

RÉSUMÉ DIGEST

ACT 488 (HB 672)

2024 Regular Session

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Existing 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. Further provides for financial examination of an MGA as if it were the insurer.

New law prohibits a person from acting as an MGA if the person served in a capacity with direct or indirect control over the selection or appointment of an officer or director through contract, trust, or operation of law of an insurer, and the person served in that capacity within the 2-year period before the date the insurer became insolvent.

New law authorizes the person to act as an MGA if the person demonstrates that his personal actions were not a significant contributing cause to the insurer's insolvency. Further authorizes the commissioner of insurance (commissioner) to approve the person, if at least 5 years have passed since the date the insurer became insolvent.

New law requires an insurer to have an audited financial report that includes the opinion of an independent certified public accountant regarding the financial position of the MGA as of the most recent year-end. Requires inclusion of certain financial information. Further requires the insurer to submit the report to the commissioner upon his request.

New 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; management fees; and outlines of expenses.

New law requires an MGA to submit to an examination of the MGA's financial condition as the commissioner deems necessary. Requires the MGA to pay examination expenses in an amount certified by the commissioner.

New law requires an MGA to provide certain financial notifications to the La. Dept. of Insurance (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 existing law (R.S. 22:1624) is cancelled or terminated.

New law authorizes an MGA to satisfy notification requirements of financial circumstances with a single annual report if the MGA routinely operates above certain limits in new law and LDI verifies that fact in conformity with rules adopted by the commissioner.

New law authorizes the commissioner to promulgate and adopt rules in accordance with the APA for purposes of new law.

Effective August 1, 2024.

(Amends R.S. 22:1623, 1625(A), and 1626; Adds R.S. 22:1628 and 1629)