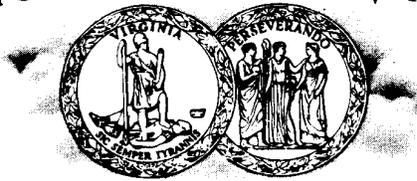


COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

October 14, 1988

Administrative Letter 1988-16

TO: All Authorized Insurers

RE: Modifications of Agent Licensing and Appointment Procedures

The purpose of this Administrative Letter is to announce the implementation of certain enhancements to the Bureau's agent licensing computer system, and to apprise and/or remind recipients of this letter of certain modifications in procedures and interpretations resulting from recent law changes and our ability to recognize those changes through our computer system.

Until now, we have required an appointment type to match each of the various license types allowed by law. This was the result of a combination of limitations in our computer system, and a philosophical position that the Bureau should actively monitor the appropriateness of each and every appointment. Effective immediately, however, the Bureau is placing this burden where it more appropriately belongs: on the insurers issuing those appointments. It is our responsibility to license an agent. It is the insurer's responsibility to appoint the agent, and to make sure that the agent being appointed is appropriately licensed to sell the lines of insurance for which the insurer wishes to contract for his services. A license authorizes the agent to solicit, negotiate, procure, and effect certain types of insurance, and a licensee who exceeds his authority is in violation of Virginia law. An appointment authorizes the agent to sell on behalf of the appointing insurer, LIMITED TO THE LINES OF INSURANCE AUTHORIZED BY THE AGENT'S LICENSE AND FURTHER LIMITED TO THE LINES WHICH THE INSURER IS AUTHORIZED TO MARKET IN VIRGINIA. Failure by either the agent, or the insurer, or both, to function within the scope of their respective authorities is in violation of Virginia law. Therefore, from this point forward, the burden of verifying that an agent has proper license authority will, with certain broad exceptions, rest with the appointing insurer.

In order to simplify this process as much as possible, insurers will no longer be required to keep track of the many appointment types we have been using for the past few years. As of now, there will be only three (3) appointment types: LIFE AND HEALTH (LH), PROPERTY AND CASUALTY (PC), and TITLE (TI). There is also a Motor Club (MC) appointment type, but it is limited only to use by licensed automobile clubs and

will not be further referenced in this letter. The chart that follows will show how the 29 former appointment types are distributed among the 3 new consolidated appointment types:

<u>Former Appointment Type</u>	<u>Code</u>	<u>New Appointment Type</u>	<u>Code</u>
Life and Health	01	LIFE AND HEALTH	LH
Mutual Assessment Life and Health	02	LIFE AND HEALTH	LH
Temporary Life and Health (other than Home Service Agent)	03	LIFE AND HEALTH	LH
Temporary Life and Health (Home Service Agent)	06	LIFE AND HEALTH	LH
Variable Life and Annuities	09	LIFE AND HEALTH	LH
Limited Burial	10	LIFE AND HEALTH	LH
Burial	11	LIFE AND HEALTH	LH
Limited Mutual Assessment Life and Health	12	LIFE AND HEALTH	LH
Cooperative Nonprofit Life Benefit	13	LIFE AND HEALTH	LH
Travel Accident	14	LIFE AND HEALTH	LH
Credit Life and Health	15	LIFE AND HEALTH	LH
Lending Institution Life and Health	17	LIFE AND HEALTH	LH
Lending Institution Mortgage Redemption	21	LIFE AND HEALTH	LH
Lending Institution Credit Life and Health	23	LIFE AND HEALTH	LH
Mortgage Accident and Sickness	38	LIFE AND HEALTH	LH
Health (Blue Plans and HMOs)	40	LIFE AND HEALTH	LH
Legal Services	41	LIFE AND HEALTH	LH
Dental Services	45	LIFE AND HEALTH	LH
Optometric Services	46	LIFE AND HEALTH	LH
Lending Institution Single Interest	22	PROPERTY AND CASUALTY	PC
Property and Casualty	30	PROPERTY AND CASUALTY	PC
Temporary Property and Casualty	31	PROPERTY AND CASUALTY	PC
Mutual Assessment Property and Casualty	32	PROPERTY AND CASUALTY	PC
Ocean Marine	34	PROPERTY AND CASUALTY	PC
Limited Mutual Assessment Property and Casualty	35	PROPERTY AND CASUALTY	PC
Travel Baggage	36	PROPERTY AND CASUALTY	PC
Mortgage Guaranty	37	PROPERTY AND CASUALTY	PC
Lending Institution Title	19	TITLE	TI
Title	33	TITLE	TI

As a reminder, an appointment is not authority. For example, a Life and Health (LH) appointment of a Credit Life and Health (15) agent does not authorize that agent to sell anything beyond the scope of his license. Similarly, a Property and Casualty (PC) appointment of an Ocean Marine (34) agent does not authorize that agent to sell any lines outside the scope of his license. An insurer contracting with an agent is responsible for determining the scope of the agent's license authority before allowing the agent to write its full range of business. Simply determining that an agent is "licensed" in Virginia is not sufficient.

