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**Testimony of Insurance Agents and Brokers of Pennsylvania**

**Before the House Insurance Committee  
September 24, 2010**

**Regarding HB 2420**

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**and**

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Good morning Chairman DeLuca, Chairman Micozzie, members of the committee, and staff. My name is Kari Kissinger and I am the Government Affairs Director for Insurance Agents and Brokers of Pennsylvania (IA&B). I would like to thank the committee for inviting IA&B to testify on HB 2420 and am happy to voice our support of this legislation.

IA&B is a professional trade association for independent insurance agents in Pennsylvania. Headquartered in Mechanicsburg, our membership is comprised of approximately 1,300 member agencies located throughout the state, representing a cross-section of large and small agencies that provide primarily property and casualty insurance coverage to their clients. However, the majority of our members also offer life insurance and annuity products and therefore have an interest in the topic at hand in HB 2420.

Prohibiting the use of senior-specific designations has been a topic on the national stage for a few years, with the National Association of Insurance Commissioners (NAIC) reviewing the issue and ultimately approving a model regulation in September of 2008. HB 2420 largely uses the NAIC model, which is preferred by IA&B as it is good for continuity. Since the adoption of the NAIC model, nearly half the states have adopted the provision through either legislation or regulation. Our association covers other states in the mid-Atlantic region, and this year Maryland passed similar legislation regulating senior-specific designations. Since its implementation our membership in Maryland has not encountered any adverse effects of the new law. In advancing HB 2420, Pennsylvania would be taking an important step in making sure it remains consistent and current with national standards.

More importantly, IA&B supports HB 2420 in that it would aid in preventing fraudulent insurance practices. These practices should be closely regulated, as they potentially negatively impact the reputation of the insurance producer community as a whole and could jeopardize the public's trust. Professionalism, reliable customer service, trustworthiness, and providing appropriate financial and insurance advice are tenets our members abide by. This bill would further ensure that the public, including senior citizens, can rely on their producers or advisors as having these qualities.

Additionally, HB 2420 contains several commonsense provisions that IA&B appreciates, including a safe-harbor provision for designations accredited by the American National Standards Institute (ANSI) or the National Commission for Certifying Agencies (NCCA), as well as for job titles within an organization that is licensed by a federal or state regulatory agency. The language of the bill is also straightforward in listing which designations are expressly prohibited, including those that have not been legitimately earned, are nonexistent, or misrepresent a level of expertise or education that does not exist. I believe everyone in the insurance producer community can agree that all of the above are logical to disqualify.

I would now like to introduce Brendon Costa of Henderson Brothers. As a licensed insurance producer he can provide firsthand knowledge and insight into providing life insurance and annuity products to clients, including senior citizens.

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Good morning. As Kari mentioned, my name is Brendon Costa and I am a financial consultant with Henderson Brothers. Henderson Brothers is a family run insurance agency established in 1893. The main lines of business our agency provides include property & casualty, employee benefits, personal lines (such as home and auto), as well as retirement plans and financial planning. There are approximately 115 employees of Henderson Brothers located in a six story building in downtown Pittsburgh.

I first obtained my insurance license in 1999 and currently work in the Retirement Planning division of Henderson Brothers, where I focus my time on individual clients. As part of the team, we manage \$400 million of retirement plan assets. I am the main contact for any of the firms' thousands of clients with regards to life insurance, long term care, as well as disability.

Specifically in regards to HB 2420, I strongly agree that there needs to be some type of regulation of senior designations in the marketplace. The elderly are more susceptible to become a victim of fraudulent practices and are less likely to report it. They place tremendous faith in the advice of the professionals they use and HB 2420 would provide assurance to them that their advisor can be relied upon.

It has been my personal experience that senior clients are generally more trusting in nature. They are also nervous as to what their children will say about their financial decisions when selecting life insurance and annuity products. Because of this, few have their children attend any meetings. I actually prefer if the adult children attend, as everything is above the board and everyone is then fully aware of both the options available to the senior client and the choices made in selecting products.

It is not uncommon when taking on new clients that in the discovery stage of my analysis, it is apparent they do not know what products or coverage they own, let alone understanding if it is the best option for their situation. For example, I met with a client who is in her early 70s in mid August. She was looking to retire and wanted a second opinion on what her advisor had suggested. I was referred to her by her employer. In my analysis, this client had invested all of her money in equity indexed annuities with long surrender periods. Because of this, she would have to pay very large surrender charges to get any money out of the product. When I asked why she chose these investments, she simply said she trusted the person who sold her the investments. We are now in the process of trying to create a strategy that will minimize any charges while at the same time providing her the liquidity she needs to retire.

This example illustrates the level of trust, and to some extent, the level of confusion, senior-aged clients have when going through the process of selecting life insurance products. Because of this, it is critical that efforts such as HB 2420 are implemented so that consumers can be confident in the advisor with whom they are working.

Thank you again to the Chairmen and the committee. Kari and I would be happy to address any questions you may have.