

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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BULLETIN 92-1

To: All Licensees, Insurance Companies, and Interested Parties

Purpose: This bulletin provides information on the changes in the licensing system as a result of the legislative passage of HCS CSSB 376 (Judiciary).

The Division of Insurance, with support from the insurance industry, proposed and developed legislation, which has been approved by the legislature and which becomes effective July 1, 1992. The passage of HCS CSSB 376 (Judiciary) significantly improves the licensing system. License types have been combined, eliminated, and added and the license term has been changed from annual to biennial. The division has had to develop a new computer system, new license forms, and a new fee schedule to accommodate all of the changes.

Outlined below are some of the significant changes affecting all licensees in one aspect or another which are discussed in detail in this bulletin.

ALL LICENSEES

- issuance of one license (biennial license) inclusive of all types and classes of licenses held;
- license renewal procedures;
- new licensing fees;
- new license availability, including trainees;
- Third Party Administrators;
- license exemptions;
- mandatory filing requirements; and
- miscellaneous information.

INDIVIDUALS

- license renewal procedure;

- proration of fees;
- company appointments; and
- bonds.

INDIVIDUALS IN THE FIRM

- license renewal procedure;
- type of license; and
- proration of fees.

FIRMS

- license renewal procedure;
- designation of compliance officer;
- company appointments; and
- bonds.

INSURANCE COMPANIES

- company appointments

initial

renewal

ALL LICENSEES

BIENNIAL LICENSE

The new law eliminates licenses for agents, brokers, and solicitors. To incorporate

all of the new requirements and classes of licenses, all licensees will be required to renew all licenses currently held on July 1, 1992. Once the renewal requirements are met, the division will issue one license, REFLECTING A NEW LICENSE NUMBER, inclusive of all license types and classes held by a licensee. The new license will be suitable for framing so separate wall certificates will no longer be issued. The division plans to print wallet-size "license" cards in the fall.

Licenses will expire for individuals on the licensee's birthday every odd/even year, or if a firm, the firm's original date of issuance every odd/even year. For example, John Doe's birthday is July 4, 1952. His new license will expire on July 4, 1994, 1996, 1998, and so on.

LICENSE RENEWAL PROCEDURES

Each licensee will be sent a renewal notice on July 1, 1992. The renewal notice will identify your new license number, license classes, and lines for which you are currently licensed. Once all information on the renewal form is completed and submitted for processing, a single license will be issued reflecting all types and classes for which you are licensed. **If you do not wish to renew any or all of your licenses, you must surrender your license(s) to the division for voluntary cancellation.** If you do not complete the license renewal process by September 1, 1992, your license will lapse. **If your license lapses, you do not have the authority to conduct the business of insurance in Alaska.**

If a bond is required to renew your license, your renewal will not be processed until a bond is received!

Each licensee is responsible for indicating their physical address on the renewal form. This is necessary for input into the new computer system, and updating the information on file with the division.

You may reinstate a lapsed license within two (2) years from the date of expiration without having to retest. Reinstatement 1-60 days after the license lapses requires a delayed renewal penalty fee of \$100 plus the renewal fee. If over 60 days, you may still reinstate, but need to contact the division for filing instructions.

All licensees who obtained their license after April 1, 1992 will be sent a renewal notice on July 1, 1992, with no additional fees assessed. This is necessary to convert those licensees into the biennial license structure.

Fees reflected on your license renewal will incorporate the new fee schedule. This renewal fee will cover the period of time until your license expires. We have scheduled all licensees with a expiration period through December, 1992 to pay a renewal fee through 1994. Licensees whose licenses would, under the new system, normally expire after December 31, 1992, will receive another renewal notice approximately 60 days prior to license expiration.

NEW RENEWAL DATE EXAMPLES:

1. If your birthday is August 24 of an even year, your renewal fee will be based upon each license type and class held through August 24, 1994. Your renewal fee will cover two (2) years and two (2) months. Once you have completed the renewal process, your license will be renewed and issued through August 24, 1994.