Attached hereto you will find a new version of the PIN415A and PIN415B forms used to notify the Bureau of the appointment of an agent or agency, respectively. You may continue to use present supplies of these forms until depleted, or you may request supplies of the new forms in the usual manner. We remind you that you are permitted to reproduce these forms yourselves, provided the paper stock closely matches the colors used by the Bureau.

We would like you to begin immediately to use the three (3) consolidated appointment type codes (LH, PC, TI) in place of the codes shown on the older forms. For the present, we will manually convert appointment types from the old to the new codes if you fail to do so, but we do ask your cooperation in implementing the new codes as quickly as possible.

There are a few other administrative matters related to agent licensing and appointment that we would like to bring to your attention at this time.

1. TEMPORARY LICENSES AND APPOINTMENTS

Please remember that a Temporary License may only be issued under certain circumstances, and that a Temporary Life and Health (06) license may only be issued to an individual who will be employed by a Home Service insurer and will actually be collecting a debit. Any other use of this license type is prohibited. Applications for such licenses should be submitted along with an appointment form from an insurer engaged in the Home Service business, along with a letter signed by a company official stating that the applicant will be assigned a debit and will actually collect the premiums on insurance contracts on that debit during the period of the temporary license.

Insurers dealing with agents holding any of the three types of temporary licenses must appoint the agents and will be billed for the appointment fees. Appointments of agents holding temporary licenses expire at the same time as the temporary license, UNLESS the agent has obtained a permanent license prior to expiration of the temporary license. An agent whose temporary license and appointment expires and who subsequently obtains a permanent license must be re-appointed and a new appointment fee will be charged.

2. SUBMISSION OF LICENSE AND APPOINTMENT FORMS

With the exception of the temporary home service license (06) discussed above, those insurers that submit license applications on behalf of their agents are reminded that until the license has been issued by the Bureau of Insurance, appointment of the agent violates Virginia law. Please, therefore, do not submit license applications and appointment forms (even if postdated) at the same time. Appointments should neither be made nor submitted until the agent is properly licensed.

3. DATE OF APPOINTMENT; SUBMISSION DEADLINE

You are reminded that in those instances where an insurer is appointing an agent who has already submitted business, the Bureau must receive a properly completed appointment form within thirty (30) days of the date of execution of the first

insurance application (as opposed to employment or other application) submitted by that agent. Appointment forms received beyond the 30 day limit will be processed, but insurers demonstrating patterns of non-compliance with this requirement will find themselves subjected to disciplinary proceedings.

4. DATE OF TERMINATION OF APPOINTMENT; SUBMISSION DEADLINE

You are also reminded that upon termination of an agent's appointment, insurers must notify the agent of such termination within five (5) days and must file with the Bureau a PIN492A form within thirty (30) days of such termination. Here, too, late notices will be processed, but patterns of non-compliance will result in the initiation of disciplinary action against the insurer.

5. MULTIPLE APPOINTMENTS AND CANCELLATIONS

It is permissible to use PIN415A and PIN415B appointment forms as well as PIN492A cancellation forms to appoint or cancel one agent or agency or behalf of multiple insurers within the same group or holding company system. Please be advised, however, that if an agent or agency is to be appointed under more than one appointment type (such as Property and Casualty insurer with accident and sickness authority), separate forms must be submitted for each appointment type (PC and LH). For example, if Company A wishes to appoint an agent to sell Travel Baggage and Travel Accident insurance, and provided the agent and the insurer each has appropriate license authority for those lines, Company A would need to submit one appointment form for a PC appointment (Travel Baggage) and one appointment form for a LH appointment (Travel Accident).

6. UNAUTHORIZED APPOINTMENTS

Our new computer system will continue to reject appointments where the appointment type is not authorized under the agent's license type. For example, we will reject an appointment for Type PC if the agent has only Life and Health authority.

7. AUTHORIZED SIGNATURES

We remind all insurers once again that appointment and cancellation forms must be signed on behalf of the insurer by an individual authorized to appoint and terminate agents as shown in our records. The Bureau does keep a list of authorized individuals for each insurer, and will not accept forms containing unauthorized signatures. It is each insurer's responsibility to make certain that the Bureau is notified of any additions, deletions, or modifications to the company's list of authorized signatures.

