
DIGEST

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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.