



# The AAICP Compass

Newsletter of the American Association of Independent Claims Professionals

## Inside

Reference Manual in the Works for Insurance Licensing Regulators..... 1

Terrorism Coverage and Surplus Lines Reform Take Spotlight at Federal Level .. 1

AAICP Representatives Serve on SILA Committee ..... 3

AAICP Seeks Clarification from Minnesota Insurance Commissioner ..... 3

Around the Country ..... 4

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Tell us about topics of interest to you and email your comments regarding issues we've covered at [info@aaicp.net](mailto:info@aaicp.net). You can also visit our website and review this and previous issues of *The AAICP Compass* at <http://www.aaicp.net>.

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## Reference Manual in the Works for Insurance Licensing Regulators

By Shirley Kerns

Earlier this year, the AAICP was contacted by Iowa's Deputy Insurance Commissioner Roseanne Mead regarding a new licensing manual project she is spearheading. At the request of the NAIC leadership, the Iowa regulator is coordinating the development of a reference manual of agent and adjuster licensing protocols and "best practices" for state insurance licensing regulators to use throughout the country. The AAICP welcomed the opportunity to provide information in both areas. Some "best practices" under consideration for the manual include:

- Adopt the interpretation of "resident state" as "home state" and eliminate state reciprocity agreements by adopting the "home state" definition;
- Recognize a license held in another state by exam—don't require exam results;
- Enhance work with online service vendors to accommodate adjuster licensing;
- Enhance state websites for adjuster licensing requirements by addressing issues such as: Location of requirements and applications so adjusters are not confused with "producer" requirements; distinguish between resident and non-resident requirements; allow credit

card usage/form for payment; maintain a status search function by name for evidence of licensing; provide application forms online; make forms so they can be completed online to eliminate illegible handwritten applications; allow online address changes/updates and allow email addresses to be used for communications with adjusters; allow for online printing of licenses; and;

- Clarify appointment process, if any, for adjusters and allow online process for adjusters as well as producers.

The NAIC has recently published the first draft of this manual and is soliciting feedback from interested parties. The draft and comments received will be discussed at the NAIC's National Meeting in late March. The NAIC hopes to finalize the document by Summer 2008.

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## Terrorism Coverage and Surplus Lines Reform Take Spotlight at Federal Level

The mortgage crisis has generally caused the Senate Banking Committee and the House Financial Services Committee, whose jurisdictions include both housing and insurance issues, to concentrate primarily on housing matters in recent months. The Financial Services Committee, led by Chairman Barney Frank (D-MA) and Ranking Member Spencer Bachus (R-AL), did tackle several pieces of insurance-related legislation over the past several months. However, with the significant exception of the "TRIA" legislation as described below, Senator Chris Dodd (D-CT), Chairman of

*continued on page 2*



## Terrorism Coverage and Surplus Lines Reform Take Spotlight at Federal Level

*continued from page 1*

the Banking Committee, has signaled his intention to focus the Committee's attention on housing legislation before turning to insurance reform issues in more detail over the summer.

The Senate and House both did act on the reauthorization of the Department of the Treasury's Terrorism Risk Insurance program. President Bush signed a seven-year extension of the "TRIA" program into law on December 26, 2007. The House initially had pressed for a renewal of the program for 15 years, but the Senate and White House insisted on the more limited extension. The Bush Administration, in particular, has expressed the hope that the seven-year period will be sufficient for the private sector to adapt to the terrorism insurance market. The House also called for an expansion in TRIA's scope of coverage, requiring nuclear, biological, chemical, and radiological ("NBCR") attacks to be covered under the program, but the White House had threatened to veto any TRIA bill that included mandatory NBCR coverage. Ultimately, the House agreed to the Senate's version of the legislation that omitted NBCR coverage.

House Financial Services Chairman Frank and Congressman Michael Capuano (D-MA), the lead TRIA sponsor in the House, did prevail on other key points in the House-Senate negotiations. The House provision to add group life insurance to the TRIA program made it through the Conference Committee. In addition, the final bill lowered the trigger for Federal coverage of losses from \$100 to \$50 million, as had been called for in the House bill.