8. AGENT I.D. NUMBERS

Effective immediately, the letter prefixes used with agent license numbers (A) and agency license numbers (C) are no longer necessary. The agent's Social Security number or the agency's IRS identification number is the same as the agent or agency's license number or I.D. number.

9. NO EXAMINATION REQUIREMENT FOR NONRESIDENT APPLICANTS

There has been some confusion with regard to nonresident licensing. Nonresident applicants do not need to take an exam under any circumstances. We understand that this confusion is caused by the subheading on the PIN300A license application stating: "Application for license when an examination is required". We will try to clarify this wording in future printings, but for now please inform interested parties that the PIN300A form is to be used by both resident and nonresident applicants for those LICENSE TYPES that would require an examination if the applicant were a resident of Virginia.

10. NONRESIDENT LICENSES ISSUED TO AGENCIES

Virginia law (§38.2-1836.) allows the Commission to issue a nonresident license to a corporation or partnership only if the state of domicile of the corporation or partnership would issue a similar license to a Virginia corporation or partnership. We have received a number of inquiries concerning this, and have, therefore, implemented the following procedure:

A nonresident corporation or partnership seeking a license in Virginia will be required to submit, along with its license application form and fee, the following:

- a. A certification from the applicant's state of domicile insurance department stating that the applicant is licensed or otherwise authorized to act as an agent in that state. For those states that do not license corporations or partnerships, but which permit such entities to engage in the insurance business, certification that the entity is so permitted will be sufficient.
- b. A written statement signed by an officer of the corporation or a principal of the partnership verifying that the applicant corporation or partnership is actually engaged in the insurance business in its state of domicile.

11. CORPORATIONS DISSOLVED BY THE CLERK OF THE STATE CORPORATION COMMISSION

Corporate agencies holding insurance licenses at times have their corporate authority dissolved as a result of failure to pay required fees or file required forms. The moment that this occurs, the corporation ceases to exist, and by operation of §38.2-1825.A. of the Code of Virginia, as amended, any insurance licenses held by that corporation in Virginia are immediately terminated. Since termination of the license automatically results in administrative termination of all appointments held under the license, corporations dissolved by the Clerk's office are no longer authorized to transact the business of insurance in Virginia. Both the agency and appointing insurers will be so notified by the Bureau of Insurance.

Upon reinstatement of a corporation by the Clerk's office, the agency will be eligible to apply for a new agency license, and to then seek new appointments by insurers. All license and appointment fees will be charged.

Insurers and their authorized corporate agents should be aware of the above and should be guided accordingly in the payment or acceptance of new business or commissions on new business. Such transactions with an unlicensed entity would constitute violations of §38.2-1812. by both parties.

We trust that the foregoing will be of assistance in your dealings with the Bureau of Insurance. We are pleased with our new computer system and hope that it, in conjunction with the clarifications discussed above, will expedite the licensing and appointment process of insurers and their agents.

Any questions concerning the contents of this letter should be addressed to our Agents Licensing Section at (804) 786-2631.

Sincerely yours,



Steven T. Foster
Commissioner of Insurance

STF/csw

Attachments

STATE CORPORATION COMMISSION
 BUREAU OF INSURANCE
 P.O. BOX 1157
 RICHMOND, VIRGINIA 23209
 (804) 786-2631

PIN415A

October, 1988

INDIVIDUAL APPOINTMENT FORM

Social Security Number	Type (See Codes Below)	NAIC Number
Name (First, Middle, Last)		
Home Address (Street)		City
State	Zip	Birthdate (Month, Day, Year)
Agency Name		Tradename
Company Name		
Address (Street)		City
State	ZIP	Company Phone Number

ADDITIONAL NAIC NUMBERS

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APPOINTMENT TYPES

LH - LIFE AND HEALTH PC - PROPERTY AND CASUALTY TI - TITLE

COMPLETED BY AN INDIVIDUAL AUTHORIZED TO APPOINT AGENTS ON BEHALF OF THE COMPANY

THE DATE OF EXECUTION OF THE FIRST APPLICATION FOR INSURANCE SUBMITTED BY THIS AGENT IS: _____

THE COMPANY HEREBY APPOINTS THE ABOVE NAMED INDIVIDUAL AS ITS AGENT TO TRANSACT ITS AUTHORIZED BUSINESS IN THE COMMONWEALTH OF VIRGINIA.

SIGNATURE OF AUTHORIZED INDIVIDUAL	NAME (TYPED)
DATE	TITLE

SECTION 38.2-1826 OF THE CODE OF VIRGINIA REQUIRES EACH AGENT TO REPORT TO THE COMMISSION AND TO EVERY INSURER THAT HE REPRESENTS ANY CHANGE IN HIS RESIDENCE ADDRESS OR NAME WITHIN THIRTY DAYS.