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DEPARTMENT OF BANKING AND INSURANCE
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Commissioner Roger Sevigny, Chair
NARAB Working Group
National Association of Insurance Commissioners.
2301 McGee, Suite 800
Kansas City, MO 64108

c/o Ms. Karen Schutter
via email: Kschutte@naic.org

Dear Commissioner Sevigny:

Thank you for providing the opportunity to comment on issues surrounding business entity licensing and ideas for streamlining the process while still maintaining important consumer protections. Below are our comments and suggestions regarding business entity licensing laws, regulations and practices identified in the Producer Licensing Assessment Aggregate Report of Findings.

1. Licensing of Branch Locations

Although our state is one with a regulatory requirement to register branch offices, we believe that as long as the branch office is using the same name as the licensed agency name, going forward states could eliminate such a registration or licensing process and require the primary office to provide us with this information on an as needed basis. In our view, the primary reason for registration is to be able to confirm licensure and for consumer protection if someone complains about a specific branch location. If the name is the same, we know that it is licensed. We can simply write to or visit the main office if a complaint is filed. The agency's owners, officers, directors and designated responsible producers assume responsibility for the conduct of all branch office operations.

2. Affiliations

At one time our state required reporting of all employees for an agency, but eliminated the regulation because tracking was difficult, time consuming and had limited benefit. Producers change agencies fairly often and therefore the data is often inaccurate. We believe that statutory or regulatory provisions making the agency responsible for the conduct of its producers is a more beneficial consumer protection. Business address information is tracked at the individual producer level.

3. Designated Responsible Producer

Concurrent licensure is easily established by pending electronic business entity applications until the individual application clears the system. In the paper environment, processors can simply enter the individual application first. We believe this issue is simply a matter of licensing staff education.

Our state is one that requires DRP's to hold the same line of authority as the business entity; however, at the consumer protection level, the requirement for the line of authority is with the individual producer who sells the product on behalf of the agency. In terms of enforcement, the argument has been raised that the ability to significantly sanction a DRP may become diluted when the responsible producer claims no substantive understanding in the area of violation. This issue could be addressed by increasing education and awareness. The designated responsible producer and the owners and officers of an agency are responsible for all conduct of the agency. We do not believe all licensees fully understand what a DRP is and would recommend both increased education of the role as well as adding certification language to the business entity application, attesting to acknowledgement of the duties of the DRP. If the business entity is just issued a license, rather than specific lines of authority, the requirement for the proper line of authority when selling, soliciting or negotiating is with the individual producer who sells the product on behalf of the agency. The designated responsible producer(s) would be the actively licensed producer(s) who is responsible for the business's compliance with state laws and regulations, regardless of what lines of business he as an individual writes.

4. Filing of Organizational Documents

We believe this is another requirement where proper education could help to eliminate the need for such requests. These documents are required primarily to verify the type of business (corporation, sole proprietor, partnership, etc) and to be sure organizational documents were properly filed. The agency is responsible for complying with applicable state laws; perhaps just written notice of the requirements for filings would suffice.

5. Proof of Financial Responsibility

This requirement is limited to a handful of states and should be eliminated similar to the way bond requirements were eliminated.

6. Name Approval/Registration

It is our belief that there is some benefit to name approval for resident applicants, not nonresidents. Name approval serves to protect existing licensees from having another agency use their name. New Jersey requires name approval for resident applicants because organizational documents for corporations are filed with the State and partnerships, LLC's, and sole proprietorships are filed with the County Clerks. This can, and has created an issue when the same name is used in different filings. In addition, name approval is a consumer protection since sometimes we have had agencies operating

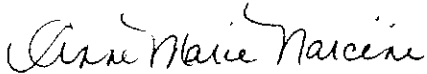
under names that sound like they are affiliated with government entities or that they are in some way professional financial advisors for seniors. With today's concerns regarding marketing to seniors, reviewing the resident agency name prior to licensure seems prudent. We don't think laws should require pre-approval; approval at the time of licensing is fine, but if an agency wants to be sure the name can be used prior to filing required organizational documents, it could pre-file and reserve the name for a period of time.

7. Appointments

The primary reason for appointments is to provide formal notifications to the state about the contracts between companies and producers. As such, if an insurer issues a contract with an agency and that covers all the affiliated producers, no appointment for the individual is necessary. If instead the contract includes only certain individuals, then it appears those persons should be appointed. If a company has no written contract with an entity or an individual, then no appointment is necessary. In our view, if the appointment process was limited to instances in which there is a contract and only to those who are a party to the contract, it would be a more uniform process across the board. In addition, greater efficiencies could be realized without impacting revenue if insurers tracked their own appointments and sent annual listings to regulators with required fees.

Thank you for the opportunity to comment on these issues. We look forward to the discussion of ways to make business entity licensing more expedient and efficient.

Very truly yours,



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NJ Department of Banking & Insurance