The House also passed the surplus lines reform legislation sponsored by Congressman Dennis Moore (D-KS)

and Congresswoman Ginny Brown-Waite (R-FL), H.R. 1065. The Nonadmitted and Reinsurance Reform Act aims to set uniform and reciprocal national standards for state regulation and taxation of surplus lines and reinsurance policies, which often involve transactions across state lines. The House passed H.R. 1065 by voice vote. Senator Mel Martinez (R-FL) has introduced a companion bill, S. 929, but sources suggest that the Senate Banking Committee will not hold a hearing on the bill until the summer at the earliest. Further progress on the surplus lines and reinsurance bill could lay the groundwork for additional legislation to advance uniform and reciprocal cross-state licensing reforms for other parts of the insurance industry.

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One type of overarching insurance reform, the Optional Federal Charter (OFC) legislation, now has been introduced in the House and the Senate. Congresswoman Melissa Bean (D-IL) and Congressman Ed Royce (R-CA), both Financial Services Committee Members, introduced H.R. 3200 in July. H.R. 3200 essentially parallels the Senate OFC legislation, S. 40, which had been introduced by Senator John Sununu (R-NH) and Senator Tim Johnson (D-SD), in May.

Senate Banking Chairman Dodd has not yet signaled a desire to take action on S. 40. However, House Financial Services Chairman



Frank still appears somewhat open to OFC legislation, if Federal oversight of insurance were to include sufficient consumer protections. Financial Services Insurance Subcommittee Chairman Paul Kanjorski (D-PA) has expressed a willingness to support an OFC for life insurance, but not for property and casualty lines, to this point. Based on recent comments, Congressman Kanjorski seems to favor Federally-spurred reform of state regulation, not only for insurers but also adjusters as well.

In other news, talk in Congress about a full or partial repeal of the McCarran-Ferguson antitrust exemption has died down lately. A couple of factors help to explain the change. First, complaints about the actions of some insurers following Hurricanes Katrina and Rita have receded somewhat in recent months. Second, former Senator Trent Lott (R-MS) retired from the Senate in December. Senator Lott was one of the main detractors of the insurance industry in the aftermath of Katrina and Rita and was therefore one of the main advocates of a McCarran-Ferguson repeal.

The AAICP will continue to monitor developments on Congressional insurance reform with regard to the legislation mentioned above and on other issues as they emerge.



## AAICP Representatives Serve on SILA Committee

In addition to representing AAICP member interests at both federal and state legislative and regulatory levels, did you know that the AAICP has two representatives on **The Society of Insurance and Licensing Administrators' (SILA)** adjuster subgroup, a.k.a. the SALS Committee? The SALS committee was formed in 2006 at the urging of independent adjusting companies who saw the growing need for increased awareness of non-resident adjuster licensing obstacles and issues. Historically, SILA's primary focus has been on agent licensing issues. The committee's charter is to "provide a vehicle for adjuster licensing education and awareness of the entire industry."

When SILA put out the word for volunteers to serve on the Committee, Brenda Corey of Sedgwick Claims

Management Services and Beth McCullough of Asurion answered the call! Since the formation of the committee, SALS has actively solicited feedback from adjusting firms and insurance companies throughout the country in an effort to document licensing and reciprocity challenges faced every day by companies like AAICP members and their employees. SALS has compiled survey results and provided formal written comment to the National Association of Insurance Commissioners regarding adjuster licensing issues generally and the NAIC's draft model guidelines for licensing independent adjusters. Through these member volunteers, the AAICP's voice is being heard in yet one more arena reaching regulators and industry representatives alike.

## AAICP Seeks Clarification from Minnesota Insurance Commissioner

In a recent letter to Minnesota Insurance Commissioner Glenn Wilson, the AAICP requested clarification of an apparent shift in the Department's policy concerning **Letters of Certification (LOC)**. (See description below.)

