

COMMONWEALTH OF VIRGINIA

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April 30, 2004

Administrative Letter 2004-3

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

RE: PROCEDURAL CHANGES, ADMINISTRATIVE CHANGES AND CLARIFICATIONS REGARDING AGENT LICENSING AND THE BUREAU'S AGENT LICENSING SECTION

The purpose of this Administrative Letter is to provide information concerning a number of procedural and administrative changes in the area of agents licensing and the Bureau's Agents Licensing Section.

Please distribute to the appropriate personnel within your company, and notify your appointed agents of these changes.

APPOINTMENTS

- Effective August 1, 2004, the Bureau will discontinue printing the wallet-sized Acknowledgement of Appointment cards. Instead, the acknowledgment of appointment will be printed on 8½" X 11" paper and sent to the agent's home address. If the agent does not receive an acknowledgment of appointment from the Bureau within forty-five days from the date of execution of the first insurance application submitted to the company, he or she should immediately discontinue any soliciting of insurance on behalf of that company until such acknowledgment is received.
- Companies wishing to verify that the appointment has been recorded and acknowledged by the Bureau may do so as follows:
 - For appointments submitted on paper, check the Daily Appointment List that is produced and mailed to the company on the day following recordation of one or more appointments. Companies are also notified of appointments that have not been recorded (along with the reason) by means of the Daily Appointment Rejection List, which is also mailed on the day following rejection of one or more appointments.
 - For appointments submitted electronically, the company should receive from its vendor a file showing the appointments acknowledged and rejected. If you do file electronically, it is imperative that you review the report provided from the vendor's file, because you will not receive verification from the Bureau regarding

electronically filed appointments. It is your responsibility to research any errors that appear in your file and resubmit the correct transaction for the processing of the appointment. Please remember that filing electronically does not mean that the process is immediate. There could be a delay of three or more business days in processing your file depending upon when you submit the information to your vendor and when the file is actually submitted to the NAIC.

- Companies may verify the appointment status by using the Bureau's Interactive Voice Response (IVR) system. Instructions for using IVR may be found at <http://www.state.va.us/scc/division/boi/webpages/boiivr.htm>.
- Between now and January 1, 2005, we encourage companies to file appointments electronically. If you are not currently doing so and would like to start, you may view a list of vendors that provide the electronic filing at http://www.licenseregistry.com/authorized_bus_partners.htm.
- **Effective January 1, 2005, all companies will be REQUIRED to file appointments electronically for all producers, with the exception of resident producers that decline to utilize their social security number as their license number. In those instances where Virginia resident agents have elected to utilize a DMV-assigned identification number as their license number, the appointment must be filed on paper, because the NAIC system will not recognize the DMV-assigned number and therefore such appointments will have to be processed manually. While Virginia and the other states are working through the NAIC and NIPR toward adopting a unique identifying national producer number, until such number is universally accepted Virginia is unable to utilize any number other than the social security number for electronic appointments.**
- Whether filing electronically or on paper, do not send a letter to the producer indicating that they are appointed with your company until the acknowledgment of appointment has been verified with the Bureau. We have had a number of instances where an agent has misunderstood a letter from an insurer, indicating that the appointment had been submitted to the Bureau, as a letter confirming that the appointment was in effect. For the protection of your agents, we urge companies not to confuse agents in this manner.
- We have a number of instances where agents (whether newly licensed or after having lost their last supporting appointment) wait until the end of the 6 month period before seeking an appointment to keep the license from terminating by operation of law. We remind you that the appointment must be **received by the Bureau**, either on paper or electronically, **and processed prior to the end of the 6 month period.**
- With the growing use of electronic appointments, we have decided to discontinue the requirement for companies to provide us with and keep updated a list of those authorized to appoint agents on their behalf. Therefore, it is no longer necessary for the company to submit an updated list to the Bureau.

- Companies are responsible for paying the appointment processing fee for all appointments processed, regardless of whether the appointment is acknowledged or rejected. It is, therefore, in each company's financial interest to check your records **prior to** submitting an appointment to be sure that the producer holds the proper authority and that the producer is not already appointed with your company.

