

## **POLICY FOR PRODUCER APPOINTMENTS, SALES AND SUBMISSION OF NEW BUSINESS—FIELD VERSION**

The following Policy is designed to guide the day-to-day operations for all Producers and Enrollers of American Fidelity Assurance Company (AFA). It is clearly not all-inclusive. If any new business is solicited that does not meet this Policy, the Team Leader of Licensing or the American Fidelity Corporation (AFC) Compliance Officer should be contacted to help ensure that the Producer appointment procedures are followed properly, and that state laws and regulations are observed. This Policy will be updated periodically as necessary to keep AFA in compliance with changes in state laws, regulations, or other AFC Policies.

### **CORPORATE POLICY**

As a Corporate Policy, no Producer (i.e., Account Manager, Agent or Broker) is permitted to write and submit business prior to being properly licensed and appointed with AFA (where required) unless otherwise permitted by law. Also, the Producer must be properly licensed and appointed in the state where the application(s) are taken (presumably in the state of the employer's home office, and/or the state of residence of the applicant where the policy is to be delivered).

Any business received, which is not properly written, or while the Producer's appointment is pending or terminated, must not be issued.

Use of AFA "House Accounts" or "House Numbers" to park business while a Producer becomes appointed and/or licensed is not permissible.

Countersigning of applications in the field or in the AFA Home Office is not a permissible practice.

The Producer conducting the interview and taking the application must be the same person that ultimately signs the application. Producers soliciting a group, as well as the Producer witnessing the applicant's signature (where legally required), and conducting the interview must be properly licensed and appointed in the state where the application is signed. The Producer conducting the interview, taking the application, and witnessing the application will be the Producer that signs the application.

Any violations of the above Corporate Policy will result in the imposition of appropriate and consistent disciplinary and/or remedial action against the offending Producer. Violations, as outlined in AFC Corporate Policy 08-21, may be determined by any of following: the applicable supervising Regional Vice-President, the home office Supervisor of the Producer, the Corporate Compliance Officer, the Licensing Team Leader, and/or the Law Department. Such disciplinary and/or remedial actions may include, but not be limited to notification/warning letters, personal conferences, commission offsets (as provided by contract), appointment cancellation and/or termination of employment or contract.

Any violations of the above Corporate Policy will result in the following:

- 1<sup>st</sup> Occurrence: The Producer will receive a letter from the Company re-stating the Company's licensing and appointing rules and that market misconduct will not be tolerated.
- 2<sup>nd</sup> Occurrence: The Producer will receive another letter stating that his/her commissions may be reduced in the amount of any claim that is incurred due to not following the procedures(s).
- 3<sup>rd</sup> Occurrence: The Producer's appointment and contract will be cancelled. AFA Account Manager's and/or Home Office Colleague's employment may be terminated by AFA.

## **ASSOCIATION AND WORKSITE DIVISION (AWD) GOLDMINE BROKER DATABASE**

The AWD GoldMine Broker Database contains records for both current and prospective Producers (Agents and Brokers). Just because a Producer's name appears in GoldMine, does not mean that he/she has yet been appointed with AFA. Even though a brokerage agency may be appointed with AFA, does not mean that the Producers working for that agency have received their appointment approvals. Agencies (even though they have been assigned an agency number) cannot actually write business themselves, only appointed Producers can write business for AFA. GoldMine clearly identifies which Producers are active, inactive, terminated, or prospects. It is essential that branch office colleagues and Account Managers utilizing the GoldMine system verify that the names in GoldMine are active and are not prospects before processing business.

## **ENROLLMENT SERVICES**

**Home Office Colleagues.** Licensed and appointed AFA Home Office colleagues who will be participating as Enrollers will be subject to the same regulations and criteria as any other AFA appointed Producers.

**Enrollers.** Enrollers may be contracted by AFA or provided by enrollment companies. All Enrollers, from whatever source, must be properly licensed and appointed with AFA prior to writing and submitting business.

