insurance department will not grant a license without evidence of registration with the secretary of state). Attachment B provides a list of the certified states and brief descriptions of the additional requirements they impose on non-residents. In researching and compiling the list, we attempted to be as comprehensive as possible, relying on state statutes and regulations and the NIPR business rules. We do not believe the list is necessarily complete, however, because of the history of “desk drawer” rules and similar “unofficial” state regulatory requirements, which can be difficult to nail down accurately.

Based on our findings, there is a strong argument that a number of states designated as certified by the NAIC should not be considered reciprocal, potentially threatening the NAIC’s overall determination that the states are in compliance with the GLBA reciprocity requirements. At the very least, all these extra requirements do violence to the spirit of the intended reciprocity regime and make non-resident licensure significantly more burdensome than necessary.

The situation can be improved, however. In fact, we believe that if the states take seriously the basic tenet of the reciprocity regime – that is, non-resident state must rely on the producer’s home state – then removing many (if not all) of these additional requirements should be non-controversial and relatively easily (and quickly) accomplished. Nonetheless, it is clear that commissioner-level involvement and peer-to-peer communication is going to be necessary to jumpstart this process and get real results.

As stated above, our research indicated a range of additional nonresident licensure requirements. Some are unique to a particular state, while others can be found in multiple states. We recommend that this be attacked state-by-state and issue-by-issue. Start with Alabama and move through each state’s idiosyncratic requirements (such as Utah’s name requirement). At the same time, address globally the requirements imposed by multiple states, including: secretary of state registration; lines of authority; qualifications for selling variable lines; qualifications for designated producers of agencies; and documentation of background information.

**Secretary of State Registration Requirements:** In previous correspondence with you, both PIA addressed a number of issues, focusing particularly on the secretary of state registration requirement for producers that are entities. It is, therefore, not necessary to go into the issue in detail, but we note that the registration requirement:

- (1) imposes a significant burden on producers;
- (2) is unnecessary from a public policy standpoint because the producer is under the regulatory supervision of the insurance department which, through licensure, controls the producer's ability to conduct business in the state and acts as the producer's representative for service of process; and
- (3) violates GLBA, the PLMA and any state law with non-resident licensure provisions based on the PLMA.<sup>1</sup>

These points are clearly valid when a state insurance department makes the granting of a non-resident license contingent upon registration with the secretary of state, effectively making corporate registration a requirement for non-resident licensure. We believe they are no less applicable in other states with secretary of state registration requirements.

In June, we requested an opinion from the NAIC regarding the permissibility of the secretary of state registration requirements under GLBA and the PLMA. We are disappointed that we have not seen anything to date and hope that an opinion or at least some dialogue will be forthcoming. In the meantime, we urge the NAIC to: (1) instruct the states that require registration with the secretary of state prior to granting a non-resident license that such requirement violates GLBA and PLMA reciprocity, and inform those states that they will be de-certified if they do not end that practice; and (2) work with the secretaries of state across the country to exempt insurance producers from their registration requirements. Alternatively, we would urge repeal of all state licensure requirements for producers that are entities. As we have discussed, such requirements are not necessary because the state has on-going authority over the individual producers, whom it licenses and regulates. In addition, from a business/legal standpoint, it is unnecessary because section 13(D) of the PLMA clearly provides that individual producers can share commissions with their agencies, so an agency no longer must be licensed to share in its employee's commissions.

**Uncertified States:** As we mentioned above, there remain a number of states that have not been certified by the NAIC as reciprocal, including California, Florida and Washington. In order to reach full reciprocity, the NAIC must work with these states to bring them into the fold. This is a difficult but absolutely necessary task.

## 2. Uniform Interpretation of the PLMA

The PLMA has been enacted in whole or part in well over 40 states. Despite this common statutory language, there is a great deal of inconsistency in interpretation and implementation of the PLMA, inconsistency that goes beyond the non-resident reciprocity issues outlined above.

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<sup>1</sup> Under the Gramm-Leach-Bliley Act (GLBA) and the NAIC Producer Licensing Model Act (PLMA), a state is reciprocal if it grants licenses to non-resident producers that submit: (1) a request for licensure; (2) the application for licensure that the producer submitted to its home state; (3) proof that the producer is licensed and in good standing in its home state; and (4) the payment of any requisite fee to the appropriate authority.

Specifically, there are three provisions of the PLMA where consistent interpretation and implementation would (1) help the states move toward full reciprocity and uniformity; and (2) give consistent meaning to provisions of the PLMA, enabling their use in multiple states. The three provisions of the PLMA that are most in need of clear, consistent interpretation – and that would most benefit regulators and producers – are the definition of lines of authority, including limited lines (section 2), the multi-state commercial lines exemption (section 4(B)(6)), and the commission sharing provision (section 13(D)).

