

2024 Regular Session

HOUSE BILL NO. 672

BY REPRESENTATIVE JORDAN

INSURERS/AGENTS: Provides relative to managing general agents

1 AN ACT

2 To amend and reenact R.S. 22:1626, relative to managing general agents; to provide relative
3 to financial examinations; to provide for account reports; to require notices to the
4 Department of Insurance and insurers; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 22:1626 is hereby amended and reenacted to read as follows:

7 §1626. Examination authority; account reports; financial examinations; required
8 notices to department

9 A. The acts of the MGA are considered to be the acts of the insurer on whose
10 behalf it is acting. An MGA may be examined as if it were the insurer.

11 B. At least once each calendar quarter, an MGA shall submit an account
12 report to each insurer with whom the MGA has a contract. The MGA shall include
13 in the report, as applicable, a statement of all of the following:

14 (1) Written, earned, and unearned premiums.

15 (2) Losses and loss expenses paid and outstanding.

16 (3) Losses incurred but not reported.

17 (4) Management fees.

18 C.(1) As the commissioner considers necessary, an MGA shall submit to an
19 examination of the MGA's financial condition and compliance with the laws of this

1 state affecting the conduct of the MGA's business. The examination may be
2 conducted by any of the following:

3 (a) The commissioner.

4 (b) One or more commissioned examiners.

5 (c) A certified public accountant or other person or firm qualified to perform
6 the examination.

7 (2) The MGA shall pay the examination expenses in an amount the
8 commissioner certifies as just and reasonable.

9 D.(1) A person with whom another state contracts to perform any
10 examination initiated by the other state of an MGA licensed pursuant to this Part
11 shall register with and provide all of the following information to the department's
12 chief examiner:

13 (a) The person's name.

14 (b) If the person is not an individual, the identity of each examiner or other
15 person who will perform any part of the examination.

16 (c) The name of the state that contracted with the person.

17 (d) The identity of the MGA to be examined.

18 (e) A description of each issue that the person has been contracted to
19 examine.

20 (f) An estimate of the examination costs to be charged to the MGA to be
21 examined.

22 (g) A copy of any contract between the person and the state regulatory body
23 that initiated the examination and the letter authorizing the examination.

24 (h) A list of the previous examinations conducted on the same MGA on
25 behalf of any state within the last three years.

26 (2) On accepting a person's registration pursuant to this Subsection, the
27 department shall send written confirmation of the acceptance to all of the following:

28 (1) The person.

29 (2) The MGA to be examined.

1 (3) The state regulatory body that initiated the examination.

2 E. It is a violation of this Section for a person to accept compensation from
3 multiple states for the same examination, if doing so results in duplicative costs to
4 the MGA being examined. It is not a violation of this Section for an examiner to do
5 either or both of the following:

6 (1) Conduct an examination of an MGA for the benefit of multiple states in
7 a coordinated examination.

8 (2) Accept compensation from the states participating in the coordinated
9 examination to reduce the examination costs to the MGA being examined.

10 F. On forms prescribed by the department, an MGA shall notify the
11 department within thirty days of the date any of the following occurs:

12 (1) Balances due to an insurer for more than ninety days exceed either of the
13 following:

14 (a) One million dollars.

15 (b) Ten percent of the insurer's policyholder surplus, as reported in the
16 annual statement filed with the department.

17 (2) Balances due for more than sixty days from a property and casualty agent
18 or MGA appointed by or reporting to the MGA exceed five hundred thousand
19 dollars.

20 (3) Authority to settle claims for an insurer is withdrawn.

21 (4) Money held for an insurer for losses is greater than an amount that is one
22 hundred thousand dollars more than the amount necessary to pay the losses and loss
23 adjustment expenses expected to be paid on the insurer's behalf within the next sixty-
24 day period.

25 (5) The contract required pursuant to R.S. 22:1624 is cancelled or
26 terminated.

27 G. Notwithstanding the time limitation imposed by Subsection F of this
28 Section, an MGA's requirement to notify as prescribed in Paragraphs (F)(1), (2), and

1 (4) of this Subsection may be met with a single annual report if both of the following
2 occur:

3 (1) The MGA routinely operates above the limits established by those
4 Paragraphs.

5 (2) The department verifies that fact in conformity with rules adopted by the
6 commissioner in accordance with the Administrative Procedure Act.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 672 Engrossed

2024 Regular Session

Jordan

Abstract: Provides regulations for examinations of managing general agents.

Present law provides that acts of a managing general agent (MGA) are considered to be the acts of the insurer on whose behalf the MGA performs. Provides examination of an MGA as if it were the insurer.

Proposed law retains present law.

Proposed law requires an MGA to quarterly submit an account report to each insurer with whom the MGA has a contract. Requires the MGA to include in the report certain statements regarding written, earned, and unearned premiums; losses and expenses paid and outstanding; losses incurred but not reported; and management fees.

Proposed law requires an MGA to submit to an examination, as the commissioner of insurance (commissioner) deems necessary, of the MGA's financial condition and compliance with the laws of this state affecting the conduct of the MGA's business. Authorizes examination by the commissioner, one or more commissioned examiners, or a certified public accountant or other person or firm qualified to perform the examination. Further requires an MGA to pay examination expenses in an amount the commissioner certifies as just and reasonable.

Proposed law provides for other states to contract with persons in the state of La. for such persons to examine an MGA licensed in La. Requires such persons to register with and provide certain information to the La. Dept. of Insurance's (LDI's) chief examiner. Further requires certain descriptive information of the registering person and estimated costs for examinations, copies of pertinent contracts, and lists of previous examinations conducted on the same MGA on behalf of any state within the last 3 years.

Proposed law requires the LDI to send written acceptance to the registered person, the MGA to be examined, and the state regulatory body that initiated the examination.

Proposed law provides it is a violation for a person to accept compensation from multiple states for the same examination, if doing so results in duplicative costs to the MGA being examined. Further provides that it is not a violation for an examiner to conduct an examination of an MGA for the benefit of multiple states in a coordinated examination, or accept compensation from other states participating in the coordinated examination, to reduce the examination costs to the MGA being examined.

Proposed law requires an MGA to provide certain financial notifications to the LDI not later than the 30th day after the date the events occur. Requires notification when any of the following occurs:

- (1) Balances due to an insurer for more than 90 days exceed either \$1,000,000 or 10% of the insurer's policyholder surplus as reported in the MGA's annual statement.
- (2) Balances due for more than 60 days from a property and casualty agent or MGA appointed by or reporting to the MGA exceed \$500,000.
- (3) Authority to settle claims for an insurer is withdrawn.
- (4) Money held for an insurer for losses is greater than an amount that is \$100,000 more than the amount necessary to pay the losses and loss adjustment expenses expected to be paid on the insurer's behalf within the next 60-day period.
- (5) The contract required pursuant to present law (R.S. 22:1624) is cancelled or terminated.

Proposed law provides that an MGA may satisfy notification of financial circumstances with a single annual report if the MGA routinely operates above the limits in proposed law and the LDI verifies that fact in conformity with rules adopted by the commissioner in accordance with the APA.

(Amends R.S. 22:1626)

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Insurance to the original bill:

1. Make technical changes.