## **PROVIDING ENROLLMENT MATERIALS TO UNAPPOINTED PRODUCERS**

Unless otherwise permitted by law, Producers **MUST NOT** be provided with enrollment materials (other than brochures or marketing materials) by anyone prior to receiving notification from the AFA Home Office that they have been appointed and are then allowed to write business. Colleagues in AFA Sales Offices who provide enrollment materials to Producers prior to receiving notification that the Producer's appointment has been approved will be subject to disciplinary action as outlined in Corporate Policy 08-21. Enrollment materials include but are

not limited to: Submission Forms, Master Applications, Subscription Agreements, and Applications.

NOTE: Newly recruited captive Producers in training may request their training materials, including all sales enrollment materials, prior to their appointment date for training purposes only.

### **EXCEPTIONS TO EFFECTIVE DATES**

No one, including an AFA Underwriting Manager, Underwriter, or Regional Manager, has the authority to make an exception to backdate a policy effective date prior to a Producer's appointment date. For example, when the requested policy effective date is 9/1, and the Producer's appointment is not effective until 9/5, no one is permitted to approve changing the policy effective date to a date prior to the Producer's appointment date (such as 9/1).

Likewise, no one, including the Underwriting Manager, Underwriter, or Regional Manager, has the authority to make an exception to approve a policy effective date AFTER the termination date of a Producer's appointment. For example, when the requested policy effective date is 10/1, the Producer was terminated on 9/15, and the applications were dated after 9/15, no one is permitted to approve the requested policy effective date of 10/1.

### **SUBMISSION OF NEW BUSINESS**

Whether AFA business is submitted by manual applications, electronically, or by census, the soliciting Producer must be licensed and appointed prior to negotiation, solicitation, or sale of new business unless otherwise permitted by law. A Producer MUST NOT leave pre-signed, blank applications with the customer, or sign as the witness to the applicant's signature on an application if the Producer did not conduct an interview (e.g., in a group meeting, or a face-to-face interview) with the applicant. If the Producer does not physically witness the applicant sign his/her name, the Producer should sign the application and indicate on the application that it was taken by telephone, or submitted as a mail-in application, etc.

For individual products, all applications MUST have a Producer's signature and that Producer must be appointed accordingly. If applications are mailed from the AFA Home Office and stamped "Direct Response," then a Producer signature would not be required.

### **STATES ALLOWING APPOINTMENT PAPERWORK SUBMITTED WITH FIRST PIECE OF BUSINESS**

In cases where State Insurance Departments allow one piece of business to be submitted simultaneously with the appointment paperwork and/or while the appointment is pending, a Producer may submit his/her appointment paperwork either prior to the submission of new business or concurrently with the first piece of new business. The first piece of business will be processed; however, no subsequent business received will be processed until the Producer's appointment is approved. Commissions will not be paid to the Producer, nor bonus paid to the

Account Manager until after the appointment process is completed. If the appointment is not approved, no commissions or bonus will be payable on any business submitted.

The Producer Licensing Model Act (PLMA) has a relevant section, which is optional for states to include as that legislation is adopted in each state. This section states:

- “A. An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.
- “B. To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the insurance commissioner, a notice of appointment within fifteen (15) days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer’s holding company system or group by the filing of a single appointment request.”

Because the PLMA becomes effective in various states at various times during 2001, 2002, and 2003, and some states may not adopt it at all, it is imperative that all Producers be aware of their state’s law and their appointment status with AFA, prior to the submission of new business.

### **OBLIGATION OF COMPANY TO PAY CLAIMS**

After the initial policy effective date, no one is authorized to obligate AFA (either verbally or in writing) to pay claims not specified in the contract. This also applies when a Producer is not properly appointed by AFA, or AFA has not yet notified the applicable State Insurance Department of their appointment prior to the writing of applications, or when their appointment has been terminated after writing the applications.