The AAICP's communication with the Minnesota regulator was in response to a change in an interpretation of non-resident adjuster licensing requirements. Specifically, the Minnesota Department of Commerce has stopped accepting Letters of Certification as evidence of competency in connection with non-resident licensure requests.

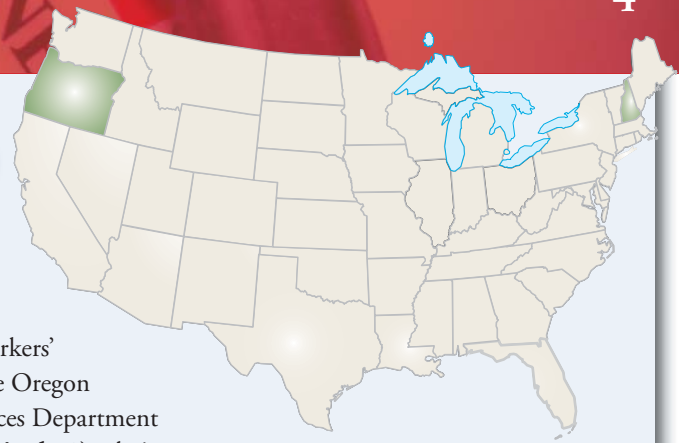
AAICP member companies reported that their employees were being asked to provide a copy of the results of their home state license exam instead of a valid LOC as evidence of competency; or else take Minnesota's license examination. Noting that current application materials and existing law

appear to support the acceptance of LOCs; and highlighting the challenges that could be presented for non-resident applicants who may have taken original home state exams years ago, the AAICP urged Commissioner Wilson to reconsider the new policy.

In a letter from its Licensing Director, dated February 22, 2008, the Department responded to the AAICP, in part, by saying that "Minnesota does not have reciprocity with any state for adjuster licensing..." The Department expressed a willingness to consider additional information regarding this issue and the AAICP will continue the dialogue with the agency to reinstate the practice of accepting LOCs as almost every other insurance department does currently.



**A Letter of Certification or LOC is a document issued by an insurance department attesting to the current active license status of a licensee such as an insurance agent or adjuster. This type of documentation, which can be electronic, is one insurance department's certification to another that the licensee has demonstrated competency by passing a licensing exam and is qualified to transact certain lines of business without further examination by a non-resident state. LOCs are typically issued by the licensee's home state and have been widely accepted by insurance departments for years when evaluating the qualifications of a person applying for a non-resident license of a comparable nature.**



## Around the Country

### New Hampshire

The New Hampshire Insurance Department recently issued **Bulletin 2008-001-AB** regarding the format and content of financial and other “supplemental” reports required to be filed by **third-party administrators**. In connection with this reporting requirement, the state defines “health carrier” to include a TPA and the January 14, 2008 bulletin addresses questions relating to scenarios affecting this reporting such as where the employer may be located in New Hampshire but not all covered individuals are NH residents and vice versa. The complete text of the bulletin can be obtained from the DOI’s website at [www.nh.gov/insurance](http://www.nh.gov/insurance).

### Oregon

On January 29, 2008, the Workers’ Compensation Division of the Oregon Consumer and Business Services Department issued **WC Bulletin 342 (Revised #2)** relating to the determination of “gainful occupation” when evaluating permanent total disability cases. The bulletin provides examples for making such determinations for claims closed on or after January 1, 2006. The bulletin, which replaces Bulletin No 342 dated February 9, 2007, is intended to provide further guidance regarding changes to how PTD benefits are to be determined as adopted by the 2005 Oregon Legislature. A copy of this bulletin can be found at [www.cbs.state.or.us/wcd](http://www.cbs.state.or.us/wcd).

## Did You Know...

Quick access to all state insurance department links is available at the website of the National Association of Insurance Commissioners. A one-stop shop for all insurance department or division websites—visit [www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm)

