

**WEST VIRGINIA
SECRETARY OF STATE
JOE MANCHIN, III
ADMINISTRATIVE LAW DIVISION**

Do Not Mark In This Box

FILED

2004 APR 16 A 10:24

OFFICE WEST VIRGINIA
SECRETARY OF STATE

Form #6

**NOTICE OF FINAL FILING AND ADOPTION OF A LEGISLATIVE RULE AUTHORIZED
BY THE WEST VIRGINIA LEGISLATURE**

AGENCY: Insurance Commissioner TITLE NUMBER: 114

AMENDMENT TO AN EXISTING RULE: YES NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: 2

TITLE OF RULE BEING AMENDED: Licensing and Conduct of Individual Insurance
Producers, Agencies and Solicitors

IF NO, SERIES NUMBER OF RULE BEING PROPOSED: _____

TITLE OF RULE BEING PROPOSED: _____

THE ABOVE RULE HAS BEEN AUTHORIZED BY THE WEST VIRGINIA LEGISLATURE.

AUTHORIZATION IS CITED IN (house or senate bill number) H.B. 4217

SECTION 64-7-2(a), PASSED ON March 12, 2004

THIS RULE IS FILED WITH THE SECRETARY OF STATE. THIS RULE BECOMES EFFECTIVE ON THE
FOLLOWING DATE: April 16, 2004


Authorized Signature

PROMULGATION HISTORY

WEST VIRGINIA INSURANCE COMMISSION

TITLE

LICENSING AND CONDUCT OF INDIVIDUAL INSURANCE PRODUCERS, AGENCIES
AND SOLICITORS

TITLE 114, SERIES 2

5/28/03	Notice of Comment Period Filed
6/27/03	Last Date Comments Were Received
7/29/03	Agency Approved Legislative Rule Filed
11/18/03	Date Reviewed by Legislative Rule-Making Review Committee
4/16/04	Filing Date
4/16/04	Effective Date

114CSR2

FILED

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

2004 APR 16 A 10: 25

SERIES 2

OFFICE WEST VIRGINIA
SECRETARY OF STATE

LICENSING AND CONDUCT OF
INDIVIDUAL INSURANCE PRODUCERS, AGENCIES AND SOLICITORS

§114-2-1. General.

1.1. Scope. -- This regulation establishes the general requirements and practices of agents, brokers and solicitors.

1.2. Authority. -- W. Va. Code §33-2-10.

1.3. Filing Date. -- April 16, 2004.

1.4. Effective Date. -- April 16, 2004.

§114-2-2. Requirements for Licensing.

2.1. Trustworthiness. -- Insurers making requisitions for individual insurance producers' licenses shall make an investigation as to the suitability of the appointee for the individual insurance producer's license. The requisitioning company shall, prior to submitting the requisition to this office, satisfy itself that the appointee is a suitable person and is trustworthy and qualified to act as its individual insurance producer. The Insurance Commissioner may, at any time, direct the requisitioning company to furnish proof that the company has made the investigation and that the investigation was made prior to the execution of the requisition.

2.2. Competency. -- The competency of persons applying to the Insurance Commissioner for an individual insurance producer's license shall be determined by examination with the exception of those persons qualifying under subsection 2.3 of this rule.

2.3. Waiver of examination. -- The Insurance Commissioner will not require an examination as proof of competency for those persons applying to this office for an individual insurance producer's license if such person holds the designation of Chartered Life Underwriter or Chartered Property Casualty Underwriter, the person is currently licensed as a resident and in good standing in his or her home state and otherwise meets the requirements of W. Va. Code §33-12-14(a), or if such person has satisfied the Insurance Commissioner as to his competency in insurance.

