Testimony of Congresswoman Sue Kelly House Committee on Financial Services Subcommittee on Capital Markets Hearing on NARAB & Beyond: Achieving Nationwide Uniformity in Agent Licensing.

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Chairman Baker, Ranking Member Kanjorski and Members of the committee, I want to thank you for inviting me to testify on the National Association of Registered Agents and Brokers 'known as NARAB' section of the Gramm-Leach-Bliley Act.

Let me begin by reading to you a quote which demonstrates both the desire of State regulators to achieve the uniform licensing standards and the impediments to it:

"The Commissioners are now fully prepared to go before their various legislative committees with recommendations for a system of insurance law which shall be the same in all States – not reciprocal, but identical; not retaliatory, but uniform."

This statement expressing the clear desire for a uniform insurance regulatory system was made by Mr. George W. Miller, the New York Insurance Commissioner who founded the National Association of Insurance Commissioners. Mr. Miller made this statement at the end of the very first meeting of the NAIC in 1871. Since then the NAIC has been working for <u>130 years</u> to achieve some form of regulatory uniformity. I wish they could have solved the problem, but they clearly have not.

My sponsorship of NARAB was borne of the concerns raised by New York insurance agents and brokers who sell and service insurance policies on a multi-state basis. While New York markets are relatively open to participation by nonresident insurance agents and brokers, many other states do not afford nonresident agents and brokers the same courtesy. Some of the problems are simply the result of needless duplication, yet the root of many other problems is protectionism. The purpose of the Gramm-Leach-Bliley legislation was – and is – to modernize our nation's regulations affecting the financial services industry. The legislation gets rid of scores of statutes that no longer reflect the marketplace we're in. It struck me that the licensing laws affecting agents and brokers are among the most anachronistic. The insurance business, like much of the rest of the financial services sector, has experienced massive consolidation during the past two decades. An overwhelming majority of commercial insurance, for example, is sold on an interstate basis. Yet an agent or broker must obtain upwards of 100 insurance licenses in order to market national insurance programs. More seriously, those agents encounter numerous obstacles that have been erected in states to protect in-state agents from out-of-state competition.

Without a doubt, the current state regulatory system works well for the insurance industry, and replacement with a system of federal oversight is simply unjustified. But the mind-numbing minutiae of individual state licensing requirements -- including such prerequisites as fingerprinting, certified copies of high school diplomas, and printed notice in the local newspaper before an agency can get a license -- have nothing to do with real insurance regulation or the professionalism of its practitioners. Rather, in attempting to meet these requirements, agents and brokers waste time, talent and money that should be spent on their clients.

Today's insurance business spans state and national borders, with an increasing emphasis on national insurance programs, multi-state clients, and cutting-edge technology. Yet today's agent licensing system is based on yesterday's market -- one in which agents and their clients did business in their region and nowhere else. Agents who want to write a national insurance program have to procure and maintain licenses by line, class, producer, and state. Some states require corporate rather than individual agent licenses -- which means the agency must be incorporated in the state where it wants to obtain a license. Other states will not permit *any* nonresident agent to solicit business in the state. In this time of increasing global competition, it's hard to lecture to our trading partners about opening markets when we still have these kinds of barriers to interstate domestic commerce.

NARAB calls for a voluntary membership organization which would have standards of professionalism and expertise higher than any of the states. Insurance agents are very supportive of a higher standard for the industry, as long it is a single standard, not fifty or one hundred as the case may be. In addition NARAB is completely self-funding through fees paid by the agents in addition to the state licensing fees which continue to be paid.

Agents know that they will save both time and money through NARAB. Finally, all states retain the ability to revoke the licensee issued through NARAB, as long as they are not discriminating against NARAB members. If one state pulls their license issued through NARAB all licenses issued through NARAB are revoked and the agent would have to wait five years before they could reapply. Hence, NARAB would create a system in which the repercussions for wrong actions are staggeringly high, yet agents would flock to it.

Together, we took an important step when we made NARAB part of Gramm-Leach-Bliley. If twenty-nine states can repeal their anti-competitive licensing laws by November 2002 the voluntary license NARAB would create will not be implemented. In this way the initiative operates as a sword of Damocles if a clear majority of states fail to repeal protectionist requirements. But let me be clear, we must not let the states stop at twenty-nine -- we must push further. We must take the next step beyond NARAB, we must realize the goal set by Mr. Miller 130 years ago, the goal of uniformity for fifty states and reach it before the end of this decade. As evidenced by the states continuing effort to avoid NARAB implementation -- the states will act if we give them the right incentive. I ask you all today to join me in looking beyond NARAB today and calling for uniformity among the states. This way we can ensure that our insurance agents and brokers can focus on providing the best service at the lowest cost to consumers – not continuing to hire extra staff to attempt to comply with the staggering complexity of fifty insurance regulatory standards.

NARAB was and is an essential incentive for the states to achieve a goal that has been elusive for over a century. With hearings such as this, and with the cooperation of state legislatures, governors, and the industry itself, the goals of harmonization and efficiency in insurance regulation can be attained. Thank you.