



# AAMGA

American Association of  
Managing General Agents

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WRITTEN STATEMENT OF  
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EXECUTIVE DIRECTOR OF THE  
AMERICAN ASSOCIATION OF MANAGING GENERAL AGENTS

BEFORE THE

SUBCOMMITTEE ON SECURITIES, INSURANCE AND INVESTMENT  
OF THE UNITED STATES SENATE  
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

ON

STREAMLINING REGULATION, IMPROVING CONSUMER PROTECTION AND  
INCREASING COMPETITION IN INSURANCE MARKETS

### Introduction

Good Morning Chairman Tester, Ranking Member Johanns, and Members of the Subcommittee. My name is Bernd G. Heinze. I am the Executive Director of the American Association of Managing General Agents (AAMGA), headquartered in King of Prussia, Pennsylvania, just west of Philadelphia.

The AAMGA is an international trade association comprised of 445 corporate member agents, brokers, insurance, captive and reinsurance companies, Lloyd's of London syndicates and underwriters, state stamping and surplus line offices and related professional entities all engaged in the wholesale insurance marketplace in the United States and the United Kingdom.

Since 1926, AAMGA members have been committed to serving admitted and excess and surplus lines markets with reliable integrity, and in offering competitive, creative, dependable insurance products, services and solutions to specialty and unique risk exposures. Collectively, these efforts are emblematic of the Association's role as a standard bearer of the wholesale insurance market, and as a credible authority to matters of importance to the domestic and global insurance community.

The AAMGA's 241 member managing general agents are located in all 50 states and are called upon to work with retail agents and their policyholder customers across the country in all lines of insurance business. In 2012, they wrote in excess of \$20.6 billion in annual written premium. Our member agents employ over 25,000 employees in over 300 storefronts across America.

Thus, each day we see the challenges and opportunities that exist in this market, and are honored to have the privilege to share our views in support of the Subcommittee's on-going efforts in respect of streamlining the regulation, improving consumer protection, and increasing competition in the insurance marketplace.

Our testimony today pertains specifically to provide additional information in support of and the need for passage of the bipartisan Bill, S. 534; the "National Association of Registered Agents and Brokers Reform Act of 2013" (hereinafter also referred to as "NARAB II"). The AAMGA commends both you Mr. Chairman, and Ranking Member Johanns, for championing the introduction of this legislation, and garnering the strong bipartisan support to date. We also wish to acknowledge the ongoing efforts of this Subcommittee, for its continuing focus to examine ways in which to modernize commercial insurance markets and, thereby, implement procedures and streamline regulations that will enhance uniformity, efficiencies and competition, while maintaining the state based system of insurance regulation and ensuring consumer protections in the securitization of risk exposures.

The passage of NARAB II is important to AAMGA members – and all wholesale insurance professionals – as there are currently more than 2 million individuals and more than 500,000 business entities licensed to provide insurance services in the United States. While preserving state insurance departments' supervision over producer activities as part of a comprehensive regulatory framework designed to protect insurance consumer interests in insurance transactions, this legislation will allow uniformity in licensing and advance consumer protections as well as compliance timely and costly efficiencies for producers operating in multiple states.

### **Overview into the Wholesale Insurance Market**

The wholesale insurance marketplace is comprised of agents and brokers entrusted with underwriting authority from the domestic and international insurance companies. Submissions for the protection of risk exposures are obtained from retail producers transacting business with the wholesale agents and brokers, who have specialized expertise and experience in specific lines of business.

The wholesale insurance market is essential to our nation's economic infrastructure. It provides protection and security to national industrial and local commercial businesses, those associated with operation of major public facilities like airports, schools, municipal utilities, and some of the largest port facilities in the country.

In the private sector, key commercial enterprises and consumers similarly rely on the wholesale insurance marketplace. These risks include, for example, those associated with electrical generation, oil production and refining, heavy construction, private aviation, ski resorts, trucking companies, restaurants and small businesses, aerospace manufacturing, mining, and agriculture, nursing homes and day care centers, large and small commercial and residential construction projects; maritime risks from jet skis to tanker vessels and every day risks from Main Street to Wall Street.

AAMGA agent and broker members include professional insurance facilities of varying size and multi-state operations to small and family businesses vital to maintaining the spirit of entrepreneurial growth in the insurance industry and our economy.

As the business enterprises and risk exposures of consumers have ventured across state borders, so to have the activities of wholesale insurance agents and brokers as they transact and underwrite business beyond the home state in which they are incorporated or maintain their principal place of business. In accordance with state laws, this requires not the corporate entity, but every agent and broker of the wholesale agency or brokerage transacting business across state lines to be in compliance with each state's licensing requirements. Our members have had to ensure compliance with, what most times amount to redundant licensing requirements, beyond those that are already being complied with based upon the home state's licensing requirements. Others today rely on compliance departments they needed to create to track and ensure that every agent's and broker's license requirements in each and every state in which business is being transacted are tracked, maintained and completed.