2.4. Reexamination - automobile lines. -- All individual insurance producers, except those who qualify under subsection 2.3 of these rules, presently licensed by this office to sell casualty lines

or automobile lines must be reexamined by this office to maintain such license if all of the following conditions exist:

a. The individual insurance producer is appointed by a company qualified to write automobile liability insurance, and

b. The individual insurance producer has been licensed to write automobile liability insurance for a period of five (5) years prior to the appointment described in subdivision a herein, and

c. The individual insurance producer has not, in fact, for a period of five (5) years prior to the appointment referred to in subdivision a herein, actively represented a company qualified to write automobile liability insurance.

The phrase "qualified to write automobile liability insurance" means all licensed casualty companies who have had approved by this office the necessary rate and form filings for automobile liability insurance.

2.5. Reexamination -- miscellaneous casualty lines. -- All individual insurance producers, except those who qualify under subsection 2.3 of these rules, presently licensed by this office to sell miscellaneous casualty lines of insurance must be reexamined by this office to maintain such license if all of the following conditions exist:

a. The individual insurance producer is appointed by a company qualified to write miscellaneous casualty insurance, and

b. The individual insurance producer has been licensed to write miscellaneous casualty insurance for a period of five (5) years prior to the appointment described in subdivision a herein, and

c. The individual insurance producer has not, in fact, for a period of five (5) years prior to the appointment referred to in subdivision a herein, actively represented a company qualified to write miscellaneous casualty insurance.

The phrase "qualified to write miscellaneous casualty insurance" means all licensed casualty companies who have had approved by this office the necessary rate and form filings for miscellaneous casualty insurance.

2.6. Repeating examinations. -- All persons having taken the examination as required by subsections 2.2, 2.4 and 2.5 of these rules, may repeat any examination after the first failure on the next scheduled date; after the second failure he or she must wait thirty (30) days; after the third failure or subsequent failure he or she must wait ninety (90) days.

§114-2-3. Requirements for Licensing Insurance Agencies.

3.1. Each agency, as defined in W. Va. Code §33-12-2(e), as amended, shall file an application with the commissioner for an agency insurance producer license on a form provided by this office. This requirement applies to each corporation, partnership, limited liability company, or other business entity in which more than one person has an interest or which operates under a corporate or trade name. The requirement for an agency insurance producer license does not apply to any sole proprietors or partnerships in which there is only one licensed individual producer, so long as no other individual or agency insurance producer has any interest in, or affiliation with, the business of the individual insurance producer or his or her agency.

3.2. The insurance commissioner may refuse to grant a license to act as an agency insurance producer proposing to do business under a name which is likely to deceive or mislead the public in this state.

3.3. No agency insurance producer may be licensed in West Virginia which has or uses a name so similar to that of any agency insurance producer already so licensed as to cause uncertainty or confusion; except that in case of conflict of names between two agency insurance producers the commissioner may permit or require the newly licensed agency insurance producer to use in West Virginia a trade name that is reasonably necessary to avoid such conflict.

3.4. No license shall be issued in a trade name except upon proof satisfactory to the commissioner that the trade name has been lawfully registered.

3.5. Foreign corporations, limited partnerships and any other entities required by law to be registered with the Secretary of State must be so registered before a license will be issued.

3.6 Each application shall be accompanied by the fee required by W. Va. Code §33-12-10. Each insurer is required to notify every agency affiliated with the insurer of its responsibility to file an agency insurance producer application and to pay the required fee. No agency is required to obtain more than one agency insurance producer license regardless of the number of insurers it represents, but all insurers then represented must be identified in the application. When an agency ceases to have a stockholder, officer, director, member, employee or associate possessing a current individual insurance producer's license, the agency insurance producer license shall be considered terminated. The agency insurance producer shall surrender the terminated agency insurance producer license for cancellation not more than thirty (30) days after the last person to hold the individual insurance producer license ceased affiliation with the agency or was no longer so licensed.

3.7. A domestic insurance agency must be organized pursuant to the laws of this state and must maintain its principal place of business in this state.

