CONSUMER CREDIT INDUSTRY ASSOCIATION
542 South Dearborn Street -Suite 400 Chicago, Illinois 60605
Telephone (312) 939-2242 FAX (312) 939-8287
eldie07@bellsouth.net

LARRY DIEHL
VICE PRESIDENT
GOVERNMENT RELATIONS

August 1, 2008

Commissioner Roger Sevigny, Chair
NAIC NARAB (EX) Working Group
Department of Insurance
21 Fruit Street, Suite 14
Concord, New Hampshire 03301

RE: Business Entity Licenses

Dear Commissioner Sevigny,

The Consumer Credit Industry Association (CCIA) was founded in 1951 and currently represents 140 member companies writing 85% of the nation's credit insurance and related financial service products. The unique nature of underwritten debt products and their distribution systems gives CCIA a substantial and continuing interest in credit insurance licensing and its interpretation by the NAIC.

The February release of NAIC's Producer Licensing Assessment Aggregate Report of Findings ("Assessment Report") is a key snapshot of state positions in efforts to perfect uniformity among jurisdictions. The NARAB Working Group's charge to simplify and standardize business entity licenses is a welcome focus to CCIA members. As to the NARAB Working Group's request for comments on business entities generally, CCIA confines its comments to limited line credit products, apart from any application of business entity licenses to standard products or to full lines licenses.

CCIA believes the current problems with the business entity licensing system are the disparate interpretations that states put on the process. As the Assessment Report points out, individual branch licensing requirements, affiliation mandates, designated responsible party (DRP) identification, prelicensing qualifications, organizational document filings and registry requirements all serve to undermine uniformity, consistency and standardization. Many state variations are outdated, redundant with other state filing requirements, or overly cumbersome given the simplicity of the final product that consumers buy.

The Assessment Report did a good job in identifying the issues preventing standardization. The report lists nine recommendations for standardization of business entity licenses. CCIA strongly supports seven of the stated reforms listed on pages 20 and 21 of the Report:

- eliminating licensure by line of authority
- eliminating the requirement a DRP hold a license for the same line of authority
- eliminating the tracking and listing of each affiliated producer
- eliminating the licensing of each branch location

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- eliminating the filing of organizational documents
- eliminating the prior approval of assumed names
- implementing a simple registration process for business entities

CCIA does not support eliminating the business entity category entirely as these licenses perform an important function in several jurisdictions. A registration process as an alternative to current licensing systems is an enticing prospect for simplifying insurer appointments. However, any such system must permit the fundamental purpose of business licenses - easing the administrative burden and expense of licensing (such as eliminating registration of affiliated producers), while providing a mutually convenient form of oversight accountability.

The suggestion to reform renewal standards creates some concern among CCIA members. A singular renewal date for all jurisdictions could prove problematic and burdensome, given the sheer volume of business licenses and variety of state systems in which they operate. A uniform renewal date could also present serious cyclical resource demands on state insurance departments resulting in further administrative delays to licensing (contradicting everyone's stated goal of simplifying the process). Apart from a nationally uniform renewal date, using a standardized renewal process in all states is a very welcome change from the current system.

Business entity licenses were created as a compromise companion to limited line credit insurance licenses and group enroller exemptions used in many states. The purpose was to provide a business incentive to appoint what has since been termed the designated responsible party. A DRP was to answer regulator inquiries, furnish product and procedure instruction to company employees, correct any system problems, and collect premiums. A DRP selected by a business would have the requisite knowledge to furnish training, provide centralized product coordination and implement consumer protection rules for insurance sales. CCIA supports the designation of a DRP by a business entity in order to satisfy the regulatory concern for accountability. However, CCIA stresses that a requirement the DRP hold the same license as the business entity is duplicative and serves no purpose.

Additionally, tracking all producers under these licenses can prove problematic. Many states recognize a group enroller exemption, employees placing the business without any compensation, but that distinction can be confused with limited lines licensees who do receive commissions. Given the relatively simple nature of limited lines products, enrollment or sales and solicitation can easily occur under the authority a business entity license, with the DRP serving as supervisor to ensure the consistency of sales and enrollment practices. As employee turnover in businesses marketing credit insurance is exceptionally high, tracking enrollers and sub-producers, and paying their fees, is both time-consuming and costly. CCIA strongly supports the Report's recommendation to safely eliminate the listing of affiliated producers or their employees because a DRP selected by a business entity achieves the objective of responsible oversight.

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Credit insurance products are by design directly related to underlying loan transactions. Since the lender provides the distribution system for the insurance, a business entity license allows the lender to receive compensation for activities of its employees or associates without potential conflict with standard restrictions placed on compensation to unlicensed third parties. Compensation to the business entity for the initial sale also allows the business entity to recoup costs incurred for administrative services performed to support the insurance product. As laws permit, the business entity collects the consumer's loan payment, deducts debt service (loan payment and interest), collects the insurance premium and credits compensation from the premium to the cost of insurance services supplied by the insurer. In many cases, the business entity will also apply benefits to the loan payment when an insured incurs a claim. A business entity thus performs the important function of providing a convenient nexus between the lender who distributes and administers the product and the insurer who attends to claims underwriting and the function of administration.

One final suggestion is to examine the ease of business licensing in Texas (Chapter 4055.001 for specialty agents and 4055.101 for credit insurance), as well as new provisions in Missouri that created a unique "organizational credit business entity" license that obviates the need for limited lines credit licenses (20 CSR 700-1.010(2)(A)5, effective July 30, 2008). Both state laws work well in administering oversight of business transactions that only incidentally involve insurance products.

The original business entity model still works well for limited line insurance products (such as credit life, credit disability insurance and related lines). CCIA supports NAIC's push to streamline and standardize licensing practices nationally. Such uniformity is a benefit to all parties in the industry – regulators, underwriters, producers and consumers – by promoting greater licensing efficiency.

Your consideration of these comments is greatly appreciated. CCIA is always available as an information resource when considering credit insurance rules, practice and procedure. For any additional information, please call me at (305) 247-3244 or by email at eldie07@bellsouth.net

Yours truly,

Larry Diehl, Esq.
Vice President, CCIA

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cc: Karen Schutter, NAIC Counsel
Bill Burfeind, Ex. VP, CCIA
Jim Pangburn, CCIA Chair
Rebecca Smart, CCIA President
Tim Mullen, NAIC director
Kay Noonan, NAIC Counsel