These activities impose costly expenditures of time, resources and funds, and take away from the more important objective of expedient, prudent and professional underwriting to secure the risk exposures of consumers. For multi-state managing general agents and brokers the various state licensing, continuing education requirements and non-reciprocal state regulations add unnecessary burdens and costs without a commensurate increase in value to the consumer.

**Benefits of the National Association of Registered Agents  
and Brokers Reform Act of 2013**

Insurance is the DNA of capitalism and free market entrepreneurship. Providing the availability of varying levels of security from risk stimulates the growth of business

and opportunities, provides incentives for research and development that help to create jobs and positive returns on investment and equity; and, for the public and private consumer, affords continuity and recovery from fortuitous events based on the terms and conditions of coverage.

S. 534 is critical to all our members and other agents and brokers operating on a multi-state basis. To that extent, we join in the testimony of the Independent Insurance Agents and Brokers of America, the Council of Insurance Agents and Brokers, and others supporting this legislation. NARAB II will build upon the regulatory experience at the state level, promote consistency in agent and agency licensing, and improve marketplace responsiveness. The Bill will provide needed reciprocity in producer licensing among the states, and provide policyholders with the opportunity to benefit from greater competition among agents and brokers.

The clearinghouse that would be created following passage of the legislation would allow wholesale insurance agents and brokers to obtain reciprocity in all states in which they are transacting business on behalf of policyholders, so long as they have first secured appropriate and proper licensing in their home states. Regulators within the individual states will continue to regulate, license and discipline agents and brokers located within their respective jurisdictions and, thereby, continue to enforce consumer protection laws. However, the NARAB II legislation will further advance the interests policyholders, as they will be afforded the enhanced protections and benefits of greater competition based upon those agents and brokers voluntarily participating in NARAB II membership.

While most states presently maintain a variety of individual licensing requirements, many differ in regard to the various certifications, fees, fingerprinting and other directives. Most problematic are the disparities among the states in regard to the licensing of business entities. While the National Association of Insurance Commissioners (NAIC) Producer Licensing Model Act (PLMA) brought some uniformity to the producer licensing process, it still left many of those decisions regarding the licensing process to the individual states. While some of the states have enacted the entire PLMA, a number have only enacted the reciprocity provisions of the model act. Of those that have adopted the entire model, several states have deviated significantly from its original language and intent.

These inconsistencies and inefficiencies impact every agent, broker and insurance consumer. Every AAMGA wholesale agent and broker member transacting business on a multistate basis continues to hold both resident and non-resident licenses for their underwriting activities across the country. Some of these licenses number into the thousands based upon each of the agents and brokers employed and the number of states in which business is transacted.

Most all of the State licenses also must be renewed annually throughout the year based upon the individual state requirements. Moreover, states also have continuing regulatory requirements and post-licensure oversight with which agents and brokers must also be in compliance.

We also wish to note the difficulties encountered as the various state regulators and courts interpret terms such as what constitutes the "selling," "soliciting" and "negotiating" of insurance. While many of the provisions of State regulations are identical, their interpretation is not. This leads to additional marketplace and enforcement inconsistencies and inefficiencies, as well as unnecessary costs and frustrations among wholesale agents and brokers seeking to comply with identical wording but varying interpretations.

For all these reasons, the AAMGA supports the National Association of Registered Agents and Brokers Reform Act of 2013, and appreciates the efforts of the sponsors and cosponsors of the Bill in utilizing this opportunity to focus on the need for insurance regulatory reform. This modernization of state regulation is targeted only to marketplace entry, as opposed to the date-to-day regulation of insurance by the states. Therefore, the increase of competition and reduction of compliance costs will provide benefits to consumers and wholesale agents and brokers alike.

The AAMGA and its members respectfully take the position that the provisions of NARAB II will modernize the current cumbersome licensing requirements in the various states. NARAB II will also allow a more equitable and efficient framework within which an insurance purchaser can work with their agent or broker of choice.

### **Conclusion**

Mr. Chairman, this Act is an important step in sustaining the insurance market's effective, efficient and economical services to the public and private sector, while streamlining the processing, licensing and compliance components. Most importantly, it will develop and create a uniform and consistent foundation on which essential state based regulation can continue without restraining the creativity, investment and security provided by the wholesale insurance market.

NARAB II will further facilitate the open market, enhance competition, allow agents, brokers and insurers to be more responsive to consumer needs and provide the flexibility in the buying decisions being made.

