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October 19, 2009

Via Electronic Mail
GWelker@naic.org

Members of the National Association of Insurance Commissioners (“NAIC”)
Producer Licensing Working Group
Attn: Greg Welker
2301 McGee Street, Suite 800
Kansas City, MO 64108-2662

RE: Comments to Limited Lines Insurance – Draft for Limited Lines Categories, Lines
of Authorities, Definitions, and License Requirements dated August XX, 2009

Dear Mr. Welker and Working Group Members:

Our prior comments were hopeful that real progress would be made to achieve true uniformity and address real/practical changes to the varied regulatory requirements for limited lines products. We were likewise encouraged by adoption of the Limited Lines Ancillary Definition. Notwithstanding active participation and great discussion of the issues, the latest Producer Licensing Working Group Limited Lines Proposal of October 6, 2009 (“October 6th Draft”) represents a major step backwards at any attempt to arrive at a solution to the limited lines issues previously noted in prior comments and the Producer Licensing Assessment Aggregate Report of Findings (“Assessment Report”) dated February 28, 2008.

The October 6th Draft could not possibly represent the result of the positive discussions and recognition that regulators receive a nominal amount of consumer complaints on limited lines products. Removal of products that are clearly ancillary, such as travel and car rental, from the Limited Lines Ancillary Definition prevents any hope of achieving uniformity and addressing the myriad of issues encountered by those trying to be fully compliant.

As set-forth in our September 10, 2009 Comments, substantive changes are required in order to address real and practical issues regarding the regulation of limited lines products. For reference, our September 10, 2009 Comments are attached as Attachment A. The October 6th Draft does not address any of the issues noted therein, and thus, does not provide a cognizable solution.

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A particular issue to note is the failure to address the similarity of product distribution for limited lines products and extended warranties/service contracts, as well as recognition that many extended warranty/service contract products are indeed insurance products containing accidental damage and theft coverage in addition to product defect. A few sample products are included herein for reference at Attachment B, together with a copy of the IMPLEMENTATION GUIDELINES OF THE PRODUCER LICENSING MODEL ACT AUGUST 27, 2000 at Exhibit C.

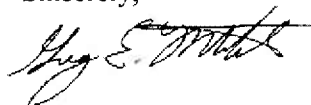
Without elaboration/clarification, the October 6th Draft would require for instance, every travel agency/agent to obtain a license in order to receive any form of compensation for assisting their customer with obtaining/enrolling for travel insurance. The same would be true for the veterinary clinic, the storage rental operator, the cell phone provider. Etc. While on the other hand, the extended warranty/service contract provider is free from restriction. See, NAIC's Service Contract Model Act (685).

In addition, uncertainty on use of the group enroller exemption in conjunction with possible selling, soliciting, or negotiating activities set-forth in the Implementation Guidelines will remain without further clarification. The group enroller exemption is obviously not available for non-group products. What happens when the store clerk "urges" the customer to purchase/enroll in the limited lines product or the extended warranty/service contract containing insurance benefits? Does the group enroller exemption apply or is the store clerk now negotiating insurance?

As stated before, licensing and consumer protection should be done at the program administration level for the limited lines product. That is the entity which created and is responsible for providing the ancillary insurance to the consumer which is almost always listed on the ancillary insurance brochure/pamphlet and/or certificate of coverage. The fact that an employee may "urge" a customer to purchase and/or receive remuneration for the effort should not change the regulatory requirements.

To better explain some of the issues and background information, we would respectfully request the opportunity to make a presentation to the Working Group and address any questions.

Sincerely,



Greg E. Mitchell

GEM/ct
Enclosure

ATTACHMENT A

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A T T O R N E Y S

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of Authorities, Definitions, and License Requirements dated August XX, 2009

Dear Mr. Welker and Working Group Members:

Thank you again for the opportunity to provide input and written comments to the PLWG in connection with the 2009 charges relating to limited lines licensing issues. We are encouraged by the adoption of the Limited Lines Ancillary Definition but are mindful that there continues to be an uncharted path to achieve true uniformity and real/practical changes to the varied regulatory requirements concerning limited lines products.