2. If your birthday is February 26 of an odd year, your renewal fee will be based upon each license type and class held through February 26, 1993, prorating for a eight (8) month period of time for each license type. Once you have completed the renewal process, your license will be renewed and issued through February 26, 1993. Your next renewal notice will be mailed to you approximately 60 days before the expiration of your license for you to renew your license by February 26, 1993. When you renew in February, 1993, your license will be valid through February, 1995.

3. If you are a firm and you currently hold multiple classes of licenses, your renewal fee will be based upon each license type and class held from the first original date of issuance.

ABC Insurance was licensed as follows:

Insurance Agent - originally licensed June 1, 1970

Insurance Broker - originally licensed May 30, 1984

Surplus Lines Broker - originally licensed December 25, 1988

The firm's renewal/expiration date is June 1 every even year and the firm will be licensed as an insurance producer and surplus lines broker. Accordingly, the firm will renew its license (for both classes) through June 1, 1994, paying a renewal fee covering one (1) year, 11 months.

LICENSE FEES

Fees for producer licenses have substantially decreased with the incorporation of a biennial license.

	Individual		Individual in a Firm		Firm	
	Resident	Nonresident	Resident	Nonresident	Resident	Nonresident
Insurance Producer All Lines	\$200.00	\$400.00	\$35.00	\$50.00	\$400.00	\$800.00
Property/Casualty Lines	\$100.00	\$200.00	\$35.00	\$50.00	\$200.00	\$400.00
Life Lines	\$100.00	\$200.00	\$35.00	\$50.00	\$200.00	\$400.00
Independent Adjuster	\$50.00	\$100.00	\$35.00	\$50.00	\$100.00	\$200.00
Surplus Lines Broker	\$300.00	\$900.00	\$35.00	\$50.00	\$300.00	\$900.00
Reinsurance Intermediary Manager	\$300.00	\$900.00	\$35.00	\$50.00	\$300.00	\$900.00
Reinsurance Intermediary Broker	\$300.00	\$900.00	\$35.00	\$50.00	\$300.00	\$900.00
Third Party Administrator	\$300.00	\$900.00	\$35.00	\$50.00	\$300.00	\$900.00
Trainee Licenses						
Trainee Insurance Producer Property/ Casualty Lines	\$100.00	N/A	N/A	N/A	N/A	N/A

Trainee Independent Adjusters	\$50.00	N/A	N/A	N/A	N/A	N/A
Trainee Surplus Lines Broker	\$300.00	\$900.00	N/A	N/A	N/A	N/A
Trainee Managing General Agent All Lines	\$200.00	\$400.00	N/A	N/A	N/A	N/A
Trainee Managing General Agent Life Lines or Property/ Casualty Lines	\$100.00	\$200.00	N/A	N/A	N/A	N/A
Trainee Reinsurance Intermediary Manager any or all lines	\$300.00	\$900.00	N/A	N/A	N/A	N/A
Trainee Reinsurance Intermediary Broker any or all lines	\$300.00	\$900.00	N/A	N/A	N/A	N/A
Limited Licenses						
Bail Bond	\$50.00	N/A	\$35.00	N/A	\$100.00	N/A
Fraternal Benefit Society	\$50.00	\$100.00	\$35.00	\$50.00	\$100.00	\$200.00
Travel	N/A	N/A	\$35.00 license is only required when designated principal is not acting as Compliance Officer	N/A	\$100.00	N/A
Title	\$50.00	N/A	\$35.00	N/A	\$100.00	N/A
Limited Disability for Sports and Recreation	\$50.00	N/A	\$35.00	N/A	\$100.00	N/A
Retired Insurance Producer	\$35.00	N/A	N/A	N/A	N/A	N/A

PRORATION OF FEES

For each initial license issued to an individual, fees will be prorated. If the applicant applies within 12 months of their license renewal period, the application fee is half the amount of the biennial fee. The license renewal period is determined by the individual licensee's birth year: if odd or even, the license will renew on the individual's birthday every odd/even year.

