



National Association of Professional Insurance Agents

**Testimony of Donna Pile
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**Before the
House Financial Services Subcommittee on Capital Markets, Insurance and
Government-Sponsored Enterprises**

**Wednesday April 16, 2008, 2:00 PM
2128 Rayburn House Office Building**

**Regarding:
*Examining Proposals on Insurance Regulatory Reform***

Chairman Kanjorski, Ranking Member Pryce, and Members of the Subcommittee, thank you for giving me the honor of appearing before you today on behalf of PIA and our members, as you consider the various options to modernize America's insurance industry. We appreciate the thoughtful, deliberative manner in which you are discussing this complex subject.

My name is Donna Pile. I am an independent insurance agent and I own my own insurance agency, A.G. Perry Insurance in Lexington, Kentucky.

Last year, I had the honor of serving as president of the National Association of Professional Insurance Agents. In my year of service, I traveled throughout the United States visiting with some of the over 11,000 PIA agency owner-principals and their employees.

PIA is a national trade association that was founded in 1931, which represents member insurance agents and their employees who sell and service all kinds of insurance, but specialize in coverage of automobiles, homes and businesses.

PIA agencies provide their individual clients with personal lines insurance (such as homeowners and auto). In addition, they provide small-to-mid-sized commercial business clients with property and casualty and many PIA agencies offer life and health along with property and casualty products.

These agents are active business leaders in their communities and are in the unique position of working closely with insurance companies and consumers. Continuing to modernize the insurance regulatory system is an effort that PIA has been engaged in for many years.

Regulatory modernization is a vital issue for independent insurance agencies. Because of our role as the link between the insurance company and the consumer, all of the rules and regulations we follow must be clear. Otherwise, the insurance producer, and more

importantly, the consumer, suffers. We care deeply about having a modern and effectively regulated industry that fosters fair competition and protects consumers. Keeping up with the fast-paced business of insurance is something the states have shown they are better adapted to do than federal regulation for our industry.

One example of this we have seen is the tremendous progress that has been made recently on producer licensing.

PIA was one of the original trade associations that worked with the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Legislators (NCOIL) to set up and fund a national electronic licensing system for producers. We realized early in the 1980s that an electronic system was the way of the future and testified in 1988 on producer licensing reform before the House Commerce Committee.

I can remember the days when producers had to submit a paper application to each insurance department in the states where they might conduct business. We are proud of what we accomplished in a relatively short amount of time, but we are by no means satisfied with the current system.

However, despite the progress that has been made, even today, everyone in the insurance business and state regulation knows all too well that there are still inefficiencies in the licensing system. All of us understand that we must resolve this issue over the next few years in order to complete the foundation of a new modern oversight structure. These remaining challenges currently mean that sometimes PIA agencies must hire additional help to track, process and maintain their several licensees across several states. In a small to mid size agency like mine, the unnecessary costs as a result of inefficient regulation can mean the difference between staying open and having to close up shop.

National Insurance Producer Registry

The future of producer licensing is a modernized, nationwide state-based electronic system, similar to the state securities regulators CRD, Central Registration Depository, licensing system. Just like the securities licensing system, the insurance producer licensing system was built and funded by the states and should remain under state control. The National Insurance Producer Registry (NIPR) has brought us from the old paper system to the modern age of electronic licensing. Through NIPR's non-resident licensing service, producers and insurers can apply for a non-resident license in 45 jurisdictions and receive confirmation within a few business days.

The important thing to remember when you talk about uniform licensing for insurance producers is that we already have a system that is up and running in almost all jurisdictions and can be completed in other jurisdictions soon. So, there is no need to build it again from scratch. The most substantial portion of the investment has already been made by the states.

If I am permitted a little baseball analogy, it's like this: The NIPR is the diamond that connects all the bases needed for a one-stop process for producer licensing. Right now, we have already rounded third base. Now all we have to do is hustle a little more before we can cross home plate.

Producer Licensing Reforms

As with all licensing matters, achieving an open borders, one-stop licensing system for insurance producers among the states requires a great deal of effort. This is something all PIA members are committed to. In order to get the few remaining states to participate in NIPR, we will work with our state legislators and regulators keep the progress going.

We are seeing real results of this work, as states are continuing to align with each other by implementing substantially similar licensing standards.

Modernization of an all-states insurance producer licensing system must align three areas:

1. State resident (Home) licensing laws.
2. State Nonresident licensing laws.
3. Central state system to support the multi-state system.

The Committee has requested PIA national to concentrate our comments today on the third item that comprises the NIPR system.

However, the following is a brief summary of the other two areas must be addressed at the same time to complete the last piece in the establishment of a modernized framework among the states through which insurance producer licensing will be managed.

The law framework for state insurance producer licensing is the Producer Licensing Model Act, developed by the NAIC in conjunction with insurance industry representatives, referred to as PLMA.

All states need to adopt the PLMA and interpret it in a similar manner. While we are far closer to our final goal than we were in 2000, the job has not gone as smoothly or quickly as we'd hoped. However, with NIPR we are now at the stage of being able to place the last piece of the puzzle.

Full utilization of NIPR will help producers know states' laws and practices are properly aligned so those of us who operate in several jurisdictions have a better certainty of our compliance obligations.

PIA National is reaching out to other industry associations with the goal of working out what few differences might still exist among us, so that a clear and uniform message from the insurance producer community is presented to our state authorities. The state affiliates and members of each of the national insurance producer trade associations must also carry this unified message. This has been the case for PIA.

No matter the path that one might wish to elect in order to “reform” insurance producer licensing system, the steps that we’re undertaking in the states must still be done.

PIA National believes that the fundamental public purpose and obligation of all regulation is the safety and protection of the people. This includes supporting a sound and competitive marketplace, but it also requires oversight and enforcement of the sector’s commercial participants so that the law is complied with for the benefit of the public. Uniform, electronic systems, like NIPR, assist regulators with their mandate to protect consumers by allowing them to police the marketplace in a more efficient manner. We have seen the states come on board with the modernization process because they see the benefits for their market and their consumers.

PIA National has been charged by our members to achieve regulatory modernization. The action plan that we’ve presented thus far delivers an immediate result specifically in licensing, it is constitutional, and is designed to be compatible with the overall, longer-term modernization of the oversight system.

PIA agencies are retail independent agencies that reach into all aspects of the insurance marketplace. They operate their agency businesses at the floor of the marketplace, working with all aspects, sectors and kinds of insurance products and providers. They operate in-state, across states, in federal programs such as NFIP and federal crop insurance, and deal with non-U.S. placements.

Therefore, PIA members need a system that aligns all the authorities to create a harmonized oversight system for all the various lines and types of insurance products and persons with which they deal in the comprehensive insurance marketplace.

Using the models designed by NAIC and embraced by state lawmakers in the compact and other reform models we’ve discussed, PIA National will pursue the formation of an insurance oversight mechanism that enhances states’ ability to protect consumers through an Interstate Compact that incorporates NIPR.

Such a harmonized state system is close to accomplishment. PIA members, like most, want a modernized effective system. We are ready to work with you toward this goal.

Thank you very much for the opportunity to share PIA's perspective on this important issue. PIA members are “Local Agents Serving Main Street America.” And for that reason, we look forward to continuing to work with the committee to find effective solutions to regulatory issues facing Main Street America’s small businesses.

I would be happy to answer your questions.