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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

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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](http://www.aldoi.gov)) or a NIPR<sup>SM</sup> 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 NIPR<sup>SM</sup> 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](http://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)].