NEW LICENSE AVAILABILITY

As noted earlier, licenses have been combined, eliminated, and replaced by new classes of licenses. Below are the changes which occurred:

<u>Previous license</u>	<u>New license</u>
Agent	Insurance Producer
Broker	Insurance Producer

Solicitor	not available--current solicitors will become insurance producers
Adjuster	Independent Adjuster
Surplus Lines Broker	Surplus Lines Broker
General Agent	Managing General Agent
not available	Reinsurance Intermediary Manager
not available	Reinsurance Intermediary Broker
<u>Trainee Licenses</u>	
not available	Trainee Insurance Producer
Trainee Adjuster	Trainee Independent Adjuster
not available	Trainee Surplus Lines Broker
not available	Trainee Managing General Agent
not available	Trainee Reinsurance Intermediary Manager
not available	Trainee Reinsurance Intermediary Broker
<u>Limited Insurance Producers</u>	
Bail Bond	Bail Bond
not available	Fraternal
Title	Title
Travel	Travel
not available	Disability-limited to sports and recreation
not available	Retired--residents only

Insurance Producers

Definition: A person who solicits, negotiates, effects, procures, or delivers a policy of insurance, or to the extent authorized by the insurer, renews, continues, or binds a policy of insurance.

- may be required to file a bond, dependent upon the relationship with the client and the insurer;

- a company appointment will not be required to obtain a license; but is required if acting as an agent on behalf of an admitted insurer within a specific time period (see Company Appointment section);

- firms licensed in this state for the last two (2) calendar years may be eligible to file, in lieu of maintaining a separate fiduciary account for premium trust funds, a deposit or surety bond, of not less than 10 percent of the eligible licensee's prior year's gross written premiums on insurance in this state.

Independent Adjusters

Definition: A person who, for compensation as an independent contractor or as an employee of an independent contractor, for fee or commission, investigates and adjusts losses or claims arising under insurance contracts on behalf of an insurer.

- clearly identifies that, to obtain a nonresident license, you must submit certification to reflect that you are licensed as an independent adjuster.

Surplus Lines Broker

Definition: A person licensed under AS 21.27 to place insurance in this state of relative to a subject resident, located, or to be performed in this state with eligible surplus lines insurers under AS 21.34.

- no longer required to hold an insurance producer license to obtain a surplus lines broker license; and

- active working experience requirement changed from three (3) years to two (2) years within the previous five (5) calendar years.

Managing General Agent

Definition: A person, firm, or corporation that

A) has authority to exercise general supervision over the business, or any part

of the business, of one or more admitted insurers; and

B) performs administrative functions normally performed by the insurer including claims administration and payment, marketing administration, agent appointment, premium accounting, premium billing, coverage verification, final underwriting authority, and certificate issuance.

- if you transact business with an Alaska domiciled insurer or you have a place of business in this state, a copy of your contract must be filed with and approved by the division at least 30 days prior to the transaction of business in this state;

- three (3) years active working experience within the previous 10 calendar years to obtain the license; and

- third party administrators will no longer be licensed as a managing general agent, but will be required to register with the Division of Insurance.

Reinsurance Intermediary Manager

Definition: A person, including an insurer, who has authority to bind or manage all or part of the assumed reinsurance business of an admitted reinsurers including the management of a separate division, department, or underwriting office, and who acts as an agent for the reinsurers

- if you transact business with an Alaska domiciled insurer or you have a place of business in this state, a copy of your contract must be filed with and approved by the division at least 30 days prior to the transaction of business in this state; and

- three (3) years active working experience within the previous 10 calendar years to obtain the license.

Reinsurance Intermediary Broker

Definition: A person who solicits, negotiates, or places reinsurance cessions or retrocessions on behalf of a ceding admitted insurer without the authority or power to bind reinsurance on behalf of the insurer.

- three (3) years active working experience within the previous 10 calendar years to obtain the license.

Trainee Licenses

A trainee license is available for individuals who do not meet the experience requirement for the specific class of license they need. The supervisor must be licensed and at the same location of the trainee and the trainee shall, at all times, be working at the direction and under the supervision of the supervisor. All file and record documentation shall reflect the direction and supervision. The supervisor is responsible for all actions of the trainee.

Trainee Insurance Producers

- property/casualty lines ONLY;

- must submit specific passing examination results after four (4) months and eight (8) months of initial licensure to maintain the license. Failure to comply will result in revocation of the license; and

- residents only.

Trainee Independent Adjusters

- must submit specific passing examination results after four (4) months and eight (8) months of initial licensure to maintain their license. Failure to comply will result in revocation of the license; and

- residents only.

