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Branch office approach comparison

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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 in these two approaches point to internal interpretations of the compliance requirements, associated risk tolerance, internal system, and process requirements.for the best opportunities they can find.

In order to assist the carrier in their decision making, Vertafore offers the following 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 (i.e. Claims, Underwritings, etc.). Across our experience and query with several firms, there are no known cases of market conduct activity on branch locations.

However, according to SILA Reference Guides1, 14 state jurisdictions require tracking of branch locations: CA, FL, GA, KS, LA, ME, MI, MO, NV, NJ, NY, OK, OR and WA. Of those states, GA, KS, NV, NY, OR and WA are the most specific on the requirements and approach.

Vertafore continues to work with and monitor state changes for Branch Office requirements as well as many other topics. Because many of the changes require legislative action and are dependent on the legislative schedule, the states will communicate changes when they occur. Vertafore and SILA will continue to monitor 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.

Legislation to eliminate the tracking of locations has not had sufficient movement 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.

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

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

	Track at master	Track at location
Onboarding considerations	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.	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, may require manual work.
Agency coding considerations	Allows all producers to be managed in a central location under a single location code. Manual tracking of agency location licensing would be required.	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: **Master code: 1234** **Suffix: 01** **Sub code: 1234-01**
Web portal access considerations	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.	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 logon credentials and associated business need to be changed to maintain the integrity of sales reporting and alignment of the producer roster.

	Track at master	Track at location
New business/ license validation	License validation may be negatively impacted where the master agency does NOT have the local state license where a branch location does. New business automation validation failures may occur and require manual review to determine compliance and manual overrides to process.	License validation automation is more effective in reviewing the producer and associated agency location licensure for compliance on new business submissions. 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.
Firm maintenance & sync considerations	Will 'force' review to determine how to manage the sync and compliance activity for the branch locations. Some carriers who have opted for tracking at the master level, perform manual reviews of the location licensing.	PDB syncs at the location level. Producer rosters would change at points in time by the agency. Sync whole 'family' at once. Tracking of Designated Licensed Responsible Persons (DLRP) is manual.
Agent change considerations	The process of tracking agents at the master level allows for more streamlined management of the producers.	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 and sometimes forces review of business conducted to align sales reporting and commission activity.

Sircon systems can accommodate your firm's needs in either branch and/or master scenarios.

Final considerations

SALES REPORTING & COMMISIONS

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 system(s) should also be done to determine the impact on system logic, compliance controls, sales reporting and commission distribution. And for interested parties, Vertafore offers a comprehensive Compensation and Incentive management platform that integrates the compliance and relationship information with payment of commissions.

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

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999 18th St | Denver, CO, 80202 | 800.444.4813 | Vertafore.com