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Karen Z. Schutter  
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National Association of Insurance Commissioners  
2301 McGee Street, Suite 800  
Kansas City, MO 64108-2662

Subject: COMMENTS – BUSINESS ENTITY LICENSING

Dear Ms. Schutter:

Thank you for the opportunity to review and provide comments to the Producer Licensing Assessment Report's options for simplifying and standardizing the business entity licensing process. The options are listed below indicating whether we support the option, have no position, or oppose including our justification.

**Option#1: Simplify the licensing process by eliminating the licensing of business entities by line of authority**

Oppose. Many states have the licensing information available on their websites for all of their licensed individuals and business entities. The license information typically shows whether the license is active, expiration date, CE course completion information (for individuals), enforcement actions, company appointments, business entity affiliations, and the lines of insurance for which the individual or business entity is licensed to transact in that state. Currently, many states that license business entities do not require individuals to be appointed to all of the insurers that the business entity is appointed. Instead, in many states, agents only need to be endorsed to the business entity to transact on its behalf with all of the insurers that have appointed the business entity.

If the licensing of business entities by lines of authority is eliminated, it would be confusing to the consumer who is interested in checking with their respective state DOI website to identify the license and appointment status of business entities and the relationships with their affiliated producers.

Further, in the context of approving assumed names it is relevant to have knowledge of the products that the business entity will be selling. For instance, the word "risk" in an assumed name is appropriate for business entities transacting property insurance but would not be appropriate for a business entity transacting only life insurance. Further, the word "excess" in an assumed name would only be appropriate for business entities licensed as surplus line brokers.

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Only from licensing by line of authority can a state ensure that the names approved are appropriate for the nature of the business that is transacted.

**Option#2: Simplify the licensing process by eliminating the requirement that the Designated Responsible Person hold the same lines of authority as the business entity**

No position. However, for the reasons articulated in our response to Option #1, we do believe that for a business entity license to remain active there needs to be at least one individual endorsed by the business entity who is currently licensed in the same license types as held by the business entity.

**Option#3: Simplify the licensing process by eliminating the requirement for a business entity to track and list each producer affiliated with it**

Oppose. Consumers would not be able to verify whether the insurance producer who they are conducting business with is in fact affiliated with the business entity that they claim to be representing. Additionally, insurers would be unable to verify insurance producers who are affiliated with their appointed business entities.

Further, as mentioned in our response to Option #1, many states that license business entities do not require individuals to be appointed to all of the insurers that the business entity is appointed. Instead, in many states, agents only need to be endorsed to the business entity to transact on its behalf with all of the insurers that have appointed the business entity. Eliminating this requirement would result in the necessity for individuals to be individually appointed by all of the insurers that have appointed their affiliated business entity.

**Option#4: Simplify the licensing process by eliminating the licensing or registration of each branch location of a business entity**

Support. We do not believe that there would be any compromise to the states' consumer protection efforts to eliminate the requirement of licensing branch offices which are located in the same state as the headquarters office.

**Option#5: Simplify the licensing process by eliminating the filing of organizational documents**

Support. However, state DOIs should be able to request this information from their residents in those instances when the business entity name submitted on the application does not match the name registered with the Secretary of State (SOS) or when the state DOI is unable to locate the business entity on the SOS' website.

**Option#6: Simplify the licensing process by eliminating the prior approval of assumed names**

Oppose. The primary purpose for states requiring a name to be approved prior to license issuance is to (1) ensure that names are not approved that are too similar to names already filed and in use by another licensee and (2) to ensure that names are not approved if it appears that the use of the proposed name may mislead the public in any respect. Eliminating this process would result in many insurance producers using the same or similar name, making it confusing to the consumer to know whether the individual that they are dealing with represents the same insurance producer who they intended to engage in business. Additionally, many insurance producer names would no longer contain the word "insurance," which would mislead many consumers into believing that they are dealing with someone such as a financial advisor, who engages in business other than solely insurance sales.

**Option#7: Simplify the licensing process by creating a uniform standard for business entity renewals**

No position. More specific information is needed regarding this option as to what aspects of the business entity renewal process would be uniform to make a position of support or opposition. For instance, is the option to have all states use the same license term such as two years, use the same methodologies for determining the due dates for renewals such as two years at the end of the month from the date that the license was originally issued? Are there other aspects of the renewal process that would be uniform?

**Option#8: Move away from a formal licensing process for business entities and implement a simple registration process**

Oppose. The reasons we oppose this option are consistent with the reasons that we oppose the elimination of business entity licensing (Option #9). With only a simple registration process, it would be difficult to identify the responsible individuals (i.e. controlling persons) of the business entity and difficult to contact these individuals when a consumer files a complaint with the respective DOI against the business entity. It is not uncommon for business entity applications to include unlicensed controlling persons who are individuals who previously had their insurance producer license revoked by a state DOI. Any method of registration in lieu of licensing business entities that would result in no longer being able to identify unlicensed controlling persons would compromise state DOIs' consumer protection efforts.

**Option#9: Eliminate the licensing of business entities**

Oppose. We oppose this option for the reasons identified by most states as indicated in the report (i.e. the enforcement and oversight regulatory concern when a business entity is marketing the product to consumers of a state and there is no other identifying information for the individual licensee to track and (2) enforcement concerns related to handling of premiums by business entities). Business entities would have no accountability for any wrong doings taken by their affiliated insurance producers since these entities would no longer be licensed and therefore would no longer fall under the jurisdiction of the state DOI.

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Additionally, business entity licensing can promote efficiencies in the insurance industry by not requiring agents to be appointed by every insurer that their affiliated business entity is appointed. Instead, in many states, agents only need to be endorsed to the business entity to transact on its behalf with all of the insurers that have appointed the business entity.

Thank you again for giving us the opportunity to provide comments to the proposal. Please contact me at (916) 492-3511 should you need clarification on any of the issues.

Sincerely,

Keith Kuzmich, Chief Licensing Services Division