As stated in prior comments in order to address real and practical issues regarding regulation of limited lines products, substantive changes are required. It is imperative to consider the overall goal of licensing and revisit fundamental questions of our regulatory structure. We also must ask simple questions such as: (i) why do we have certain requirements; (ii) are the requirements necessary; (iii) what regulatory purpose do the requirements serve; (iv) what is the impact of the requirements on the persons affected, both business and consumers; and (v) will any proposed regulatory change create efficiency, compliance and add to overall consumer protection.

When we ask such questions, the first thing that comes to mind is that the distribution of limited lines products are substantially similar, if not, the same as those for extended warranties and service contracts. As noted by members of the PLWG, few complaints are associated with limited lines products. While at the same time, compliance with current limited lines regulatory requirements is spotty

at best; difficult, costly and unclear for those that try; and no basis for a distinction in regulatory requirements.

Although, it is a welcome relief to see recognition of these issues by members of the PLWG and the NAIC, the proposed Draft does not go far enough in reviewing what regulatory requirements are truly needed to achieve consumer protection and avoid unnecessary requirements that do not add to the regulatory charge. We believe an understanding of the various distribution systems is necessary to craft appropriate regulatory provisions and would like an opportunity to present such information to the PLWG.

AS AN EXAMPLE – Current Regulatory Requirements For Rental Car Limited Lines:

- Some states require rental car company to obtain limited lines license.
- Some states require rental car company *and* 1 employee at each location to obtain limited lines license.
- Some states require rental car company *and* managing employee to obtain limited lines license.
- Some states require rental car company *and* all counter employees to obtain limited lines license.
- Some states require rental car company *and* DRP to obtain limited lines license.
- Some states define “car rental” as a limited line of insurance which require licensing under said states’ Producer Licensing Regulations.
- Some states’ Producer Licensing regulations require limited lines license for rental car company—not officers, directors or employees.
- Some states do not require a limited lines insurance licenses where travel-related coverages are offered concurrently with the rental of a motor vehicle.

Accordingly, we continue to propose adoption of revisions to the Producer Licensing Model Act (“PLMA”) which we previously submitted in a mark-up to the current version of the Model. The revisions include provision for an ancillary limited lines definition and a change in overall licensing requirements and appropriate method for training and compliance.

Without revision to the PLMA, uniformity, efficiency and overall compliance will be difficult to accomplish. As noted, the stated purpose of the PLMA. Simplifies and organizes statutory language to improve efficiency; Permits the use of new technology and reduces costs associated with issuing and renewing insurance licenses. The public is harmed by requiring unnecessary, burdensome and costly licensing requirements which do not add to consumer protection.

The proposed revisions to the PLMA, include an exemption to the “non-insurance retailer” and employees who distribute ancillary insurance products as an add-on to no-insurance products and services in much the same manner as retailers and service providers do with extended warranties and service contracts.

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September 10, 2009

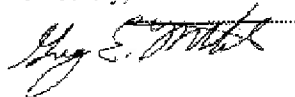
Licensing and consumer protection should be done at the program administration level for the product. That is the entity which created and is responsible for providing the ancillary insurance to the consumer which is almost always listed on the ancillary insurance brochure/pamphlet and/or certificate of coverage.

We recognize and appreciate that the regulator wants to know who is responsible for the ancillary insurance product and can take effective enforcement action should it prove necessary, together with a means to achieve enforcement (i.e. E&O coverage, bond/surety).

Much of our proposed revisions to the PLMA has been incorporated into proposed changes to the Uniform Licensing Standards submitted by the USTIA. Although we support the overall revisions to the regulatory requirements submitted to the USTIA, we will continue to insist upon revisions to the PLMA to accomplish true uniformity and the effect of the force of law.

We would again like to extend our appreciation for the opportunity to provide additional comments to the Working Group and look forward to the continuing discussion for effective and efficient regulatory change.

Sincerely,



Greg E. Mitchell

GEM/ct
Enclosure

