

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Bulletin 2018-09-INS

In the matter of

Limited exception to producer appointment
requirements under the Code

Issued and entered
This 21st day of March 2018
by Patrick M. McPharlin
Director

Section 1208a of the Insurance Code, MCL 500.1208a, requires an insurance producer who wishes to become an agent of an insurer to obtain an appointment from the insurer. At times, however, a producer is contacted by a client or potential client who wants to place a specific risk.¹ The producer cannot provide the insurance sought because the insurance companies with whom the producer is appointed will not write the coverage. In these situations, Section 1207(4) of the Code, MCL 500.1207(4), allows a producer to obtain coverage through another producer.² This bulletin addresses the increasingly common practice among producers of relying on Section 1207(4) in order to avoid obtaining the necessary appointments.

Section 1207(4) states:

(4) If an agent is unable to immediately provide, through his or her insurers that are authorized to underwrite the coverage, all or a part of the coverage requested on a risk, the agent may obtain the part of the coverage refused by his or her insurers through another licensed agent or through a risk sharing plan permitted by state law. An agent who attempts to place the refused part of the coverage through another licensed agent shall advise the buyer in writing that the refused part of the coverage is not in effect until the buyer receives written evidence of insurance.

Accordingly, in a non-surplus lines transaction, Section 1207(4) expressly allows a producer to obtain coverage through another licensed producer if his or her appointing insurers refuse to place the coverage. This is a limited exemption from the Section 1208a requirement to obtain an appointment. Similarly, it is a limited exception to the list of activities in Bulletin 2015-11-INS that would otherwise require an appointment.

¹ This bulletin does not apply to surplus lines transactions.

² Bulletin 2015-11-INS sets forth several activities that trigger the obligation for a producer to obtain an appointment.

Section 1207(4) does not supersede the appointment requirement in Section 1208a. Instead, Section 1207(4) applies only when the insurance companies with whom the producer is appointed will not write the coverage.

In addition, producers who rely on Section 1207(4) must, for each transaction, create and retain documentation explaining why they cannot place part or all of the coverage through their appointing insurer(s). This documentation should be retained and must be provided to DIFS upon request.

Any questions regarding this bulletin should be directed to:

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/s/

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