### **BUSINESS SUBMITTED BY UNAPPOINTED PRODUCERS**

Unless otherwise permitted by law, a Producer must not sign nor submit applications on business taken prior to their appointment date with AFA. Under no circumstances may a Producer sign or submit applications on business taken prior to their licensing by the State Insurance Department of any applicable state. Likewise, a Producer must not sign or submit applications on business taken subsequent to the lapse, cancellation, or termination of their appointment with AFA or lapse, cancellation or termination of their license with the State Insurance Department in any applicable state.

If applications are received in the AFA Home Office, which have been taken by an unappointed or unlicensed Producer, the applications will be declined. If applications are received which have been taken by an unappointed Producer, new applications may be required. In the case of new Account Managers or Brokers, if they sell, solicit or negotiate business prior to receiving notification of their license and/or appointment approval from the State Insurance Department and AFA, no commissions, bonus or NEAP quota will be paid on that business, since they were

operating outside the authority of their contract by writing business without first being properly licensed and appointed with AFA.

The new applications may require a current effective date and/or application date. No portion of the original application can be photocopied and modified in lieu of taking new applications. The unappointed Producer's signature cannot be marked through and initialed on the original application, then signed by an appointed Producer and resubmitted.

## **RESIDENT STATE CHANGES**

A nonresident Producer who moves from one state to another, or a resident Producer who moves from his/her home state to another state, shall file a change of address and provide certification from the new resident state within thirty (30) days of the change of legal residence. If the new resident state allows a greater period of time than 30 days in which to establish residency, the greater time period will apply. The Producer's appointment and license will be cancelled in former resident state as well as all non-resident states as of the date AFA receives notification of the change of resident state.

A Producer cannot sell, solicit, or negotiate for any new insurance coverage until they have become licensed in their new resident state with the State Insurance Department and appointed with AFA. If a Producer wishes to become appointed with AFA in any non-resident states, a copy of the Producer's new non-resident licenses indicating the new resident address will be required. Any new business submitted or pending with application dates after the Producer's appointment cancellation date will be declined. New applications may be required for reconsideration of business.

If new applications are required, a current effective date and application date may also be required for reconsideration of business.

Also, if new applications are required, no portion of the original application can be photocopied and modified in lieu of taking new applications. The unappointed Producer's signature cannot be marked through and initialed on the original applications, then signed by an appointed AFA Producer and resubmitted.

## **PRODUCER LICENSE OR APPOINTMENT SUSPENDED**

If a Producer's license and/or appointment is suspended or terminated by a State Insurance Department, the Producer has an obligation to immediately notify the Licensing Department in the Home Office, and cease writing business. When a State Insurance Department notifies a Producer that his/her license and/or appointment have been suspended, the Producer must not sell, solicit, negotiate, sign, or submit applications.

The Producer's license and/or appointment will be cancelled as of the date the suspension was effective, regardless of when the AFA Home Office receives notification. If the suspension occurs in the resident state, all appointments will be cancelled, including all non-resident state

appointments. If the suspension occurs in the non-resident state, only the non-resident state appointment will be cancelled.

Any applications taken during a suspension and not processed will be returned to the Producer. Any applications taken during a suspension and in a pending status will be declined should AFA be notified of the suspension/termination prior to issuing the business. New applications may be required for reconsideration of business.

If business is issued prior to AFA's receipt of notification of the suspension/termination date, the business will continue to be serviced (i.e., posting of premium, consideration of benefits, etc.) to protect the customer. No commissions, bonus or quota credit will be paid or given, even if the State Insurance Department reinstates the license and/or appointment retroactively to the original suspension date, because it was written at a time when the license or appointment was not in effect.

Upon AFA being notified of an Producer's applicable suspension/termination, no submitted business will be processed if it is dated after the suspension or termination date, unless AFA is also notified that any applicable reinstatement date by a State Insurance Department reinstates the license and/or appointment retroactively to an effective date which equals or precedes the original suspension date.

