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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

May 3, 1979

1979-13

TO: ALL COMPANIES LICENSED TO TRANSACT INSURANCE
IN VIRGINIA

SUBJECT: QUALIFICATION AND LICENSING OF AGENTS

Enclosed is a copy of newly enacted Chapter 7.1 of the Code of Virginia which replaces existing Chapter 7 effective July 1, 1979.

While the entire Chapter should be read carefully to insure compliance, particular attention is called to the Sections discussed briefly below:

TYPES OF LICENSES ISSUED

Section 38.1-327.1 defines the types of licenses issued. Note that "Life Agent" is changed to "Life and Health Insurance Agent" and "Resident Agent" is changed to "Property and Casualty Insurance Agent". The "Special Agent" license is being discontinued; and "Mortgage Redemption Insurance Agent" and "Mortgage Guaranty Insurance Agent" are among the several specifically limited licenses provided. (See NOTE #1, p. # 5).

COUNTERSIGNATURE OF POLICIES NO LONGER REQUIRED

Section 38.1-327.4 removes the requirement for countersignature of policies except by retaliation as in the case of a policy on a Virginia risk produced by a resident of a State which requires countersignature.

COMMISSION MAY BE PAID ONLY TO LICENSED PRODUCER

Section 38.1-327.11 prohibits (1) an insurer paying commission - directly or indirectly - except to its licensed producer, (2) receipt of a commission by unlicensed producer, or (3) division of commission by a licensed producer with an unlicensed person.

FIDUCIARY STATUS OF AGENT OR SURPLUS LINES BROKER

Section 38.1-327.12 sets forth that all premiums, return premiums or other funds received in any manner by an agent or surplus lines broker shall be held in a fiduciary capacity for timely delivery to the party entitled thereto.

AGENTS' QUALIFICATION - PROPERTY AND CASUALTY

Section 38.1-327.15 requires passing of a written examination as a prerequisite to licensing. The 15-day waiting period to take the initial examination has been removed. (Examination covers all kinds of insurance other than life, annuities, accident and sickness, title, ocean marine, mortgage guaranty and baggage.)

Section 38.1-327.16 sets forth requirement of class-room (or comparable) study prior to examination.

Section 38.1-327.17 provides waiver of classroom study and examination by a proposed licensee who has been awarded the designation of CPCU. (Applicant is, however, required to submit the application and pay the fee required by Section 38.1-327.20.)

SPECIAL EXAMINATION FOR PARTIALLY QUALIFIED

Section 38.1-327.18 authorizes a special examination for agents not fully qualified for all Property and Casualty lines as in reference to Section 38.1-327.15 above. The special examination must be passed on or before June 30, 1980; otherwise, the agent will be required to undergo the full examination procedure in order to broaden his qualification. (See NOTE # 1 , p. 5).

TIME ALLOWED FOR LICENSING TO AVOID REVOCATION OF CERTIFICATE OF QUALIFICATION

Section 38.1-327.22 extends from the present ninety (90) days to six (6) months the period following the passing of the qualification examination or the termination of the last Property and Casualty license held within which another license can be obtained without the necessity of requalification.

PROPERTY AND CASUALTY QUALIFICATION REQUIREMENTS MADE APPLICABLE TO COMPANY REPRESENTATIVES

Section 38.1-327.23 requires that Company Representatives meet the same qualification standards as Property and Casualty Insurance Agents. (See NOTE # 1, p. 5).

AGENTS' QUALIFICATION - LIFE AND HEALTH

Section 38.1-327.24 requires passing of a written examination as a prerequisite to licensing. The 15-day waiting period to take the initial examination has been removed. (Examination covers life insurance, fixed annuities and accident and sickness insurance.)

Section 38.1-327.25 provides waiver of examination in the case of a proposed licensee who has been awarded the designation of CLU. (Applicant is, however, required to submit the application and pay the fee required by Section 38.1-327.29.)

SPECIAL EXAMINATION FOR PARTIALLY QUALIFIED

Section 38.1-327.26 authorizes a special examination for agents not fully qualified for all Life and Health lines as in reference to Section 38.1-327.24 above. The special examination must be passed on or before June 30, 1980; otherwise, the agent will be required to undergo the full examination procedure in order to broaden his qualification. (See NOTE # 1, p. 5).

