

Comments from Washington Office of the Insurance Commissioner:

I have reviewed the memo from NAIC Legal regarding potential reciprocity issues (comments due 3/27). I have listed these by section of the memo.

Section A - Summary. I'll save my comments for the Section review.

Section B1 - Minimum Age - I agree there should be a minimum age set, and there seems to be only one jurisdiction that is not 18 (Nebraska is 21, I had to deal with that in my former job). I'm sure their state laws have set the minimum age (as WA does) and I'm not sure how easy it would be to change or even if the NAIC has that right.

Section B2 - SOS Registration - Any state would want to know if a BE is at least registered in their home state and they are a legal entity. While the IIABA disagrees, stating it is a GLB violation, I agree with Legal that it should not be considered so. VA's comments should be taken to heart in this matter.

Section B3 - One time / CE requirements - Again, I concur with NAIC Legal in that specialized training for federal programs such as Flood and LTC are not a GLB violation.

Section B4 - Underlying License - This is an important decision, as it will affect two types of licenses - Variable and Surplus Lines. In my opinion, both licenses should require the underlying license type. The variable, for example, in many states has suitability of sale requirements. If an agent is attempting to sell a variable, and it is not a suitable product for the prospective buyer, a more suitable product should be offered. Without the underlying life license, a different sale cannot be offered. It is my belief that the underlying life license is not a violation of GLB. For the Surplus Lines, requiring the underlying P&C license, NAIC legal has stated that the diligent search of the admitted market is the responsibility of the agent and that without the P&C license, the agent would be unable to fulfill their first duty. By requiring the P&C license for SPL's, in my opinion, brings the SPL under the laws for being a producer (such as the Unfair Trade Practices and reasons for suspension/revocation of the license).

Section B5 - Adoption of the Major LOA's of PLMA - This was one of the major parts of the PLMA, to bring all states under the issuance of the same license type and LOA's. Many states have changed laws to move to this. The NAIC seems to have drawn a line in the sand and then backed off.

Section B6 - This is where I believe our bonding requirement fits in. Again, the IIABA is seeking the elimination of what they have long seen as being unnecessary, and now claim it is a violation of GLB to bring federal intervention to bear. The bonding requirements are there to protect the consumer, and many states will have legislative issues in attempting to eliminate that protection for their residents. While we have not made this a pre-licensure requirement, it is required post-licensure for the consumers' protection by law.

Section B7 - Limited Lines - This seems to have taken on a life of its own. PLMA allows limited lines to be issued for those specialty lines. At first, the focal point was to have the 6 major lines and anything else could be moved to limited lines. Now, that has changed to attempt to limit the total number of limited lines a state can offer to nine. I'm not understanding where this is going or why it seems to be a growing concern. Does it mean that eventually we will only be able to have certain limited lines licenses to be in compliance? It is my opinion that this should really not be an issue.

Thanks,

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