Previous attempts to get uniform interpretation of these provisions have not worked. The lines of authority definition is one of the uniformity standards that the Producer Licensing Working Group has been working on for some time now. As our research illustrates, differences among the states with respect to lines of authority are a real impediment to achieving full reciprocity. The commission sharing provision was the subject of a working group survey to determine how the states interpret the provision. In the absence of guidance as to the intent and meaning of the provision, the states were, as expected, all over the board on the issue. The states are similarly all over the board with respect to the multi-state commercial lines exemption, making it “essentially useless” according to some producers.

We recommend that the NAIC adopt official guidance as to the meaning of these PLMA provisions (and perhaps others) and encourage the states to adopt the guidance as their official interpretation of their statutory language.

### **3. Full Utilization of NIPR**

NIPR has experienced tremendous growth in the past ten years in the products it offers, the states it serves, and the number of producers it assists. NIPR provides time- and money-saving services that have eased the licensure burden on both the states and producers. Having said that, some states remain “off the grid” of NIPR services. As members of the NIPR Board of Directors, we know the reasons some states do not fully utilize all that NIPR has to offer, but we believe they should – and the NAIC should use its influence and resources to push for full participation in NIPR’s services.

### **4. Uniformity:**

Although there is some disagreement in the industry as to the importance of uniformity, it is clear that the carriers and the larger producers with national presence (and resident producers in multiple states) support the NAIC’s stated goal of achieving uniform licensure requirements across the states. It is equally clear that none of the trade groups oppose efforts toward uniformity, although some would prefer that it not distract from the immediate drive for full non-resident reciprocity.

We have a couple of observations with respect to the NAIC uniformity standards. First, in response to your request for prioritization of the uniformity standards, we believe that all the standards are, more or less, equal in importance and all are necessary to achieve real uniformity across the states. While we understand the need to focus on attainable goals, we hesitate to rank

the uniformity standards for fear that deeming some of them “less important” will effectively kill them in the states.

Second, the standards themselves are not without some problems. Several of them (examinations, E&O coverage, and CE subject matter requirements) leave the standard “to be determined by each state.” That is not uniform. Further, a number of the standards refer to one or more provisions of the PLMA as the standard for the states to follow. Our concern is in the interpretation and implementation of those PLMA provisions. As we discussed above, the states could have identical language on their books, but unless those in authority give the language the same meaning, the hope for uniformity is lost.

In summary, we support the NAIC’s pursuit of uniformity through the standards. We are concerned, however, that some of the standards are ill-defined and their adoption will not necessarily move us any closer to uniformity. We encourage the NAIC to take a close look at the standards and revise those that may be susceptible to more than one interpretation.

## **6. Producer Licensing Handbook**

Finally, we note that there is support among the regulators and industry to put together a Producer Licensing Handbook that would contain all of the relevant documentation related to producer licensing, including GLBA, the PLMA, FAQs, the uniformity standards, etc. Going forward, new documents would be added to the handbook as they are adopted, including guidance, interpretations or other documents that arise out of the work of this coalition. We are confident that the NAIC can pursue this project at the same time as – and without diluting the resources devoted to – the other activities of the coalition, particularly the push for full reciprocity and uniformity.

Thank you for your consideration of our views. We look forward to meeting with you on Thursday and to working with you going forward to make these goals reality.

Sincerely,

William R. Anderson  
Senior Vice President, Law and Government Relations  
The National Association of Insurance and Financial Advisors

Patricia A. Borowski  
Senior Vice President  
The National Association of Professional Insurance Agents

John P. Fielding

Counsel

The Council of Insurance Agents & Brokers

cc: Honorable Walter Bell, Alabama Insurance Department  
Honorable Mike Kreidler, Washington State Office of the Commissioner  
Honorable Susan Voss, Iowa Insurance Division  
Honorable Jim Poolman, North Dakota Department of Insurance  
Honorable Julie McPeak, Kentucky Office of Insurance  
Honorable Linda Hall, Alaska Division of Insurance  
Honorable Joel Ario, Pennsylvania Insurance Department  
Honorable Eric Dinallo, New York Department of Insurance  
Andrew Beal, NAIC  
Brady Kelly, NAIC  
Tim Mullen, NAIC

**NAIC CERTIFICATION**

As of March, 2005, the following states (jurisdictions) were certified as reciprocal by the

NAIC:

