



Field
Update



June 25, 2010

New Alabama licensing and appointment requirements

Recently, the Alabama Department of Insurance (DOI) issued [Bulletin No. 2010-06](#), addressing licensing and appointment requirements in Alabama. In the Bulletin, the DOI interprets Alabama insurance law to require that a business entity be licensed and appointed if the entity "receives payment of commissions . . . from an insurer relating to the solicitation, negotiation, or sale of insurance." The Bulletin essentially requires that any party receiving a commission associated with an insurance policy sold in Alabama must be licensed and appointed in the state. **The DOI requires compliance with the Bulletin by July 1, 2010.**

Aviva USA, along with others within the insurance industry, have voiced concerns to the DOI regarding its interpretation of Alabama law and the short timeframe for compliance with the requirements. The DOI, however, is unwilling to extend the Bulletin's implementation date, and the Company and others have been unable to clarify the precise scenarios when a business entity or individual must be licensed and appointed in Alabama. Because of the uncertainty about the licensing requirements, **the Company has adopted a requirement that any individual or business entity receiving a commission associated with the sale of a policy in Alabama must be licensed and appointed in Alabama.**

The Company already has contacted several business entities and distribution partners immediately affected by the Bulletin to assist them in the licensing and appointment process in Alabama. If you are an individual or distribution partner who may in the future receive a commission on the sale of an Alabama policy and are not licensed or appointed in Alabama, we encourage you to expedite your licensing requirements by working with a vendor such as the **CENTRAL LICENSING BUREAU (CLB)** which can be contacted at the following web site: <http://www.centrallicensingbureau.com/>. Based upon Alabama law, business entities also may have to obtain a certificate of authority or register with Alabama's Secretary of State. CLB can assist with the Secretary of State registration requirements. You may contact CLB by emailing either Janet Lybrand at jflybrand@centrallicensingbureau.com or Bill Woodyard at bwoodyard@centrallicensingbureau.com.

Once you receive your license in Alabama, please fax it to Aviva USA's Licensing Department at 800-531-0038 to complete the appointment process. Be sure to provide your Aviva agent code when you submit your Alabama license. You should be aware that the Company currently is working to identify any other individuals or entities who now will be required to maintain a license and appointment in Alabama, as well as other processes to ensure all parties receiving a commission on the sale of an Alabama policy are licensed and appointed prior to issuance of a policy. You will receive a call from us if you are affected by the Company's new requirements in Alabama.

If you have any questions about this Field Update or Bulletin No. 2010-06, or how to get your license in Alabama, please contact your sales support team. If you have questions about the licensing and appointment process once you have obtained your license, please contact Agency Services at 800-800-9882, ext. 4453.



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BULLETIN NO. 2010-06

TO: All admitted insurers

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: May 17, 2010

EFFECTIVE: Immediately for compliance by July 1, 2010

RE: Licensing and appointment requirements – business entity insurance producers

This Bulletin advises admitted insurers and Alabama insurance producers of the statutory requirements relating to licensing and appointment set forth in the Alabama Insurance Code [Ala. Code Tit. 27] as applicable to business entity producers.

1. A business entity is defined as “[a] corporation, association, partnership, limited liability company, limited liability partnership, or other legal entity” [Ala. Code § 27-7-1(1)]. Under this definition, one or more individuals merely “doing business” under a trade name on a non-partnership basis – a sole proprietorship, for example – is not a “business entity.” Whether a form of business organization is a “business entity” does not necessarily depend on the existence of a Federal Employer Identification Number (“FEIN”).

2. **A business entity acting as an insurance producer – that is, the entity engages in the solicitation, negotiation, or sale of insurance – must be licensed as an entity insurance producer with appropriate line(s) of authority [Ala. Code § 27-7-5(b)].** An entity is acting as an insurance producer if its principal business is the offering of insurance products through individual employees or contractors involved in the solicitation, negotiation, or sale of insurance and/or the entity receives payment of commissions, service fees, brokerage fees or payments, or other valuable consideration from an insurer relating to the solicitation, negotiation, or sale of insurance.

3. The requirement for a business entity producer license is not satisfied by individual licensing of entity officers or employees. By the same token, a business entity license does not relieve an individual employee or contractor actually involved in the solicitation, negotiation, or sale of insurance from the legal requirement of having an individual producer license qualified in the appropriate line(s) of authority.

4. Business entity licensing must be processed through the National Insurance Producer Registry on-line process accessible from the Department's web-site (www.aldoi.gov) or a NIPRSM authorized business partner.

5. **In addition to its entity producer license, a business entity must hold an appointment from each insurer for which the entity acts.** This appointment is distinct from insurer appointments of the entity's individual employees or contractors and is not satisfied by individual appointments of employees or contractors. Individual employees or contractors acting for an insurer must have an individual insurer appointment.

6. **The insurer is responsible for processing business entity appointments, renewals, and terminations, and for otherwise verifying that business entity producers are properly appointed.** Appointments must be made and terminated through the National Insurance Producer Registry's on-line process, accessible from the Department's web-site, or a NIPRSM authorized business partner.

7. Foreign business entities are reminded of the legal requirements that, before transacting business in Alabama, they obtain a certificate of authority (in the case of foreign corporations) or register (in the case of foreign limited liability companies, foreign registered limited liability partnerships, and foreign limited partnerships) through the office of the Alabama Secretary of State. Information about the qualification and registration process is available in the "Business Services" portion of the Secretary of State's web-site [www.sos.state.al.us].

8. **All business entity producers must be licensed and appointed in accordance with the statutory requirements discussed in this Bulletin not later than July 1, 2010.** The Alabama Insurance Code provides that an insurer's acceptance of business directly from a person not licensed for that line of authority and not appointed by the insurer subjects the insurer to a fine up to three times the premium received [Ala. Code § 27-7-4(a)].