TIME ALLOWED FOR LICENSING TO AVOID REVOCATION OF CERTIFICATE OF QUALIFICATION

Section 38.1-327.31 extends from the present ninety (90) days to six (6) months the period following the passing of the qualification examination or the termination of the last Life and Health Insurance Agent license held within which another license can be obtained without the necessity of requalification.

GENERAL CERTIFICATE OF AUTHORITY

Section 38.1-327.32 sets forth the requirements to be met by a fully qualified Life and Health Insurance Agent in order to obtain a General Certificate of Authority.

Section 38.1-327.33 provides that a Life and Health Insurance Agent holding a General Certificate of Authority may submit business to a licensed company prior to obtaining a license for the company as generally required, subject to the company promptly appointing the agent on the prescribed form (which the company then uses to request the issuance of the license). (See NOTE # 2, p. 5).

PENALTY FOR ACTING AS AGENT WHEN NOT LICENSED

Section 38.1-327.34 sets the minimum penalty for acting as an agent for a company for which not licensed as a sum equal to the first-year commission on such business. (An individual who has a General Certificate of Authority may submit business before becoming licensed; but the company cannot pay commission thereon until AFTER the license has been issued.) (See preceding paragraph.)

RENEWAL FEES FOR AGENTS' LICENSES

Section 38.1-327.36 requires that the yearly license renewal fee must be paid for any license not terminated BEFORE July 1.

CHANGE OF AGENT'S ADDRESS OR NAME

Section 38.1-327.37 requires that each agent shall report any changes in his residence address, office address or name to every company he represents and to the State Corporation Commission (Bureau of Insurance) within thirty (30) days of the change.

Any agent who has moved his residence from this State, or, in the case of a Property and Casualty Insurance Agent or Company Representative, has moved either his residence or place of business from this State shall have his license(s) immediately revoked.

AUTHORITY TO SELL ACCIDENT AND SICKNESS INSURANCE FOR A PROPERTY AND CASUALTY COMPANY

Section 38.1-327.39 requires an agent selling accident and sickness insurance for a property and casualty company to have a Life and Health Insurance Agent license.

TEMPORARY LICENSES

Section 38.1-327.42 restricts the issuance of temporary licenses to the following circumstances ONLY:

1. Upon the death of an agent.
2. Upon the disability of an agent.
3. Upon the sale of an agent's business.
4. To an applicant who is to be an agent of a combination company and who will be assigned a debit and will actually collect premiums thereon.

LICENSING OF NONRESIDENTS

The licensing requirements set forth in Chapter 7.1 apply to nonresidents as well as residents, EXCEPT that Section 38.1-327.45 authorizes reciprocal agreements with other states waiving any written examination required of any applicant who is a nonresident of this State provided:

1. A written examination is required of applicants for an agent's license in such other state;
2. The appropriate official of the other state certifies the applicant holds a valid license in such other state and either passed such written examination or was holder of an agent's license prior to the time such written examination was required.

GENERAL

The overall revision of the AGENTS portion of the insurance laws includes authority to a company to make immediate appointment of an agent; PROVIDED, (1) the agent is a resident of Virginia, (2) he holds a current Certificate of Qualification as a Life and Health Insurance Agent or a current Certificate of Qualification as a Property and Casualty Insurance Agent, and (3) the proper form is used. (See NOTE # 2 below.)

All appointing and licensing forms must be signed by an executive officer of the appointing company or by a representative or employee of the company whose authority has been filed with the State Corporation Commission (Bureau of Insurance) in writing over the signature of an executive officer.

NOTES: # 1 - Appropriate notices will be sent to:

Special Agents
Partially qualified agents
Company Representatives

2 - Your current supply of forms may be used for the next few months. Appointment forms will be sent as supply orders received. Show specific address to which you wish forms sent.

FOR ANY ADDITIONAL INFORMATION DESIRED IN THIS CONNECTION, PLEASE ADDRESS YOUR INQUIRY TO:

AGENTS LICENSE DIVISION

BUREAU OF INSURANCE

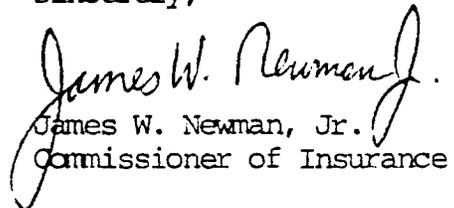
P. O. Box 1157

Richmond, Virginia 23209

OR

TELEPHONE (AREA CODE 804) 786-2631.

Sincerely,


James W. Newman, Jr.
Commissioner of Insurance

JWN: jr/gg