Upon notification from the State Insurance Department that the suspension has been removed, business can again be accepted. Future commissions and/or bonus may be payable effective on the date the suspension is removed.

If new applications are required, a current effective date and application date may also be required for reconsideration of business. Also, if new applications are required, no portion of the original application can be photocopied and modified in lieu of taking new applications. The unappointed Producer's signature cannot be marked through and initialed on the original applications, then signed by an appointed AFA Producer and resubmitted.

## **STAMPED SIGNATURES ON APPLICATIONS**

All applications signed by an appointed writing Producer must be an original signature. Stamped signatures are not acceptable. If an application is received with a stamped signature and the applicable state does NOT require a Producer's signature, the application can be processed. The Producer must be advised that stamped signatures are not acceptable. If an application is received with a stamped signature and the state DOES require a Producer's signature, the application must be returned for an original signature.

## **TEAM NUMBERS (AWD ACCOUNT MANAGERS ONLY)**

A Team Number is assigned to a team consisting of an Enroller (EES) and an Account Development Specialist (ADS), or a contracted Producer and an ADS. The purpose of the Team Number is to ensure that the ADS receives the appropriate credit for accounts enrolled by an

Enroller or contracted Producer assigned to the ADS. Members of the Team are subject to all normal Producer licensing and appointment requirements.

The last names of the members of the Team will be indicated (i.e., Smith/Jones). The first name listed for the Team should be the Producer that normally enrolls the business. This Producer must be appointed. The second name listed for the Team will be the ADS who should receive credit for the business. In order to be compensated, the ADS must be appointed in the policy issue state for individual products and the employer's state for group products. (Note: If the employer has business in more than one state, see the Multi-State criteria.)

If applications are signed and a Team Number is indicated, the writing Producer's signature should be one of the team members assigned to the Team Number indicated on the application. The writing Producer should be appointed accordingly and have conducted an interview with the applicant.

If a team member, who is licensed and appointed, signed an application and the Team Number indicated was invalid; it is permissible to change the Team Number to the Producer number of the writing Producer, provided the writing Producer number is valid.

In the case of an unlicensed and/or unappointed Team Member who signed an application, it is not permissible to change the unlicensed or unappointed Team Member's number on the application to another Team Number, or to a Producer number of another member of the Team, who is licensed and appointed in the state where the application was written.

## **SELF-ENROLLED GROUP APPLICATIONS**

A self-enrolled group application, is one in which blank, unsigned paper applications are left with the employer. When an application is completed, the employer submits the completed application directly to AFA's Home Office without a Producer's signature.

Ideally, applications completed by the employer should be returned to the submitting Producer for review prior to sending the applications to the Home Office and to indicate their AFA Producer Number. The applications will be assigned either the Producer number indicated on the group application or the Agent of Record number indicated in the contractual information at the Master Contract Participant (MCP) level. This is provided that the Producer is currently appointed with AFA. If neither of the Producer numbers are valid, then either the case can be investigated to determine what Producer number should be assigned or it can be assigned the Home Office "House Account Number" with no commissions being payable.

A Producer **MUST NOT** leave pre-signed, blank applications with the customer, nor sign as the witness to the applicant's signature on an application if the Producer did not conduct an interview (e.g., group meeting, telephone or face to face interview) with an applicant.

## **ASSIGNING OF BUSINESS**

If an AFA Sales Manager or Account Manager elects to assign the cases he/she wrote to another AFA Account Manager, correspondence must be received with the business requesting the change and to whom it is to be assigned. The newly assigned AFA Account Manager must be appointed accordingly. The AFA system can then be updated to reflect the request of the new Account Manager as the writing Producer.

American Fidelity Educational Services (AFES) will not allow the assignment of business from a terminated captive employee to another captive employee. Association and Worksite Division (AWD) will change the Agent of Record when a re-service is performed and an active AWD Account Manager is servicing and responsible for the group. If a terminated captive agent is indicated as the Agent of Record on existing business, Association and Worksite Division (AWD) will change the Agent of Record to an appointed captive agent when notified by e-mail, written request or when a reservice is performed.

