



Agency Office Compliance Tracking for Carriers: Principal vs. Branch Location

WHITEPAPER



Tracking branch offices

Carriers have addressed state compliance requirements for tracking and managing agency branch locations in two different ways. The first scenario establishes branch locations and tracks producer credentials — including licenses and appointments — at the branch location level. For the second scenario, carriers track all agency and producer credentials at a central agency record, tracking the location and licenses as part of the record. The differences between these two approaches point to internal interpretations of the compliance requirements, associated risk tolerance, internal system, and process requirements.

In order to assist the carrier in their decision making, Vertafore offers insights on state regulations and audits. Market conduct exams still primarily focus on ensuring that the proper licenses and appointments are in place to support new business and other related business practices (such as claims and underwriting). Across our experience and query with several firms, there are no known cases of market conduct activity on branch locations.

According to the SILA Best Practices Handbook, 14 state jurisdictions require tracking of branch locations:

- CA
- FL
- GA
- KS
- LA
- ME
- MI
- MO
- NV
- NJ
- NY
- OK
- OR
- WA

Of those states, Georgia, Kansas, Nevada, New York, Oregon and Washington are the most specific on the requirements and approach.

Vertafore works with and monitors state changes to branch office requirements and many other topics. Because many of the changes require legislative action and are dependent on the legislative schedule, states typically communicate changes as they occur. Vertafore and SILA will continue to monitor for these changes, make appropriate updates, and communicate when changes are identified.

Direct review with one state suggests that tracking by location is redundant to tracking agency and producer data elements. Monitoring additional locations is only for enforcement to identify the location, which is already available through other means.

However, legislation to eliminate the tracking of locations has not had sufficient traction to suggest that the requirement will be eliminated in the foreseeable future.

If you have questions about specific regulations and/or how they might apply to you and your business, please consult a licensed attorney in your jurisdiction.

¹SILA Best Practices Handbook, Feb. 2020, www.sila.org

Vertafore has analyzed the trade-offs between tracking at a principal agency level versus tracking by branch location. Consider the following as part of your decision making process.

Tracking at principal	Issues	Tracking at branch location
<p>Aligning an agency and all producers under one code would alleviate the complexity of onboarding to some extent. However, that negatively impacts other areas, specifically the branch data syncing and license validation processes.</p>	<p>Onboarding considerations</p>	<p>For many agencies with no additional locations, the process will work seamlessly to contract, upload agents, create profiles, and sync. In electronic onboarding and data collection of larger firms with multiple locations, manual effort may be needed to establish the firm Master/Sub producer alignment. You will need to review case by case to understand what requirements need to be addressed. Unless a standard is applied, it may require manual work.</p>
<p>Allows all producers to be managed in a central location under a single location code. Manual tracking of agency location licensing would be required.</p>	<p>Agency coding considerations</p>	<p>Requires each location to have a separate location code as a unique identifier. We suggest using a master code and a suffix to create easily identifiable sub codes, such as:</p> <p>Master code: 1234 Suffix: 01 Sub code: 1234-01</p>
<p>System access controls and logic need to be reviewed to ensure that other systems or processes are not negatively impacted due to combining all agents into a central master agency.</p>	<p>Web portal access considerations</p>	<p>Your control and access environment should be reviewed for potential impact. In one carrier's example, the logic for electronic system access is controlled at the location level. As a result, business is tracked at that location. When an agent moves to another location, the login credentials and associated business need to be changed to maintain the integrity of sales reporting and alignment of the producer roster.</p>

Tracking at principal	Issues	Tracking at branch location
<p>License validation may be negatively impacted where the master agency does not have the local state license where a branch location does.</p> <p>New business automation validation failures may occur and require manual review to determine compliance and manual overrides to process.</p>	<p>New business and license validation</p>	<p>License validation automation is more effective in reviewing the producer and associated agency location licensure for compliance on new business submissions.</p> <p>There is a functional impact to validation wherein the process first checks the agent, then checks the upline agency location. If the agency does not hold the state license and appointment at the location level, the system will flag the validation error and require manual review of the upline licensure.</p>
<p>Will force review to determine how to manage the sync and compliance activity for the branch locations.</p> <p>Some carriers who have opted for tracking at the master level perform manual reviews of the location licensing.</p>	<p>Firm maintenance and sync considerations</p>	<p>Producer Database (PDB) syncs at the location level.</p> <p>Producer rosters would change at points in time by the agency.</p> <p>Sync whole family at once.</p> <p>Tracking is manual for Designated Licensed Responsible Persons (DLRP).</p>
<p>The process of tracking agents at the master level allows for more streamlined management of the producers.</p>	<p>Agent change considerations</p>	<p>Agencies are generally poor at communicating the movement or assignment of producers from one location to another. This is a pain point for carriers when producers are aligned to a specific location, which sometimes forces review of business conducted to align sales reporting and commission activity.</p>

Sircon can accommodate your firm's needs in branch and/or principal scenarios.

Final considerations

SALES REPORTING & COMMISSIONS

The tracking of agency codes, locations, production, and performance is often controlled from the agency master and subcode information. Review of sales reporting impacts and implications should be assessed before defining the go-forward plan.

The sales reporting and alignment does not necessarily need to be managed within the producer profile. It can reside in CRM tools and marry the policy info with the producer profile and utilize the assignment in the CRM system to generate the reporting needed.

Review of commission systems should also be done to determine the impact on system logic, compliance controls, sales reporting, and commission distribution.

For interested parties, Vertafore offers a comprehensive Compensation and Incentive management platform that integrates the compliance and relationship information with payment of commissions.



For more information on how to create the best branch strategy for your organization, speak with a Sircon representative about our best practice consulting options.



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