APPOINTMENT CANCELLATIONS

- Paper appointment cancellation forms submitted to the Bureau should be verified for cancellation of the appointment by checking the Daily Appointment Cancellation List or rejection of appointment cancellation by checking the Daily Appointment Cancellation Rejection List. Companies may verify appointment status by using the Bureau's Interactive Voice Response (IVR) system. Instructions for using the IVR may be found at <http://www.state.va.us/scc/division/boi/webpages/boiivr.htm>.
- Between now and January 1, 2005, we encourage companies to file cancellations electronically. If you are not currently doing so and would like to start, you may view a list of vendors that provide the electronic filing at http://www.licenseregistry.com/authorized_bus_partners.htm.
- **Effective January 1, 2005, all companies will be required to file cancellations electronically.**
- **In addition to electronic appointment termination, if you terminate a producer FOR CAUSE, you must also send a letter to the Bureau documenting the reason for the termination.**
- If you do file electronically, it is imperative that you review the report provided from the vendor's file, because you will not receive verification from the Bureau regarding electronically filed cancellations. It is your responsibility to research any errors that appear in your file and resubmit the correct transaction for the processing of the cancellation. Please remember that filing electronically does not mean that the process is immediate. There could be a delay of three or more business days in processing your file depending upon when you submit the information to your vendor and when the file is actually submitted to the NAIC.

CERTIFICATIONS

- A certification letter is automatically generated and sent to the producer when a new license is issued. If you require a file copy of the certification, you should obtain it from the producer.
- We remind companies again that a certification is a far better means of proof of licensing than is a copy of the producer's license. Because Virginia licenses are perpetual, the license itself does not show recent activity, such as renewal. On the other hand, a certification shows current licenses held, status, CE compliance where applicable, and current address information.

- While proof of home state licensing is still required for issuance of a nonresident license, we will now accept a Producer Database (PDB) printout dated within 90 days in lieu of a formal certification letter for nonresident applicants.

SUSPENDED COMPANIES

- If your company's status changes from active to suspended, the agents currently appointed with your company will be sent a letter informing them of the company status change and a copy of the Order issued. These appointments are considered active until they are terminated by the company. The company will be responsible for any outstanding or future quarterly and renewal fees, and any penalties owed to the Bureau.

MERGED COMPANIES

- When two companies merge, all active appointments are automatically transferred from the non-surviving company to the surviving company. The surviving company must submit cancellation forms prior to the merger for any producers it does not wish to be appointed with the surviving company.

QUARTERLY BILLING AND RENEWAL PROCESS

- All billings are sent to the company's billing address on file with the Bureau. You must keep your billing address updated. The Agents Licensing Section sends an acknowledgment when the address is updated. Our processing time for updating billing addresses is 5-7 working days. If you have not received an acknowledgment for an address change within this timeframe, you need to contact the Bureau immediately.
- The due dates for the quarterly and renewal billings remain the same. The dates are as follows:
 - Quarter ending 6/30 - due on 8/10;
 - Quarter ending 9/30 - due on 11/10;
 - Quarter ending 12/31 - due on 2/10;
 - Quarter ending 3/31 - due on 5/10.

If the payment is received after the due date, there will be a **\$50 per calendar day penalty imposed for each day the payment is late**. The penalty is calculated after the payment is received so do not include the penalty with your payment of appointment fees.

- The Bureau would prefer that all remittances be paid through the lockbox at Wachovia, P.O. Box 26366, Richmond, Virginia 23260-6366. Please do not submit any checks to the Bureau or to the lockbox without some type of documentation attached.

PAYMENT OF COMMISSION

- A company is allowed to pay a producer renewal or deferred commission or compensation as long as the producer was licensed and appointed at the time of the transaction for which these commissions were earned.

CONTINUING EDUCATION

- Contact Experior Assessments, LLC regarding continuing education. You may contact them by calling 800-482-2366 or you may visit their website at <http://www.experioronline.com/vace.htm>. Please note that their mailing address has changed to 1260 Energy Lane, St. Paul, MN 55108. Do not send Certificates of Course Completion or Nonresident Proof of Compliance Forms to the Bureau of Insurance. They must be submitted to Experior Assessments. As a reminder, Nonresident Proof of Compliance Forms for the 2003-2004 biennium should not be submitted to Experior prior to July 1, 2004.

ADDRESS CHANGES

- All notifications for change of residence address must be signed by the producer. (Sending notification to Experior Assessments, LLC via CE Certifications does NOT cause the address to be changed at the Bureau.) The Bureau sends all correspondence to the producer's residence address.

RETURNED CHECKS

- There is a \$25 penalty for each returned check. If the returned check is for a license application, the license is administratively terminated. In order for the producer to obtain any license, the penalty and the license application fee must be paid.

Questions regarding the content of this letter should be directed to the Bureau's Agents Licensing Section at (804) 371-9631.

Cordially,



Alfred W. Gross
Commissioner of Insurance

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