NOTE: If the application(s) is (are) signed, the signature should be that of the Producer who actually conducted the interview, took the application, and who must be licensed and appointed accordingly in the state where the policy is to be delivered.

If a broker is involved, the Commission Team should be contacted.

## **MULTI-STATE PRODUCER CRITERIA**

Listed below are the most common scenarios regarding Producer appointments in a multi-state business opportunity. Any scenarios that are outside those listed below must be addressed by the Team Manager, Team Leader, Licensing, and by the Law Department.

1. When an employer's group business extends beyond its domicile state, but there will only be one billing, then the billing will be sent to the office in the domicile state. The Producer **MUST** be appointed in the domicile state. The domicile state is defined as the state where the employer's home office is located, where the principal administrative functions are performed, and where the policy will be issued and delivered. In addition, the State Insurance Department must approve the product sold in the domicile state.

If the Producer will be handling the enrollment in those states outside of the domicile state, the Producer must use the enrollment materials for the domicile state. The Producer must be appointed in the domicile state **AND** the state that he/she is enrolling the business, where the policy will be delivered.

If the Producer is **NOT** appointed in the other states in which the employer does business and will not be handling the enrollment outside the domicile state, then the brochures and applications must be mailed to the out-of-state employees by the Human Resources Department of the employer. When the employees complete the applications, the employer should forward them to the Producer for review, prior to submission to the

AFA Home Office. The writing Producer or Producer of record should NOT sign these applications unless the state's regulations require a Producer signature.

2. When an employer's group business extends beyond its domicile state and a billing will be set up for each location in the various states, then the writing Producer and/or the Agent of Record MUST be appointed in each state in which they will be enrolling the business.
3. On self-enrolled group applications, credit will be given to either the Producer number indicated on the group application, or the Agent of Record indicated in the contractual information at the MCP level. This is provided that the Producer is currently appointed with AFA and a Producer's signature is not required in that state.
4. On individual products (i.e., Cancer, Accident Only, Life, etc.), the Producer must be appointed in the state where the applicant lives, the product must be approved in the applicant's state of residence and the Producer must use the enrollment materials for the applicant's resident state. This would include those applications that would be direct billed or list billed.

However, as an exception for individual products that will be list billed, the Producer who signs the application must be appointed in the state where the applicant works, if ALL of the criteria listed below are met:

- a. The Producer who signs the application must be appointed in the state where the applicant is employed; and
- b. The application form is for the MCP state in which the applicant works; and
- c. Premium will be paid through the employer in the state in which they work; and
- d. The product is approved in the state in which the applicant works AND in their resident state; and
- e. Policies are delivered to the place of employment.

Currently, business that involves a multi-state enrollment will be reviewed on a case by case basis. Once the required Multi-State Questionnaire is completed and submitted to the AFA Home Office, the Licensing Department will become involved to ensure state regulations are observed.

### **STATE'S REQUIRING A PRODUCER'S SIGNATURE**

This guideline is undergoing further review and investigation of the states' requirements regarding Producer's signatures on applications. Until further notice, process business as usual.

### **VIOLATIONS TO BE REPORTED**

When any AFA Home Office Colleague becomes aware that business is being handled improperly, including, but not limited to the areas mentioned in this Policy, it is the responsibility of the Colleague to immediately notify their Team Leader or Team Manager. The

Team Leader or Team Manager is required to immediately notify the Team Leader of Licensing who will review the facts surrounding the improperly written business with the Corporate Compliance Officer in the Law Department. The necessary steps will be taken to see that the matter is resolved.

If it is determined that there has been withholding of information relating to possible violations of this or any AFA Corporate Policy, including all applicable Appointment Procedures, and it was not reported in a timely fashion, as outlined in the above paragraph, the individual who did not report the violation may be subject to disciplinary action.