

Vermont Department of Banking, Insurance and Securities

**INSURANCE REGULATION 94-2
Managing General Agents, Reinsurance Intermediaries, Producer Controlled
Insurers**

Oct. 1, 1994

Section 1

Any contract between an insurer and a managing general agent required by 8 V.S.A. 4818 shall, in addition to the specifics set forth in 4818:

A. Set forth appropriate underwriting guidelines including:

1. The maximum annual premium volume;
2. The basis of the rates to be charged;
3. The types of risks which may be written;
4. Maximum limits of liability;
5. Applicable exclusions;
6. Policy cancellation provisions; and
7. The maximum policy period.

B. If the contract permits the managing general agent to settle claims on behalf of the insurer, the contract shall require that:

1. All claims be reported to the company in a timely manner;
2. A copy of the claim file be sent to the insurer at its request or as soon as it becomes known that the claim:
 - a. has the potential to exceed an amount determined by the commissioner or exceeds the limit set by the company, whichever is less;
 - b. involves a coverage dispute;
 - c. may exceed the managing general agent's claims settlement authority;
 - d. is open for more than six months; or
 - e. is closed by payment of an amount set by the commissioner or an amount by the company, whichever is less.

C. Provide that the parties shall comply with the requirements set forth in 8 V.S.A. 4821(a).

Section 2

A. Contracts Required: Reinsurance Intermediary Managers

Any contract between a reinsurer and a reinsurance intermediary manager required by 8 V.S.A. 4818 shall, in addition to the specifics set forth in 4818:

1. Require that accounts rendered to the reinsurer by the reinsurance intermediary manager include information necessary to support all commissions, charges and other fees received by, or owing to the reinsurance intermediary manager, and that the reinsurance intermediary manager shall remit all funds due under the contract to the reinsurer on not less than a monthly basis.
2. Require that the reinsurance intermediary manager may retain no more than three months estimated claims payments and allocated loss adjustment expenses, and that the reinsurance intermediary manager shall maintain a separate bank account for each reinsurer that it represents.
3. Provide that the parties shall:
 - a. Comply with the requirements set forth in 8 V.S.A. 4819(c)(7);
 - b. Comply with the requirements set forth in 8 V.S.A. 4821(a) and (c);
 - c. If the contract provides for sharing of interim profits by the reinsurance intermediary manager, comply with the requirements set forth in 8 V.S.A. 4823(a)(8); and
 - d. Comply with the requirements of 8 V.S.A. 4823(b) on an annual basis, and comply with the provisions of 4823(c).
4. Set forth rates, terms and purposes of commissions, charges and other fees which the reinsurance intermediary manager may levy against the reinsurer.
5. Provide that, if the contract permits the reinsurance intermediary manager to settle claims on behalf of the reinsurer:

- a. All claims shall be reported to the reinsurer in a timely manner;
- b. A copy of the claim file will be sent to the reinsurer at its request or as soon as it becomes known that the claim:

- (i) has the potential to exceed the lesser of an amount determined by the Commissioner or the limit set by the reinsurer;
- (ii) Involves a coverage dispute;
- (iii) May exceed the reinsurance intermediary manager's claims settlement authority;
- (iv) Is open for more than six months; or
- (v) Is closed by payment of the less of an amount set by the commissioner or an amount set by the reinsurer.

B. Contracts required: Reinsurance Intermediary Brokers

Reinsurance intermediary brokers and insurers shall not transact business unless there is a written contract in force, and shall comply with the requirements set forth in 8 V.S.A. 4818. Such contract, in addition to the specifics set forth in 4818:

1. shall require that the parties comply with 8 V.S.A. 4821(c), and
2. shall require the reinsurance intermediary broker to render accounts to the insurer accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to, the reinsurance intermediary broker, and remit all funds due to the insurer within thirty days of receipt.

Section 3

A. Any contract between a controlled insurer and a controlling producer required by 8 V.S.A. 4818 shall, in addition to the specifics set forth in 4818:

1. Require that the controlling producer render accounts to the controlled insurer detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to, the controlling producer; and

2. Provide that the parties shall comply with the requirements set forth in 8 V.S.A. 4824(b).

Section 4

This regulation shall become effective October 1, 1994.