Trainee surplus lines brokers, managing general agents, reinsurance intermediary managers, and reinsurance intermediary brokers may obtain the trainee license because the specified experience requirement has not been met.

- passing examination results will be required prior to the issuance of the trainee license;

- may renew the license one time;

- must hold a current Alaska insurance producer license;

- residents or nonresident may obtain the license; and

- trainee licenses will not be issued to firms. Limited Lines Licenses

- The classes of limited lines licenses have expanded. All limited licenses, except the fraternal benefit society licenses, are issued only to a **person who has its place of business in this state**; and

- Retired limited lines license will be available to residents who wish to surrender all in-force licenses to allow the person to receive a continuing commission in regard to insurance transacted before retirement. A retired insurance producer may not solicit, induce, negotiate, or effectuate contracts of insurance while licensed as a retired insurance producer.

Third Party Administrators

Third Party Administrators will no longer be licensed as a general agent (managing general agent).

Third Party Administrators will be required to become registered with the State of Alaska. Notification will be sent to all current general agents to confirm their license status.

LICENSE EXEMPTIONS

Exemption from licensure may apply if one:

- is a salaried employee of an insurance company;
- is an insurance company staff adjuster;
- is employed on a salary or hourly wage by a person licensed under this section solely for the performance of accounting, clerical, stenographic, and similar office duties;
- secures and forwards information required for the purposes of group insurance covering the unpaid balance, or remaining payments proposed to be made, in connection with the purchase of merchandise or services, if the person receives no compensation, directly or indirectly; or
- is employed on salary by a licensee at the licensee's place of business, supervised and reporting directly to a licensee in the firm, and -who, after explaining the matter must be reviewed by a licensee, may:
 - furnish premium estimates from published or printed lists of standard rates if the person does not advise, counsel, or suggest what coverage may be needed, or otherwise solicit insurance coverage;
 - arranges appointments for a licensee if the person does not solicit insurance coverage;
 - records information from an applicant or policyholder and completes for the licensee's personal review and signature a Certificate of Insurance that is not a contract of insurance; the licensee's signature may be by facsimile;
 - informs the policyholder of the type of coverage shown in the licensee's policy record if the person does not advise that an event or hypothetical event is or is not covered; or
 - in the physical presence of the licensee, record information from an applicant or policyholder and complete for a licensee's personal review and personal signature, applications, binders, endorsements, or identification cards if the person discloses to the applicant or policyholder that the applicant or policyholder may review the matter with a licensee.

MANDATORY FILING REQUIREMENTS

Licenses are required to notify the division by certified mail, within 30 days of any of the following occurrences:

- a change in employment licensed under AS 21.27;
- a change in residence;

a change in place of business;

a change in phone number;

a change in name as reflected on license;

a change in mailing address;

a change in compliance officer;

suspension or revocation of a license by another state or jurisdiction; and conviction of a felony or misdemeanor.

TESTING

If an applicant has passed an insurance examination prior to July 1, 1992, and your scores have not yet expired, (Alaska Regulation 3 AAC 23.070 states that an examination score is valid for one (1) year from the date of the examination) the applicant may submit those scores to obtain either an insurance producer, surplus lines, or adjuster license.

Examinations relative to the new law will be implemented for the July 11, 1992 examinations. The division has developed new tests for the managing general agent, reinsurance intermediary managers, and reinsurance intermediary brokers. Revisions to the existing life/disability, property/casualty, adjuster, and surplus lines examinations have incorporated the changes which the new law required.

GRANDFATHER PROVISIONS

A currently existing trainee adjuster license will continue in force until the designated expiration date on the license (one (1) year from initial date of issue).

All currently licensed solicitors will be converted to an insurance producer, with no additional examination scores required for the upgrade.

If you are currently licensed as a general agent, your license will be issued as a managing general agent, or you may be registered as a third party administrator, once additional information has been filed to be in compliance with the new statutes. A letter will be sent to all general agents to determine if they wish to maintain that type of license.

Licenses can be obtained as an individual, individual in the firm, or firm.