- |                    |                   |
|--------------------|-------------------|
| 1) Alabama         | 39) Virginia      |
| 2) Alaska          | 40) West Virginia |
| 3) Arizona         | 41) Wisconsin     |
| 4) Arkansas        | 42) Wyoming       |
| 5) Colorado        |                   |
| 6) Connecticut     |                   |
| 7) Delaware        |                   |
| 8) Georgia         |                   |
| 9) Hawaii          |                   |
| 10) Idaho          |                   |
| 11) Illinois       |                   |
| 12) Iowa           |                   |
| 13) Kansas         |                   |
| 14) Kentucky       |                   |
| 15) Louisiana      |                   |
| 16) Maine          |                   |
| 17) Maryland       |                   |
| 18) Massachusetts  |                   |
| 19) Michigan       |                   |
| 20) Minnesota      |                   |
| 21) Mississippi    |                   |
| 22) Montana        |                   |
| 23) Nebraska       |                   |
| 24) Nevada         |                   |
| 25) New Hampshire  |                   |
| 26) New Jersey     |                   |
| 27) North Carolina |                   |
| 28) North Dakota   |                   |
| 29) Ohio           |                   |
| 30) Oklahoma       |                   |
| 31) Oregon         |                   |
| 32) Pennsylvania   |                   |
| 33) Rhode Island   |                   |
| 34) South Carolina |                   |
| 35) South Dakota   |                   |
| 36) Texas          |                   |
| 37) Utah           |                   |
| 38) Vermont        |                   |

The following additional states (jurisdictions) are currently listed on the NAIC website as

“actively participating in uniform treatment – licensure reciprocity:”

- 1) District of Columbia
- 2) Indiana
- 3) Missouri
- 4) New Mexico
- 5) New York
- 6) Northern Mariana Islands
- 7) Tennessee

The following states (jurisdictions) remain out of compliance:

- 1) American Samoa
- 2) California
- 3) Florida
- 4) Guam
- 5) Puerto Rico
- 6) Virgin Islands
- 7) Washington

**COMPLIANCE BY NAIC CERTIFIED STATES**

Although the following states have been certified by the NAIC as reciprocal, our research indicates that each of these states impose requirements on non-resident applicants in addition to those set forth in GLBA and the PLMA:

*Alabama:*

Non-resident required to register with the secretary of state before insurance department will issue license;  
Affirmative answer on background check requires filing of additional information;  
Variable life/annuities applicant must file additional information.

*Alaska:*

State law gives the state insurance commissioner the power to require the following from non-residents: fingerprints, power of attorney, fiduciary account requirements. Alaska is likely to be in compliance currently because the current commissioner does not require this information. To the extent she were to require it, however, Alaska would likely fall out of compliance.

*Arizona:*

Non-resident required to register with the secretary of state before insurance department will issue license;  
Trade names must be registered;  
Affirmative answer on background check requires filing of additional information;  
Variable life/annuities applicant must file additional information.

*Colorado:*

Variable life/annuities applicant must file additional information.

*Connecticut:*

Variable life/annuities applicant must file additional information and file for both lines of authority;  
P&C applicants must file for both lines of authority;  
Applicant must present “evidence of good moral character.” If this requires more than the applicant’s home state good standing certificate, it could cause the state to fall out of compliance.

*Delaware:*

Non-resident required to register with the secretary of state before insurance department will issue license.

*Georgia:*

Affirmative answer on background check requires filing of additional information;  
Variable life/annuities applicant must file additional information;  
Carrier appointment required before license will be granted.

*Hawaii:*

Non-resident required to register with the secretary of state before insurance department will issue license;  
Affirmative answer on background check requires filing of additional information;  
The department will deny licenses to all applicants with “serious RIRS.”

*Idaho:*

Non-resident required to register with the secretary of state before insurance department will issue license;  
Affirmative answer on background check requires filing of additional information;  
Variable life/annuities applicant must satisfy line of authority requirement;  
Commissioner may require fingerprinting at his/her discretion.

*Iowa:*

Variable life/annuities applicant must satisfy line of authority requirement (must hold life license).

*Kansas:*

Affirmative answer on background check requires filing of additional information.

*Kentucky:*

Non-resident required to register with the secretary of state before insurance department will issue license;  
Trade names must be registered;  
Agency's designated producer must hold a carrier appointment.

*Minnesota:*

Variable life/annuities applicant must file additional information and satisfy line of authority requirement;  
Applicant must hold carrier appointment.

*Nebraska:*

The Nebraska statute is in compliance, and there are no official and enforceable additional requirements. However, Nebraska places a coversheet on the NAIC uniform non-resident application that says Nebraska requires producers to be "competent, trustworthy, [] financially responsible" and maintain "fiduciary capacity."

*Nevada:*

Affirmative answer on background check requires filing of additional information signed by applicant;  
Surety applicant must satisfy line of authority requirement.

*New Hampshire:*

Non-resident required to register with the secretary of state before insurance department will issue license;  
Affirmative answer on background check requires filing of additional information;  
Variable life/annuities applicant must satisfy line of authority requirement;  
Designated producer must satisfy line of authority requirement.

