

# COMMONWEALTH OF VIRGINIA



JAMES M. THOMSON  
COMMISSIONER OF INSURANCE

BOX 1157  
RICHMOND, VA. 23201  
TELEPHONE (804) 786-3

## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

November 5, 1982

ADMINISTRATIVE LETTER 1982-14

**TO: ALL INSURANCE COMPANIES LICENSED TO WRITE AUTOMOBILE  
INSURANCE IN VIRGINIA**

On September 10, 1982 the Bureau of Insurance wrote to Mr. J. B. Womble, Manager of the Virginia Automobile Insurance Plan concerning the problems of collecting unearned commissions owed to companies by assigned risk producers. A copy of that letter is attached.

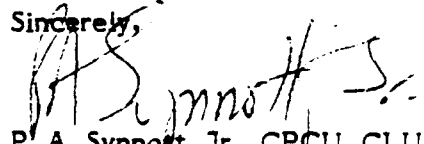
As a reading of this letter will show, the Bureau of Insurance informed the Virginia Automobile Insurance Plan that the Bureau of Insurance would no longer assist companies in obtaining unearned commissions which may be due them from assigned risk producers. We also suggested that a mechanism be put into place by the Virginia Automobile Insurance Plan which would require the Plan to suspend the privilege of any producer that has not promptly repaid unearned commissions which are not in dispute.

Further, we requested that this matter be taken up at a Board of Directors meeting in Virginia Beach on September 22, 1982.

While it is my understanding that the Virginia Auto Insurance Plan has taken no steps to put into place any procedures such as those suggested in my letter of September 10, 1982, I am at this time writing to all companies receiving assignments from the Virginia Automobile Insurance Plan and advising them that the Bureau of Insurance will no longer handle requests for assistance in collection of unearned commissions due them from assigned risk producers. You are therefore instructed to no longer forward individual items of this nature to the Bureau of Insurance.

Should your company have any questions concerning this letter, please feel free to contact me.

Sincerely,

  
P. A. Synnott, Jr., CPCU, CLU  
Deputy Commissioner  
Market Regulation

PAS,jr/dl  
Attachment

# COMMONWEALTH OF VIRGINIA



JAMES M. THOMSON  
COMMISSIONER OF INSURANCE

BOX 1157  
RICHMOND, VA. 22106  
TELEPHONE (804) 786-3

## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

September 10, 1982

Mr. J. B. Womble, Manager  
Virginia Automobile Insurance Plan  
4914 Radford Avenue  
P. O. Box 27542  
Richmond, Virginia 23261

Dear Mr. Womble:

As you are aware, it has become a practice for companies writing assigned risk automobile business to notify the Bureau of Insurance on occasions where they have been unable to collect unearned commissions owed to them by assigned risk producers. It has been the policy of the Bureau of Insurance to follow up on these matters and in many cases we find that the amount of the unearned commission is in dispute; once the dispute is resolved the unearned commission is paid. On other occasions, unearned commissions are paid back promptly once the matter is brought to our attention.

It is our opinion that the Bureau of Insurance has been devoting a disproportionate amount of time in its attempts to resolve accounting differences between companies and assigned risk producers. We will therefore no longer assist companies in obtaining the unearned commissions which may be due them nor will we involve ourselves with accounting disputes between the companies and the assigned risk producers.

Nevertheless, the Bureau of Insurance does not wish to allow producers to ignore their obligations to the companies writing business through the Assigned Risk Plan nor does the Bureau of Insurance wish to encourage producers to ignore their duty with respect to funds they are holding which may not be rightfully theirs.

It appears to us that the appropriate solution to this problem would be for the Virginia Automobile Insurance Plan to incorporate into its operating procedures a provision which would require the plan to suspend the privileges of any producer that has not repaid promptly unearned commissions which are not in dispute. We believe that the Virginia Automobile Insurance Plan has the authority to do that and should proceed along lines similar to those which were followed when the certified check provision was placed into the Plan procedures.

I am therefore requesting that you place this matter on the agenda for discussion with the Board of Directors at your upcoming meeting in Virginia Beach on September 22, 1982. I will be unable to attend due to a prior commitment, but Mr. Hazelwood of the Bureau of Insurance will be in attendance to discuss this matter with

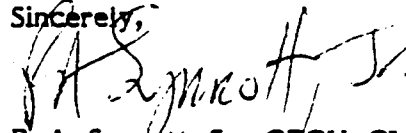
Mr. J. B. Womble  
September 10, 1982  
Page 2

the members of the Board.

Since Section 38.1-264 of the Code of Virginia currently authorizes producers performance standards which address in the Commission's discretion, among others, return commissions, it would appear appropriate for you to develop revised producer standards which eliminate the provision for return commission, since the proper way to address this in the future would be to suspend the producer's right to submit business to the assigned risk plan.

Thank you for your assistance in bringing this before the Board of Directors of the Virginia Automobile Insurance Plan. Please let me or Mr. Hazelwood know of any questions you may have concerning this letter.

Sincerely,



P. A. Synnott, Jr., CPCU, CLU  
Deputy Commissioner  
Market Regulation

PASjr:dl