INDIVIDUAL LICENSE

Definitions: Individual means "an individual who does not act in association with

two or more licensees, either in a partnership, corporation, or otherwise, or an organization in which a single licensee has 50 percent or more ownership interest in the organization."

License Renewal Procedure

A bond in the amount of \$10,000 or greater based upon retaliatory provisions will be required to be filed with your **RENEWAL if you are:**

- not acting solely as an agent on behalf of admitted insurers; or
- receiving money required to be received in the fiduciary account of the licensee; or
- acting as a broker; or
- a firm previously covered by a bond filed with another licensed location of the firm; or
- not a surplus lines broker.

Proration of Fees

For each initial license issued to an individual, fees will be prorated. If the applicant applies within 12 months of their license renewal period, the application fee is half the amount of the biennial fee. The license renewal period is determined by the individual licensee's birth year, whether odd or even, the license will renew on the individual's birthday every odd/even year.

Company Appointments

Appointments will only be required to be filed and approved by the division if a licensee is acting as an agent on behalf of an admitted insurer. Appointments will be required for:

- insurance producers;
- managing general agents; and
- reinsurance intermediary managers.

It will be the responsibility of each licensee to be in compliance with Alaska Statutes. It will no longer be mandatory to file a company appointment prior to issuance of the license.

Appointments must be filed either:

- 10 days prior to the proposed effective date;
- no later than 30 days from the date the written agency contract is executed; or

- 30 days from the date the first insurance application is submitted to the insurer/reinsurer by the licensed producer.

If the appointee has not received written confirmation of the appointment from the Division of Insurance within 45 days from the date the written agency contract is executed **OR** the first insurance application is submitted to the insurer/reinsurer, whichever is greater, the appointee must discontinue acting as an insurance producer, managing general agent, or reinsurance intermediary manager for that insurer until the confirmation of appointment has been received.

INDIVIDUAL IN THE FIRM LICENSE

Definition: Individual in the firm is "an individual who is employed by a firm."

License Renewal Procedure

An individual in the firm licensee must have the renewal notice signed by each principal of the firm(s) with which the licensee is affiliated with before the license will be renewed.

Type of License

Because the law requires an individual associated with or working on behalf of a firm to obtain the mandatory individual working in the **firm** license, Bulletin 91-3 is withdrawn.

Proration of Fees

For each initial license issued to an individual, fees will be prorated. If the applicant applies within 12 months of their license renewal period, the application fee is half the amount of the biennial fee. The license renewal period is determined by the individual licensee's birth year, if odd or even, the license will renew on the individual's birthday every odd/even year.

FIRM

Definition: Firm "an organization of two or more licensees acting in association with each other, either in a partnership, corporation, or otherwise, or an organization in which a single licensee has less than 50 percent ownership interest in the organization." Your renewal will specifically address the following:

License Renewal Procedure

The renewal will specifically address the following:

Whether a bond may be required, a bond in the amount of \$10,000 or greater, based upon retaliatory provisions, will be required to be filed with the **RENEWAL if the firm is:**

- not acting solely as an agent on behalf of admitted insurers; or

- receiving money required to be received in the fiduciary account of the licensee; or
- acting as a broker; or
- a firm previously covered by a bond filed with another licensed location of the firm; or
- not a surplus lines broker. Surplus lines brokers still are required to file and maintain a \$200,000 bond.

Designation of Compliance Officer

A new requirement will require designation of a compliance officer.

The compliance officer must be an individual who is Alaska licensed and responsible for the firm's compliance with the insurance statutes and regulations of this state.

Company Appointments

Appointments will only be required to be filed and approved by the division if a licensee is acting as an agent on behalf of an admitted insurer. Appointments will be required for:

- insurance producers;
- managing general agents; and
- reinsurance intermediary managers.

It will be the responsibility of each licensee to be in compliance with Alaska Statutes. It will no longer be mandatory to file a company appointment prior to issuance of the license.

Appointments must be filed either:

- 10 days prior to the proposed effective date; or
- no later than 30 days from the date the written agency contract is executed; or
- 30 days from the date the first insurance application is submitted to the insurer/reinsurer by the licensed producer.

