



# Just-in-time Industry Practices and Insights for Carriers

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## Just-in-time appointment policy

A 'Just-in-time' (JIT) appointment policy leverages the Producer Licensing Model act stance that an agent can be appointed at the time that the first application (new business) is received for processing. You can identify the need for an appointment when the application is received and submit the appointment to the state. Further, each state has a defined period that the appointment can be submitted after the business is received at the carrier. In most cases this period is 15 days. In some states the period is longer, up to 30 or 45 days.

Why go just-in-time? JIT allows you to optimize appointment expense by aligning the spend associated with appointments with actual business, while simultaneously meeting compliance requirements. This replaces many carriers' historical practice of global appointing (all agents in all states, for all writing companies).

A JIT policy:

1. Reduces your appointment expense. Depending on the number of writing companies, appointment volumes, and agent volumes, this policy can reduce expenses by many millions of dollars annual.
2. Positions sales/distribution to increase the number of agents without significant increase in appointment/transaction expense.
3. Reduces your volume of transactions, thereby reducing expense associated with the electronic filing process.
4. Enables improved agent experience by eliminating 'appointment chargeback' practices.
5. Is consistent with industry practices. JIT has been widely adopted and been largely in practice by hundreds of carriers.

A just-in-time strategy can be used for all agency and agent appointments, across both captive and independent distribution channels.

*Disclaimer: This document includes notes and observations from conversation at the SILA National Education Conference, SILA Best Practices Handbook, NAIC Producer Licensing Model Act (PLMA). The responsibility of all compliance related decisions resides with the carrier. 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.*

## JIT considerations

Vertafore has analyzed the trade-offs between various just-in-time strategies and implementations. Consider the following as part of your decision making process.

### 1. Just-in-time can be deployed in a variety of approaches

a. Appoint when receiving business (regardless of state), except for known pre-appoint states (ex: PA). This is most prevalent in our view.

b. Appoint in Resident states only and add Non-resident as business is received.

### 2. Just-in-time implementation requires strong process controls within new business processing

Key points for control environment:

**Agent identification** - Applications (paper or electronic) need to capture the agent in a manner that new business processing can easily recognize and select the correct agent for the application. Generally, this would be first and last name in combination with National Producer Number (NPN) or agent number.

**Enforcing restrictions** - The review process to determine whether license and appointment information should restrict the ability to book/bind/issue without ensuring the license and appointment information is compliant, potentially with manager override capability to address specific exception scenarios.

When enforcing restrictions, three levels of process controls should exist in support of JIT:

### Manual

New business processing staff manually 'check' license and appointment information by manual lookup to determine 'pass/fail'. For failures, the new business processor would coordinate with licensing staff to take appropriate action.

### Electronic review

New business systems are configured to 'check' license and appointment information by web service call to licensing database to determine 'pass/fail'. For failures, the new business processor would coordinate with licensing staff to take appropriate action.

### Electronic appointment profile

New business systems are configured to 'check' license and appointment information by web service call to the licensing database to determine 'pass/fail' status. If pass, the business is processed. For failures, the licensing database is configured to 'take action' and automatically submit the appointment to the state and send a message that the error has been satisfied. In the event the license is NOT in place and the agent cannot be appointed, the licensing system will notify the new business system. The new business processor would then coordinate with licensing staff to take appropriate action.

### 3. Control environment review – manual and technology implications

**Onboarding / contacting** - During the onboarding process, communications will need to clearly state your firm has a 'just-in-time' appointment policy and they will be appointed at the time new business is received. It is important to let them know they are authorized to sell.

**Commission distribution** - The payment of commissions is generally distinguished between new/initial commissions and ongoing/trail commissions. Under JIT, the core assumption is that the initial commissions are paid because the agent was licensed and appointed at the time of sale. For the initial commission, you can decide not to perform a license and appointment check since the agent was verified at the new business step or perform a secondary review. However, this is not a requirement since very little change typically occurs in license and appointment information. Commissions are generally paid very soon after the business is processed.

**Agent of record changes** - If an agent transfers from one agency to another, the new agent can be licensed only and may not need an appointment. Verification that the new agent holds the proper license should be performed.

**New business** - As defined above, strong new business controls (systems and documented procedures) are required to ensure compliance environment. System edits are needed to ensure that licenses and appointments are in place for receiving and processing new business.

**Additional premium, changes, & renewals** - Our observations are that many carriers see differentiation for considerations of 'sell/solicit' new business that additional premiums, changes to coverages or renewals are not equivalent and therefore there is no need to maintain appointments.

**Contact center authorization** - In a JIT situation, where no business is conducted yet, or where the agent has not produced in a period and associated appointments were not renewed, the agent should NOT be restricted from accessing materials or information needed to sell or service. When the business is received, the appointment will be added.

**Servicing agent** - Many companies do not require the appointment to be maintained unless the agent is conducting new business. The agent would continue to have full access to the policy and customer.

**Web portal access control** - A key failure point for many companies has been that the logic for web portal access is sometimes controlled by the status of the appointment. In a JIT situation, where no business is conducted yet, or where the agent has not produced in a period and associated appointments were not renewed, the agent should NOT be restricted from accessing materials or information needed to sell or service. Ensure that the access is NOT controlled by the appointment but rather separate access and permission controls.

