



DATE: August 26, 2019

TO: NAIC Producer Licensing Uniformity Working Group

SUBJ: Comments for Chapters 12

As previously mentioned, SILA has been focusing its efforts to monitor, review, and update information within its own Best Practices Handbook (SBPH) that addresses various licensing issues and requirements associated with all aspects of insurance licensing.

### **Chapter 12 Business Entities**

Suggested change to the paragraph that states:

"Regulators should balance the cost of a regulatory requirement with the benefit that requirement adds to consumer protection. If detailed information is collected, such as several levels of appointments, that information should be a meaningful part of the insurance department's consumer protection plan. If information is only rarely used in support of investigations, it may not be cost-effective to collect that information and require staff to compile it and process it. During a recent assessment of state insurance department licensing units, it was often found that information about affiliations and branch offices often required at the time of application was rarely used. Sub-appointments and business entity appointments are discouraged."

**Comment:** We do not recall that a recent assessment of all state insurance departments licensing units has occurred to determine compliance with state uniformity requirements so we would suggest removal of the word "recent". However, we strongly agree with the last sentence.

### **Additional Comments to Chapter 12 – Business Entities**

The current NAIC State Licensing Handbook does not address branch or affiliation licensing, both linked to Business Entity licensing. Two chapters within the SILA's Best Practices Handbook affect Business Entity (BE) licensing; branch licenses and affiliations. These chapters were discussed and ultimately updated based on members' feedback and experiences with these state specific requirements. After numerous meetings with members, who include industry and vendor representatives as well as regulators, various issues were identified specific to:

- **Branch Licensing:**

1. Inconsistencies, including the definition of a "branch", exist among states regarding the requirements and processes surrounding branch licensing.

2. Branch licensing may or may not be required.
3. Various means of notification are required when branch office licensing is required (i.e. forms, on-line, letter, email).
4. There is no clear way to confirm through the PDB that a state has completed the process of adding branches. Confirmation typically requires email or a phone call when a separate license is not issued. Confirmation may occur via the state's website.
5. Some states may require a fee.
6. The requirements can be different for resident business entities versus non-resident business entities.
7. A DRLP (Designated Responsible Licensed Producer) may be required for each branch and may require the DRLP to be physically located at said branch.
8. In some states, a DRLP's lines of authority must match the branch office's lines of authority.
9. There may be a separate license issued for each branch and the Business Entity may or may not be required to renew said license.
10. There may be a separate license or registration number for each branch, AND this may result in a different "license" expiration date for the branch license.
11. Affiliations by branch may be required.
12. Appointments for each branch office may be required.

#### **RECOMMENDED REGULATOR BEST PRACTICES FOR BRANCH LICENSING**

1. States eliminate branch licensing
2. States eliminate affiliations to a branch license/registration

If branch license/registrations are not eliminated, SILA has identified possible guidance to a variety of issues that would be beneficial. We are happy to share that information if there is future discussion on this issue.

- **Affiliations**

There are approximately 23 states that require the filing of agency affiliations, not including the DRLP filing requirement. Although this requirement impacts all aspects of producer licensing and oversight, the agency affiliation process has not received the same attention or initiatives that have been directed at the state appointment process. The ability to easily affiliate and terminate agents online and confirm those affiliation transactions on a centralized database is critical to industry stakeholders. Because of the numerous state variances, agency affiliations present several critical processing deficiencies that significantly inflate processing expenses for carriers, agencies and insurance departments, including but not limited to:

1. State specific licensing, appointment, and branch licensing requirements, ranging from a license, registration, or listing that may be required, not required or optional;
2. Data filing of, reconciliation for, verification regarding, and access to information specific to affiliation. This requirement is challenging because:
  - a. there is not a single uniform submission facility;
  - b. the information required to affiliate or terminate is non-uniform from state to state;
  - c. filing processes are through either a manual or electronic method directly with the state as the PDB does not have a specific product that will allow for the filing of affiliations; and

- d. inadequate verification process that the affiliation has been successfully completed.

**RECOMMENDED REGULATOR BEST PRACTICES FOR AFFILIATIONS**

SILA recommends that all producer affiliations, excluding DRLPs and officer, owner, director and partner listings, be **ELIMINATED**. If affiliations are not eliminated, SILA has developed a long list of issues and recommendations that would move states towards creating an environment that would achieve a more cohesive and streamlined requirement and submission process. We are ready and willing to share that information if there is future discussion on this issue.

In closing, we understand that our branch licensing and affiliation comments may be considered outside the scope of the Working Group’s existing charge. However, SILA remains hopeful and expecting that future discussions pertaining to business entity licensing standards will occur to address anomalies, challenges, and issues related to business entities that have significant impacts to our members.

Regards,



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SILA