If the appointee has not received written confirmation of the appointment from the Division of Insurance within 45 days from the date the written agency contract is executed **OR** the first insurance application is submitted to the insurer/reinsurer, whichever is greater, the appointee must discontinue acting as an insurance producer, managing general agent, or reinsurance intermediary manager for that insurer until the confirmation of appointment has been received.

Bonds

A bond may be required to be filed in the amount of \$10,000 or greater, based upon retaliatory provisions, if the firm is:

- not acting solely as an agent on behalf of an admitted insurer;
- receiving money required to be received in the fiduciary account;
- acting as a broker; or
- a firm previously covered by a bond filed with another licensed location of your firm.

Bonds filed through the main office of a firm licensee will no longer extend to branch licensee locations.

Firms may file one bond inclusive of all sureties required.

The principal or manager of the firm or the compliance officer is also responsible for notifying the division of any changes.

Failure to provide the required notification will result in a penalty assessment and may result in suspension, revocation, or non-renewal of your license:

- **\$50 if 1-60 days late;**
- **\$100 if 61-120 days late; and**
- **\$200 if 121 or more days late.**

Each firm must designate either a principal (owner, officer, director, or partner of the firm/corporation) or manager for each location.

Both the principal or manager of the firm and the compliance officer will be responsible for the actions of the firm. The compliance officer will ultimately be the individual responsible for firm's compliance with the statutes and regulations of the State of Alaska.

Definitions:

PRINCIPAL: Sole proprietor, partner, owner, or officer of a firm who is licensed as an individual in the firm and is designated by the firm to be responsible for the firm's operations and the firm's compliance with insurance laws and regulations.

MANAGER: The individual in the firm who is designated by the **firm** to be responsible for the firm's operations and the firm's compliance with insurance laws and regulations at the place of business in which the manager principally works.

COMPLIANCE OFFICER: A licensed officer or partner responsible for the firm's compliance with insurance statutes and regulations.

INSURANCE COMPANIES

Company Appointments

Appointments will only be required to be filed and approved by the division if a licensee is acting as an agent on behalf of an admitted insurer. Appointments will be required for:

- insurance producers;
- managing general agents; and
- reinsurance intermediary managers.

It will be the responsibility of each licensee to be in compliance with Alaska Statutes. It will no longer be mandatory to file a company appointment prior to issuance of the license.

Appointments must be filed either:

- 10 days prior to the proposed effective date;
- no later than 30 days from the date the written agency contract is executed; or
- 30 days from the date the first insurance application is submitted to the insurer/reinsurer by the licensed producer.

If the appointee has not received written confirmation of the appointment from the Division of Insurance within 45 days from the date the written agency contract is executed **OR** the first insurance application is submitted to the insurer/reinsurer, whichever is greater, the appointee must discontinue acting as an insurance producer, managing general agent, or reinsurance intermediary manager for that insurer until the confirmation of appointment has been received.

Company Appointment Renewals

Previously, company appointments were required to be renewed by July 1, annually. The statute now requires that companies renew their appointments for the year through December 31 by March 1 of the following year. **Current company appointments will be extended until December 31, 1992. Renewals for those company appointments will be required in January, 1993, and will be due on March 1, 1993.**

FORMS

Applications and other forms received after June 1, 1992, will be considered obsolete unless the new revised forms are filed. We will be able to supply up to 25 copies of forms. You may

duplicate these forms using the appropriately colored paper to avoid delays while waiting for new form supplies. Applications and other forms may be obtained by including a self-addressed stamped envelope to:

Anchorage Office:

Dimond Center
800 East Dimond Blvd., Ste. 560
Anchorage, AK 99515
(907) 349-1230

Juneau Office:

333 Willoughby Avenue
State Office Building
9th Floor
P.O. Box 110805
Juneau, AK 99811-0805
(907) 465-2515

To accommodate the numerous changes the division needs to implement, a transition period will occur. All applications received after June 1, 1992, will be returned if the new application and other forms are not filed with the division. Most processing will not occur immediately. There will be a transition period to adjust to all changes in order to implement the new license requirements.

Because of the numerous major changes, the division appreciates your patience during this period of conversion and are confident that the legislation enacted will allow us to assist you in a more timely manner in the near future.



David J. Walsh, Director
Division of Insurance