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November 29, 1973

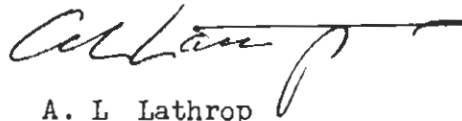
NO. 334

BULLETIN TO ALL MEMBERS:

RE: Insurance Department Bulletin No. 73-15
Issuance of Licenses to Agents and Brokers -
EDP System

As requested by the Insurance Department, we are distributing this Bulletin to all members of the Association.

We believe that you will find the Bulletin self explanatory, and we hope that the problems of the Department in converting to an electronic data processing system will soon be solved.



A. L. Lathrop
Manager

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE

BULLETIN NO. 73-15

November 23, 1973

TO: ALL ADMITTED INSURANCE COMPANIES AND TO CALIFORNIA
AGENTS AND BROKERS ASSOCIATIONS

SUBJECT: ISSUANCE OF LICENSES TO AGENTS AND BROKERS -
EDP SYSTEM

It is requested that insurance companies receiving this Bulletin reproduce and distribute it immediately to all their home office agency personnel and to California branch offices and general agencies. Agents and brokers associations and insurance company trade associations are also requested to immediately distribute this Bulletin to their members. All persons engaged in recruiting or appointing new agents should be made aware of the contents of this Bulletin as soon as possible.

This Department has, for many years, sought to automate its records of agents and brokers licenses. With the cooperation of the appropriate branches of the government of this State, this Department has succeeded in obtaining an EDP system for this purpose. The records, formerly contained on more than 325,000 type-written cards, are currently being converted to a computer system. The Agents and Brokers License Division staff is adjusting from manually typewritten records to completing electronic data processing coding forms and learning how to input data into a computer. Those of you familiar with implementing an EDP system have personal knowledge of the problems encountered in implementing a new EDP system. While the employees are adjusting to and learning the complexities of this new EDP system, there have been and will be delays in issuing licenses and other items related to licensing functions. The Department is attempting to eliminate such delays.

Until further notice from this Department, in order to permit companies and producers without undue delay to continue to transact insurance during this temporary backlog situation of unknown duration, the following action has been taken by me as a temporary expedient until further notice:

-OVER-

1. Upon receipt of an application for a certificate of convenience, a certificate of convenience will be issued and mailed immediately without checking either the licensing records of the Department or the accuracy and completeness of the statements in the application.

A certificate of convenience so issued will be subject to being summarily terminated by this Department if upon review of an application it is determined that a material misstatement or material defect exists which would have prevented such issuance. If a less serious defect exists, and it is not cured within 10 days of the mailing of a deficiency notice to the applicant, the Certificate of Convenience will also be summarily terminated.

2. Notices of appointment and termination of agents will not be recorded and mailed to appointing insurers and producers until the new EDP system becomes completely operational. Until further notice from this Department, an insurer may assume that a person known by the insurer to possess a current license authorizing him to act in the capacity shown in the notice of appointment may be considered by the insurance company to have become the insurer's agent five calendar days after mailing, in triplicate, a properly completed appointment form, together with the appropriate filing fees, to the San Francisco office of this Department. Termination notices will be effective in like manner; however, no filing fee is required for termination notices.

In connection with appointment notices filed as in "2" above, it will be assumed that:

1. The insurer has had a responsible representative verify that the appointee has a valid license by inspection of the license.
2. The name of the licensee appears on the notice of appointment in the exact way it appears on the license, and the license number is secured from the license as a positive identifier.
3. The notice is signed in triplicate by an authorized representative of the appointing insurer.
4. The appropriate fee for an appointment accompanies the notice of appointment.

The Department will, as and when time permits, record agency appointments and terminations of appointment, advise of discrepancies, and send copies of valid appointment and termination forms to the appropriate parties.

TELEPHONE CALLS AND OTHER INQUIRIES

The practice of telephoning this Department to obtain information concerning license status has been overused. For example, it has reached the point where approximately 50 man-hours per day are required to answer telephone questions concerning the status of specific applications, agency appointments and licenses. These man-hours should and will be used in processing documents.

During the past license year, 108,039 licenses were issued and renewed. Notices of appointment and termination filed aggregated 199,113. In order to make employees available to handle a work volume of this size, and to work on the current backlog, the License Division, for the time being, will not respond to any inquiries concerning specific applications in process, appointments or terminations filed, nor answer questions concerning the status of licenses. This applies to former inquiries made by correspondence as well as future ones, telephone inquiries and those made by personal office visitations. All available licensing personnel will, until further notice, be involved in establishing the new EDP system and eliminating the present backlog.

It is recognized that license status information must be disseminated under certain circumstances. This information will be furnished in cases such as litigation, law enforcement and the licensing of present and former California resident licensees in other states.

Your attention is directed to California Insurance Code Section 1712 which prescribes instances where a person or entity may continue to transact insurance under an existing license in either a different capacity or as a different organization or entity. The requirements are:

1. No additional license examination is required.
2. No substantial change in ownership and no change in control of the licensed insurance business has occurred.
3. Within thirty days following such change the person or successor partnership, association or corporation has filed proper application for an appropriate license and has paid the lawful fees therefor.

Many insurers request license numbers from such new persons or organizations before accepting business from them. Such numbers will not be available until the new licenses have been issued. An insurer having in its file evidence of former licensing together with a statement from the new person or successor organization as set forth in the three items enumerated in the preceding paragraph, may accept business from, and pay commissions to, such persons or entities.


GLEESON L. PAYNE
Insurance Commissioner