The AAMGA looks forward to working with you Mr. Chairman, Ranking Member Johanns, Members of the Subcommittee and co-sponsors of the National Association of Registered Agents and Brokers Reform Act of 2013, as well as on other

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matters in furthering to develop the specifics and implementation of commercial insurance reform and modernization.

Thank you for the opportunity to provide the views of the American Association of Managing General Agents. We look forward to responding to any questions you may have, and providing additional information as may be warranted by the Subcommittee's additional activities in looking into the propriety of efforts to further streamline the regulation and improving consumer protection and increasing competition in the insurance marketplace.

**Bernd G. Heinze, Esquire**  
**Biographical Summary**

Bernd G. Heinze, Esquire has been the executive director of the American Association of Managing General Agents (AAMGA) and its non-profit University since 2001. He speaks, testifies, lectures and teaches before insurance professionals, rating agencies, congressional and state legislators and regulators, industry organizations, colleges and universities in the US, Germany and the United Kingdom on a regular basis. He is also the executive editor of the quarterly trade publication *Wholesale Insurance News*, "WIN Magazine," which is distributed in over 40 countries around the world.

Mr. Heinze has served as:

- Vice-President and Chief Litigation Counsel for a Fortune 500 Insurance Company, where he was responsible for the management of all property and casualty litigation, claims and coverage wordings nationwide
- an equity litigation partner with an international law firm on insurance defense and coverage cases
- legislative assistant to Congressman Jack Kemp in the Washington, DC and Buffalo, NY offices
- executive assistant and deputy press secretary to Erie County (NY) Executive Edward J. Rutkowski in Buffalo, New York and
- weekend anchor for WAVA NewsRadio in Washington, DC

Mr. Heinze graduated with a BA in International Relations and Economics from the Canisius College (1978) in Buffalo, NY, was selected to and attended the Foreign Policy School at American University in Washington, DC and obtained his Juris Doctor degree with honors from the Temple University School of Law (1983) in Philadelphia. He is licensed to practice before the United States and Pennsylvania Supreme Courts, and the federal courts of Pennsylvania. He is also certified by all state insurance departments to present continuing education courses pertaining to insurance and legal related matters. He holds the highest possible peer review "AV Preeminent Rating" for Legal Ability and Ethical Standards from Lexis Nexis/Martindale Hubbell, and has been named annually as one of the "Top 100 Insurance Professionals in North America" by the *Insurance Distribution Letter* since 2001. He is a member of the Board of Governors of the Academy of Risk and Insurance Management at the St. Joseph's University in Philadelphia, PA, and the Board of Directors of Appalachian State University in Boone, North Carolina.

He has been named "Honoree of the Year" by the New Jersey Surplus Lines Association (2011); and "Man of the Year" by the Diabetes Research Institute Foundation (2012).

Mr. Heinze has served as Chair of the Montgomery Township, PA Industrial Development Authority, and serves *pro bono* as General Counsel for the "Whydah Expedition," the project to recover and conserve the remains of the only documented pirate ship to sink in 1717 off the coast of the US.

He and his wife live in suburban Philadelphia and have two daughters. Mr. Heinze is also the founder, president and an active volunteer firefighter with the Fire Department of Montgomery Township, PA.

**TRUTH IN TESTIMONY DISCLOSURE**

**SUBCOMMITTEE ON SECURITIES, INSURANCE AND INVESTMENT  
OF THE UNITED STATES SENATE  
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS**

Your Name: <b>Bernd G. Heinze, Esq.</b>		
1. Are you testifying on behalf of a Federal, State, or Local Government entity?	<input type="checkbox"/>	<b>No</b>
2. Are you testifying on behalf of an entity other than a Government entity?	<input checked="" type="checkbox"/>	<b>Yes</b>
3. Please list any federal grants or contracts (including subgrants or subcontracts) which <u>you have received</u> since October 1, 1999:  <b>None</b>		
4. Other than yourself, please list what entity or entities you are representing:  <b>None</b>		
5. If your answer to question number 2 is yes, please list any offices or elected positions held or briefly describe your representational capacity with the entities disclosed in question number 4:  <b>N/A</b>		
6. If your answer to question number 2 is yes, do any of the entities disclosed in question number 4 have parent organizations, subsidiaries, or partnerships to the entities for whom you are not representing?	<input type="checkbox"/>	<b>N/A</b>

7. If the answer to question number 2 is yes, please list any federal grants or contracts (including subgrants or subcontracts) which were received by the entities listed under question 4 since October 1, 1999, which exceed 10% of the entities revenue in the year received, including the source and amount of each grant or contract to be listed:

N/A

Signature:



Date: March 19, 2013

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