**Background check process** - In some cases, carriers have opted to 'hold' on performing a background investigation until the appointment is needed in order to defer that cost. the conventional option is that the 'pass rate' is very high and represents a very low risk in holding the background check until the appointment is issued. In this scenario, there is some risk to customer experience and consumer protection in that the agent might not pass. Industry experience suggests that this is very low, and many companies have opted for this path. Our general opinion is that most companies opt to perform background checks at the point of contracting/onboarding, as this in downstream processes, activity, and relationship.

#### 4. Organizational change management

Observations and experience in implementing the change from a policy stance where appointments were required at various points in the process to the changes introduced in JIT represent a shift in compliance position. Effective change management implementation will be far more successful in developing understanding and rapid adoption of the policy and process changes across the enterprise.



### Agents

Agents will need to be informed that your firm practices JIT policy so they know they are compliant and can submit business. Appointments will be added as business is received. In some very few cases, agents may challenge that, and carriers simply appoint in order to ensure satisfaction, be 'easy to do business with' and defer decision on whether to maintain the appointment as part of the termination for lack of production (TLOP) process.

Further, in the TLOP process, any communications with the agent for 'non-renewing' the appointment should emphasize that the non-renewal is a part of administrative review, that the appointment is not currently needed, the non-renewal will not impact their ability to sell and that if new business is received and the appointment needed, that the appointment will be added immediately. In short, let them know it is a 'non-event' and they can keep selling.



### Sales & Distribution

Sales and distribution, including wholesalers, will need to know that:

- The policy has changed
- That compliance is still being maintained
- That the process brings your firm into industry practices

They will also need to know how the process will work across a variety of transaction use case examples.



### Internal Teams

Other internal teams, including operations, customer/agent contact center, and the licensing/contracting team, will need to know that:

- The policy has changed
- That compliance is still being maintained
- That the process brings your firm into industry practices

They will also need to know how the process will work across a variety of transaction use case examples. In addition, these teams will need their procedures and quality review processes updated to reflect the changes.

## Termination for lack of production

Termination for lack of production (TLOP) is a process review of all appointments for all agents where no new business has been received over the preceding XX months (i.e. 12, 18, or 24 months). The appointments identified are 'non-renewed' and terminated with the state.

In conjunction with the outlined JIT approach from above, the TLOP process is the process of 'nonrenewing' appointments where no business has been received for the particular jurisdiction.

Why terminate for lack of production? TLOP allows you maximize the economic effectiveness of your appointment expense management process. In conjunction with JIT, the most effective and optimal balance of compliance and cost can be achieved.

The TLOP process is not recommended for agency appointments.

### TLOP considerations

#### 1. Administration of the program

The administration of the program should be considered as an ongoing regularly staffed and managed function. Because of the ongoing opportunity to save costs and manage compliance, this should not be considered an isolated or 'side effort'.

#### 2. Data management

To render a decision on whether to renew the appointment, the data needs to identify the state writing company, agent, policy written in that jurisdiction, and the date the policy was issued. Data will need to be aggregated from the licensing system and policy administration will compare the information and render the decision.



### 3. Communications to the agent

Communication with the agent should send a clear message that non-renewal of the appointment is an administrative clean-up effort and does NOT impact their ability to write business. Under JIT, if business is received and there is a need for the appointment, one will be added immediately.

### 4. Charging for appointments

In some carriers, there still is a transfer of appointment fees from the carrier to the agent. The practice is negatively perceived by the agents and creates a complex, transaction by transaction review for costs and payment. The costs for postage, labor and reconciliation processes is significant. The trend is away from this process.

### 5. Agents thinking they still need the appointment

This is usually resolved through with a conversation with the agent to clarify the company position and facts by Sales, RVPs, Contact Center, Licensing Team and Compliance. If the agent still wants the appointment, simply add the appointment to avoid the negative experience and debate. This scenario is very infrequent because both JIT and TLOP are very well established in the industry.

## Identifying appointments to non-renew

### Renewal and decision schedule

To identify appointments for non-renewal, a state-by-state appointment renewal schedule must be established. Renewal processes differ in each state (and change periodically), occurring annually or biannually, on a fixed date or throughout the month of one's birthday. Some states issue appointments in perpetuity; some do not issue them at all. Additionally, states may require appointment termination requests to be submitted in advance to avoid automatic charge and renewal. Thus, an appointment renewal schedule must account for all applicable state requirements.

Once these considerations have been addressed, the following steps apply:

1. Perform comparison. This is usually done in a variety of systems or applications (i.e. Excel, Access etc.).
2. Identify the agent appointments that have no new business associated within the previous duration (i.e. 12, 18, 24 months).
3. Process the appointment terminations with the states.
4. Generate the communication to the agents.
5. Repeat process for each renewing state on schedule.

In summary, Just in Time and Termination for Lack of Production represent a significant opportunity for carriers to control expenses while achieving compliance with state regulations with no negative impact on agent experience. At Vertafore, we offer extensive system capabilities to strengthen your control environment by ensuring your data, new business processes, auditing, and reporting capabilities orchestrate the process for you. Further, you can consult with our team to discuss how we may support you further.

**Ready to take the next step?**

**Contact us or call 800.444.4813.**



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