



BUREAU OF INSURANCE

October 1, 1998

Administrative Letter 1998-13

**TO: ALL ENTITIES WITH AUTHORITY TO APPOINT AGENTS IN VIRGINIA, AND OTHER INTERESTED PARTIES**

**RE: PROCEDURAL AND ADMINISTRATIVE CHANGES REGARDING AGENT LICENSING**

**IMMEDIATE ATTENTION REQUIRED.**

**PLEASE ACQUAINT ALL THOSE INVOLVED IN THE AGENT LICENSING AND APPOINTMENT PROCESS WITH THE CONTENTS OF THIS ADMINISTRATIVE LETTER.**

As was mentioned in Administrative Letter 1998-8, the Bureau is in the process of enhancing our automated system dealing with agent licensing and appointment processes. We expect the first phase of the enhanced system to be implemented during the first two weeks in November. These changes will affect the processing of forms received beginning November 16, 1998.

One of the goals of this system enhancement is to reduce both your and our costs and time required for processing license and appointment forms. To accomplish this, we are implementing the following procedural changes:

**APPOINTMENT AND APPOINTMENT CANCELLATION FORMS**

1. Beginning with forms received on November 16, 1998, appointing companies that are part of a group of companies and who wish to appoint one agent or one agency to represent all of the companies in the group (at least all those licensed

in Virginia and holding authority to issue appointments of that type) will be permitted to do so **using 1 appointment form to appoint one individual or one agency for the same appointment type for all authorized companies in a group.**

Instead of having to list each company in the group, our new system will allow you to fill in the **COMPANY NUMBER for any one of the companies AND the NAIC-assigned GROUP CODE** on the Appointment Form (PIN4151). Our system will utilize the company number to find the other companies in that group code, and automatically record and issue acknowledgments of appointments for all companies in the group with the authority to issue that type of appointment.

The following is an example of how this would work:

- If Jane Smith, a person *shown in the Bureau's records as being authorized* to appoint agents on behalf of the Healthy Insurance Group of companies, wishes to issue a Life and Health Appointment to Arthur Agent to represent all of the companies in the group with life and/or accident and sickness authority, she would simply provide the company number of any one of the companies, the NAIC-assigned group code, and circle the appropriate appointment type on the appointment form, as follows:

**Company Number 12345      Group Number 0239      Life & Health (001)**

Our system will automatically process an appointment for each company in the group that has Life and/or Accident and Sickness authority.

2. If the individual or agency is **not** to be appointed for all companies in the group authorized for the same lines of insurance, then the Appointment Form should be completed in the same manner as it is completed at present, where specific company numbers can be shown on the form.

**Do NOT fill in the Group Code on the form in this case, since use of the Group Code indicates the intent to appoint the agent to represent all authorized companies in the group.**

- So, if Jane wishes to appoint Arthur to represent only 4 of the companies in the group, she would fill out the appointment form by providing the company number and company name for each company, and circle the appointment type, as follows:

<b>Company Number</b>	<b>Company Name</b>	<b>Appointment Type</b>
12345	ABC Health Insurance Company	LH (001)
67890	Agents Life Insurance Company	LH (001)
12487	Richmond Health Insurance Company	LH (001)
45678	Casualty & Accident Insurance Company	LH (001)

3. If Jane also wanted to appoint Arthur to sell Property and Casualty insurance on behalf of all of the companies in the group with that authority, she would need to send a separate appointment form with the company number of one of the P&C companies, the group code, and circle the appointment type. As stated above, our system would then process an appointment for each of the authorized companies.
4. If Jane instead wished to appoint Arthur for only one or two of the P&C companies, she would provide the company number and company name for each, and circle the appointment type.

**THE PROCEDURE DESCRIBED ABOVE FOR COMPLETING THE APPOINTMENT FORM MAY ALSO BE USED FOR THE APPOINTMENT CANCELLATION FORM (PIN4921).**

## **REJECTED APPOINTMENT AND APPOINTMENT CANCELLATION FORMS**

We continue to receive thousands of appointment forms and appointment cancellation forms from insurers each year either appointing an agent who is not appropriately licensed or who is already appointed, or terminating the appointment of an agent who was never appointed or whose appointment had already been terminated by the insurer. Until now, in many of these situations, we had been returning the rejected form to the company, although processing and mailing such documents is not, as can be imagined, the best use of our resources.

As part of our attempt to reduce costs, we will discontinue the process of returning the Appointment or Cancellation of Appointment forms to the company when they are incomplete or redundant. A rejection list will be sent to the companies as is done today, and the rejection list will describe all forms that were rejected and will indicate the reason for the rejection.

## **THE COMPANY WILL BE REQUIRED TO SUBMIT A NEW FORM IF NEEDED.**

Most of the forms are rejected because they were not needed in the first place, such as an Appointment Form for an agent that is already appointed for the company. In this case, no further action will need to be taken by the company.

## **PERSONS AUTHORIZED TO APPOINT AGENTS**

Included with Administrative Letter 1998-8 was a form that all companies were requested to complete and submit to us, updating the list of individuals authorized to appoint and cancel appointments for the company. If you have not done so, please complete that form and return it to the Bureau immediately.

## **APPOINTMENTS AND APPOINTMENT CANCELLATIONS WILL BE REJECTED IF THE INDIVIDUAL SIGNING THE FORM IS NOT ON OUR UPDATED AUTHORIZED LIST.**

## **LICENSE APPLICATION PROCESSING FEES**

The fee submitted with a license application is, by law, deemed a license application **processing** fee. Currently, however, the Bureau does not retain the fee if the application for licensure is rejected. Instead, the fee is returned to the applicant with the application form, even though the Bureau has spent the same amount of (or even more) time processing the form as it would for an acceptable form.

Beginning with applications received on November 16, however, there will be a new process for handling license application **processing** fees, and the Bureau will begin retaining the processing fees submitted with unacceptable or incomplete applications. Even though we will be retaining the fee, we will notify the applicant in writing that he has a specific number of days for correction of minor discrepancies, without necessitating the submission of a new processing fee. At the expiration of that time period, however, re-submitted applications will not be processed without submission of a new processing fee.

While this will most directly impact those paying the license application processing fees (usually the applicant), we want the companies to be aware of the new process.

## THE NEXT PHASE

Implementation of the second phase of the enhanced system is expected to be around the end of this year or early next year. This phase is expected to provide the following:

- The ability for companies to file appointments and cancellations of appointments electronically.
- Lockbox functionality so that companies can pay appointment fees directly to the bank.
- Electronic Funds Transfer (EFT) so that companies can submit payments electronically.
- The ability for agents and companies to submit one check for multiple forms.

We look forward to your cooperation during the transition period, and thank you in advance for assisting us to implement these changes, many of which we believe will be to your benefit.

As a reminder, we encourage companies to take advantage of our new Interactive Voice Response (IVR) system. If you have been using the system and have suggestions for additional information that may be helpful to you, please let us know.

If you have any questions regarding the November 16<sup>th</sup> changes, please contact the Agents Licensing Section at 804-371-9631.

Cordially,

Alfred W. Gross  
Commissioner of Insurance

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