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National Association of Insurance Commissioners
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Dear Ms. Schutter:

Thank you for the opportunity to submit comments on the key findings and conclusions of the Producer Licensing Assessment Aggregate Report of Findings (the “Report”) issued on February 19, 2008. As my comments will reflect, business entity licensing has proven to be an important tool in Ohio for both consumer protection and regulatory oversight of insurance industry practices. It is for this reason I strongly support the continuation of business entity licensing. I also support many of the ideas expressed to simplify the licensing process to the extent that they would not compromise the respective regulatory responsibilities of individual state insurance departments.

At the outset, I want to voice my concerns related to the prospect of eliminating the licensing of business entities or, alternatively, simplifying of the licensing process by moving away from a formal licensing process for business entities by the implementation of a simple registration process. In both instances and for similar reasons, Ohio would be strongly opposed to either option.

The licensing of business entities is a critically important legal mechanism to both regulate business entities and provide consumer protection. Licensing of business entities has historically operated to protect the public from the very real potential for harmful and abusive practices in the insurance industry. Licensing, as contrasted to registration, is an exercise of the police power which is preventative in nature. In fact, it is the very preventative nature of the licensing process that is essential to maintain. In the absence of a license, with or a without a registration requirement, business entities would be able to operate without any prior screening or regulatory oversight. Keeping this in mind, I can think of no reason, from either a consumer or regulator’s perspective, why the elimination of business entity licensing would best serve the public interest.

I turn now to the Report's suggested possibilities for the streamlining and standardizing both resident and non-resident business entity licensing, the majority of which I would support. The order of my comments follows the order of suggestions listed in the Report.

Simplify the licensing process by eliminating the licensing of business entities by line of authority

Ohio is opposed to the simplification of the licensing process by eliminating the issuance of the business entity licenses by line of authority ("LOA").

According to the Report, there are twenty-five states that require business entity appointments. The Report does not reference how many of these states also appoint by LOA. However, the Report did note that fifteen states licensure and appointment processes eliminated the requirement for each individual producer working for that business entity to hold an appointment with the insurer. At a minimum, the elimination of licensing and/or appointing business entities by LOA may prove to be more costly and time consuming for the insurance industry in those states that allow the licensure and appointment of business entities to replace the individual producers appointment requirement. States, such as Ohio, that currently license business entities by LOA, also recognize that the licensing by LOA provides an important level of regulatory oversight and therefore leads to improved consumer protection. It is for this reason that I am opposed to simplification of the licensing process in this manner.

Simplify the licensing process by eliminating the requirement that the DRP hold the same lines of authority as the business entity

Ohio supports simplification of the licensing process in this manner.

As long as the designated responsible producer ("DRP") holds an active license in the same state that the business entity is licensed, there is no need for the DRP to be licensed for every LOA. In the absence of requiring the DRP to be licensed for every LOA, states would have all of the necessary regulatory authority to provide the regulatory oversight and consumer protection because each producer would still be required to be individually licensed for each LOA and also be listed as an affiliate producer of the business entity. States would continue to have regulatory authority over both the business entity and the DRP. As a consequence, there would be no additional regulatory benefit from requiring each DRP to be licensed for every LOA for which the business entity is licensed.

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

Ohio is opposed to elimination of this requirement.

Business entities should be required to track and list all affiliated producers on license applications. Obtaining the names of affiliated producers from a single source is a valuable tool to ensure the accuracy of the information and to streamline the licensing process. In addition, this requirement assists in consumer protection as it allows regulators the ability to quickly identify the names of individuals associated with a particular business entity. This requirement further enhances regulatory oversight because the business entity is responsible for its affiliated producers. It is for these reasons that Ohio does not support simplification of the licensing process in this manner.

Simplify the licensing process by eliminating the licensing or registration of each branch location of a business entity

Ohio supports simplification of the licensing process in this manner.

Ohio does not license branch locations of a business entity as long as the branch locations use the same Federal Employer Identification Number as the primary business entity which is required to be licensed. All necessary branch information can be obtained on the primary branch location license application and there is no additional consumer protection benefit or enhancement of regulatory oversight if multiple branch locations are required to be individually licensed.

Simplify the licensing process by eliminating the filing of organizational documents

Ohio supports simplification of the licensing process in this manner.

Business entities nationwide are already required to provide their organizational documents to the Secretary of State (or equivalent governmental entity) and consequently there is no need for each state department of insurance to require the submission of the identical documents to process a business entity license application. Instead, states only need to independently verify that every business entity is registered and in good standing.

Simplify the licensing process by eliminating the prior approval of assumed names

Ohio supports the simplification of the licensing process in this manner.

Ohio does not have an approval process in place for assumed names, but requires that assumed names be filed. If, for example, an assumed name is already in use by another business entity or is considered to be misleading or deceptive, Ohio notifies the business entity of that fact, leaving it to the business entities involved to resolve the problem in either instance, with the option of recourse to controlling intellectual property laws or consumer protection laws if necessary.

Simplify the licensing process by creating a uniform standard for business entity renewals

Ohio supports the creation of a more uniform standard for business entity renewals.

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First and foremost, full advantage should be taken of the NIPR for the processing of renewals. This would serve regulators and the industry well. As currently addressed in the uniform standards, business entity renewals should be done on a date certain. However, further clarification is necessary to establish the uniform date to be used. The development of a uniform standard must be done in a way that is not unduly burdensome for either the insurance industry or for regulators.

I hope that my comments will be of assistance as the work continues to simplify the licensing process for business entities. Once again, I thank you for allowing me to participate in this important effort.

Best regards,



Mary Jo Hudson
Director