3.8. Every business entity transacting insurance must be licensed as an agency insurance producer. For purposes of this section:

a. "Insurance" means all products defined or regulated by the State of West Virginia except: (i) Limited lines insurance as defined in W. Va. Code §33-12-2(i) and (k); (ii) insurance placed by a lender in connection with collateral pledged for a loan when the debtor breaches the

contractual obligation to provide this insurance; and (iii) private mortgage insurance.

b. "Transaction of insurance" means any of the following acts in this state effected by mail or otherwise considered to constitute the transaction of an insurance business in or from this state:

1. The making of or proposing to make an insurance contract;
2. The making of or proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety;
3. The taking or receiving of an application for insurance;
4. The receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration required for obtaining or renewing insurance;
5. The issuance or delivery in this state of certificates or contracts of insurance to residents of this state or to persons authorized to do business in this state;
6. The solicitation, negotiation, procurement or effectuation of insurance or renewals thereof;
7. The dissemination of information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or inspection of risks, the fixing of rates or investigation or adjustment of claims or losses or the transaction of matters subsequent to effectuation of the contract and arising out of it, or any other manner of representing or assisting a person or insurer in the transaction of insurance with respect to any risk or exposure located or to be performed in this state;
8. The transaction of any kind of insurance business specifically recognized as transacting an insurance business within the meaning of the statutes relating to insurance;
9. The offering of insurance or the transacting of insurance business; or
10. Offering an agreement or contract which purports to alter, amend or void coverage of an insurance contract.

3.9. The licensee shall notify the commissioner of all changes in status among its members, directors, and officers, and all other individuals designated in the application within ten (10) days after the change.

3.10. No individual whose individual insurance producer license has been revoked by order of the commissioner or whose application for a license may be denied pursuant to W. Va. Code §33-12-24, nor any business entity in which such individual has a majority ownership interest, whether

direct or indirect, may own any interest in any agency licensed under this section.

3.11. No individual insurance producer whose license has been revoked by order of the commissioner or whose application for a license may be denied pursuant to W. Va. Code §33-12-24, may be employed by an insurance agency in any position that involves the transaction of insurance.

3.12. The provisions of this section shall become effective on July 1, 2003.

§114-2-4. Commissions.

4.1. Commission Sharing

An individual insurance producer may pay a commission for or on account of the solicitation or negotiation in this state of insurance on property or risks in this state only to another licensed individual insurance producer appointed by the insurer with which such insurance was placed.

4.2. Any licensee who accepts any commission or compensation from the sale of a policy issued by an insurer who has not appointed the licensee is subject to the penalties prescribed by W. Va. Code §33-12-24.

§114-2-5. Switching.

5.1. No person that owns or is affiliated with an insurance agency or individual insurance producer may require, as a condition precedent to making a loan, that the borrower cancel insurance and purchase new insurance with the individual insurance producer or with an agency insurance producer with which the person is affiliated.

5.2. Any individual insurance producer who, directly or indirectly, or by subterfuge or artifice aids, abets or participates in violating this section is subject to the penalties prescribed by W. Va. Code §33-12-24.

5.3. The act of any person, that owns or is affiliated with an insurance agency or individual insurance producer, in making a loan in violation of this section, will be considered to be the act of the individual insurance producer or agency insurance producer with which the person making the loan is affiliated. The individual insurance producer or agency insurance producer will be held strictly accountable for the acts of a person who is affiliated with the individual insurance producer or agency insurance producer and who makes a loan in violation of this section.

5.4. Any insurance company licensed under the laws of West Virginia that accepts business from an insurance producer, which it knows or reasonably should know to have violated this rule is subject to the penalties prescribed by W. Va. Code §33-3-11.

§114-2-6. Referrals.

6.1. A person who is not licensed to sell insurance may refer a customer who seeks to

purchase or seeks an opinion or advice on any insurance product to, or provide the phone number of, a person who sells or provides opinions or advice on such product, only if the person making the referral receives no fee or only a nominal fee for the referral and such fee is not based on the customer's application for or purchase of the insurance product.

6.2. Any individual insurance producer or agency insurance producer licensed under the laws of West Virginia who violates this rule is subject to the penalties prescribed by W. Va. Code §33-12-24.