*New Jersey:*

Variable life/annuities applicant must satisfy line of authority requirement;  
Applicant must notify commissioner if he/she does business in home state under a  
different name.

*North Dakota:*

Non-resident required to register with the secretary of state before insurance  
department will issue license;  
Designated producers must be licensed and hold line of authority entity applies  
for.

*Ohio:*

Non-resident required to register with the secretary of state before insurance  
department will issue license;  
Designated producers must be licensed and hold line of authority entity applies  
for;  
Entities must submit articles of incorporation or partnership agreement, as  
applicable.

*Oklahoma:*

Non-resident required to register with the secretary of state before insurance  
department will issue license;  
Designated producers must be licensed and hold line of authority entity applies  
for;  
State does not accept applications for variable lines.

*Oregon:*

Title insurance specifically exempt from reciprocity requirement.

*Pennsylvania:*

Non-resident required to register with the secretary of state before insurance  
department will issue license;  
Designated producers must be licensed and hold line of authority entity applies  
for;

Requires “name approval” by the insurance commissioner.

*Rhode Island:*

Variable life/annuities applicant must satisfy line of authority requirement;  
Designated producers must be licensed and hold line of authority entity applies  
for;  
Non-residents charged slightly higher fees than residents.

*South Dakota:*

Non-resident required to register with the secretary of state before insurance  
department will issue license;  
Designated producers must be licensed and hold line of authority entity applies  
for;  
Non-residents charged slightly higher fees than residents.

*Texas:*

“Business rules” listed on NIPR website indicates criminal background  
requirement. Texas website, however, indicates that NR licenses “no longer  
require” fingerprints.

*Utah:*

Designated producers must be licensed and hold line of authority entity applies  
for;  
Nonresident licensees required to have the word “insurance” in their company  
names.

*Virginia:*

No business entity licensure requirement;  
Individual applicant must use home address rather than business address.

*West Virginia:*

Variable life/annuities applicant must satisfy line of authority requirement;  
Designated producers must be licensed prior to entity licensure and must hold  
license in line of authority entity applies for.

*Wyoming:*

Requires a portion of the electronic application to be faxed to the department.

## **Addendum B**

### **NAIFA Policy on Insurance Regulatory Reform**

NAIFA supports the principles underlying state regulation of the business of insurance and efforts to improve the state-based system of insurance regulation, including support for the National Association of Insurance Commissioners' Action Plan for Regulatory Modernization. NAIFA also supports congressional initiatives to improve and augment the regulation of the business of insurance, such as the creation of a federal insurance regulator, optional federal charters for insurance companies and agencies, a national producer's license for insurance professionals, and other federal efforts to improve the insurance regulatory system. NAIFA supports reform of the insurance regulatory system that meets the following guidelines:

(1) With respect to producer licensing and continuing education requirements:

- All insurance producers must be licensed.
- All duplicative licensing requirements should be eliminated to ensure that each insurance producer will be required to demonstrate to only one regulator that he/she is qualified to receive a license to engage in insurance representing either a state chartered or federally chartered insurer.
- Uniform substantive and procedural licensing requirements should be established for each class of similarly situated producers.
- The uniform licensing requirements should include the mandated performance of a criminal background check on all applicants for licensure.
- A database to which only financial services regulators have access should be established to help ensure that individuals who have committed fraud or engaged in other behavior which should bar their participation in the business of insurance are identified and tracked.
- Each insurance producer should need to satisfy only a single set of continuing education requirements for each line of business for which he/she is licensed.
- Uniform continuing education requirements should be established for each class of similarly situated producers.

(2) With respect to other consumer protection requirements:

- The tax incentives supporting life and other insurance products must be preserved.
- Uniform trade practices and consumer protection requirements should apply to all insurance sales and service activities.
- Adequate solvency requirements for insurers must be in place such as guarantee funds or comparable fail safe mechanisms.
- Regulators' responsiveness and accessibility to consumers must be preserved.

(3) With respect to rate and form filing and approval requirements:

- Duplicative filing and approval requirements should be eliminated.
- Uniform filing and approval requirements should be established.
- "Quality to market" concerns should not be sacrificed for "speed to market."

(4) With respect to changes in regulatory rules, structures and procedures:

- Current regulatory expertise should be preserved to the maximum extent possible as consistent with efficient regulation.
- Any "reform" should be viable for both accumulation and risk-shifting products.
- Submission to the jurisdiction of any additional newly created regulatory authority should be truly optional for all producers.
- Producers should have an institutionalized role in the development and application of all new regulatory rules, structures and procedures.

— Approved by the NAIFA Board of Trustees 1/16/04