

To: Karen Schutter  
NAIC

From: Rosanne Mead

Re: Comments on the Business Entity License Process

I am writing to submit comments on the current manner in which States license Business Entities (BE). Most of these comments were also submitted to the Producer Licensing Working Group (PLWG) during its recent review of the Uniform Applications.

The manner in which BE licenses are attained has not received a thorough review in recent history. During the recent assessment of state licensing units, I observed that many of the items on the applications were not used in a meaningful way toward consumer protection.

I submit that neither the BE licensing requirements nor the applications have not kept up with the innovations and progress toward uniformity. I will concede that it is challenging to seek change in a state law or regulation. But we cannot continue to add elements because one or a few states have a non-uniform requirement. Industry must step up and assist the states at the local level to seek changes.

Non-resident applications should be greatly simplified. I suggest that we consider creating a short list of data elements that are only used for non-resident electronic applicants. The applications and the requirements should include only those elements that are essential to consumer protection.

I am concerned that if we don't move much closer to a 'registration' approach with non-residents as contemplated by GLBA – some other federal entity will do it for us. States have made great progress, but, as the assessment revealed, barriers remain to a streamlined licensing system.

In addition to the recommendations at the end of the chapter on business entities in the Assessment report, I would offer some additional items for elimination or streamlining. In my observations during the assessment, many of the items pose only a philosophical change on the part of regulators as there is no state requirement for that item.

Specific Recommendations:

1. On the application - it is unnecessary to inquire about the type of legal business entity. The PLMA does not contemplate limiting a BE license to LLCs or partnerships, etc.

2. As the use of National Producer Numbers (NPN) becomes more common, all home state license numbers should be eliminated from the applications and only the NPN should be used. The secondary identifier will be the tax i.d. number.
3. Affiliation with a bank or financial institution is not relevant and during the assessment, I did not observe any states making use of this information.
4. Appointments are unnecessary for Bes and should be eliminated. If retained, only one appointment per company per BE should be required. (as an aside, the uniform appointment process should be updated.)
5. Only one Designated Responsible Producer (DRP) should be allowed or required.
6. Lines of Authority (LOA) are not relevant for BE licenses and any requirement to declare a LOA or require that a DRP hold all lines sold, or to require multiple DRPs should be eliminated.
7. Eliminate listing of owners, partners, directors on the application. During the state assessment I observed that many states checked to see if these individuals were licensed. I did not find any staff that stated this information was tracked or monitored in any way after initial licensing.
8. Establish an electronic non-resident app with the minimum data elements needed to register the entity and perform background check. If more information is needed, the home state has more detail.

Some states are requiring a letter of certification for BE. So the goal would be for all states to report BE licenses to NIPR and thus no need for paper letters.