

# MCINTYRE & LEMON, PLLC

ATTORNEYS AND COUNSELORS AT LAW

MADISON OFFICE BUILDING

1155 15<sup>TH</sup> STREET, N.W.

SUITE 1101

WASHINGTON, D.C. 20005

TELEPHONE (202) 659-3900

FAX (202) 659-5763

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## Revised Memorandum

To: Kevin McKechnie

From: Chrys D. Lemon  
Adam Maarec

Re: **National Association of Registered Agents and Brokers  
Reform Act of 2011**

Rep. Neugebauer (R-TX), Chair of the House Financial Services Oversight and Investigations Subcommittee, introduced the National Association of Registered Agents and Brokers Reform Act of 2011 (NARAB II) with bi-partisan support from 47 cosponsors. This legislation seeks to ease the burden of multi-state producer licensing by establishing a non-profit Association that would grant its members the ability to transact the business of insurance in nonresident states.

You may recall that the Gramm-Leach-Bliley Act would create a similar National Association of Registered Agents and Brokers. However, that NARAB is contingent upon the NAIC finding that states have failed to enact sufficient uniformity or reciprocity provisions. The NAIC has, pursuant to GLBA's provisions, determined that states *have* adopted sufficient uniformity and/or reciprocity provisions and prevented GLBA's NARAB provisions from taking effect. NARAB II, on the other hand, would establish a non-profit National Association of Registered Agents and Brokers without any contingencies on its creation.

**Producer Membership.** A producer would be eligible for biennial Association membership if he or she: 1) is licensed in his or her home State (principal place of business or residence); 2) has passed a national criminal background check; and 3) meets personal qualification standards set by the Association, after publication and a comment period, related to education, training and experience. If the producer's home state has not conducted an adequate background check as a condition of licensing, the Association may conduct the background check at the producer's request and expense. Membership fees would be assessed and used to support the Association's operating costs.

The Association would be required to report new producer memberships, along with suspensions, revocations and terminations, to the NAIC.

**Membership Benefits.** To ease the burden of becoming licensed in multiple states, the Association would act as a conduit in accepting state licensing fees from producers and forwarding them to nonresident states at the producer's request. Association members would then be permitted to sell, solicit or negotiate insurance in any nonresident state for which it has paid the required licensing fees and act as if he or she held "the equivalent of a nonresident insurance producer license" in that state.

**State Law Preemption.** NARAB II would preempt state laws that minimize the benefits of Association membership, such as laws that discriminate against Association members, and state laws that:

- Impose any licensing, integrity, personal or corporate qualifications, education, training, experience, residency, continuing education, or bonding requirement on Association members that are different from the Association's membership requirements;
- Impose any licensing, registration, or appointment requirements on producers selling P&C insurance in multiple states if the producer is licensed in the insured's home state and the insurance insures risk in that state;
- Require Association members to pass a criminal history record check.

However, state laws governing the revocation of a license, market conduct, unfair trade practices, or consumer protections would continue to apply to Association members conducting business there.

**Complaints.** The Association would establish a telephone number and website to receive complaints about producers from consumers and state insurance regulators. It would also investigate those complaints and refer them to the NAIC or state insurance regulators as necessary.

**Composition.** The Association would be managed by an 11 member board, and each member would be appointed to a two-year term by the President, subject to Senate confirmation:

- 6 state insurance commissioners (3 from each political party);
- 2 representatives of property and casualty producers;
- 1 representative of property and casualty insurers;
- 1 representative of life or health producers; and
- 1 representative of life or health insurers.

The President would be required to request nominations from the NAIC for the insurance commissioner appointees and would be permitted to seek nominations from industry trade associations for the remaining positions.