



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

**Bulletin FS-17**

**November 11, 1993**

**TO: All Admitted Insurers and Other Interested Persons**

**RE: Managing General Agents Act**

Insurers and other entities are hereby advised to review their business activities to determine if the provisions of the Managing General Agents Act, Conn. Gen. Stat. 5 38a-90 & sea., are applicable to them. The definition of a "managing general agent", Conn. Gen. Stat. § 38a-90a(b), has been amended by Public Act 93-57 § 3 and Public Act 93-239 § 19, and now reads .-as follows:

...any person, firm, association or corporation who manages all or part of the insurance business of an insurer, including the management of a separate division, department or underwriting office and acts as an agent for such insurer whether known as a managing general agent, manager or other similar term, who, with or without the authority, either separately or together with affiliates, produces, directly or indirectly, and underwrites an amount of gross direct written premium which is equal to or more than five (5) percent of the policyholder surplus as reported in the last annual statement of the insurer in any one quarter or year together with one or more of the following activities related to the business produced: (1) Adjusts or pays claims **in excess of an amount determined by the commissioner**, or (2) negotiates reinsurance on behalf of the insurer.

Notwithstanding the above, the following persons shall not be considered as managing general agents for the purposes of sections 38a-90 to 38a-90h inclusive: (A) Any employee of the insurer; (B) a United States manager of the United States branch of an alien insurer, as defined in section 38a-1; and (C) an underwriting manager which, pursuant to contract, manages all or part of the insurance operations of the insurer, is under common control with the insurer, subject to the Holding Company Regulatory Act, and whose compensation is not based on the volume of premiums written.

Notice is hereby given that the term "managing general agent" as defined in Conn. Gen. Stat. 5 38a-90a, shall include any person who, in addition to the criteria set forth therein, adjusts or pays any claim in excess of \$10,000.

Insurers are required by Conn. Gen. Stat. § 38a-90d(f) to review their books and records each quarter to determine if any agent has become a Managing General Agent and to promptly notify the agent of such determination and the insurer and agent must fully comply with the provisions of the Managing General Agents Act, as amended, within thirty (30) days thereafter. Each

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domestic insurer shall file with the Insurance Department the name of the officer of the insurer responsible for binding reinsurance contracts in order to demonstrate compliance with Conn. Gen. Stat. § 38a-90d(d) and (f).

Notice is hereby given that a domestic insurer, or other insurers specifically identified by the Commissioner, shall, on or before **December 31, 1993**, file with the Connecticut Insurance Department, Examination Division, a current list of names and addresses of all managing general agents with which it has a contract; the list shall include a statement of duties the managing general agent performs or is expected to perform on behalf of the insurer, and the name of an officer of the insurer responsible for the contract. In the event the domestic insurer has no contractual relationship with a managing general agent, the insurer must report such fact to the Department in lieu of the listing required by this paragraph. The insurer shall provide the Insurance Department with written notification of changes to the list on a continuing basis, but no later than thirty (30) days of entering into or termination of a contract with a managing general agent.

Pursuant to Conn. Gen. Stat. § 38a-90d(a), an independent audit by a certified public accountant shall be conducted annually upon managing general agents currently under contract, and shall be contracted for by the insurer. The independent audit shall include the following: (1) a report of an independent certified public accountant; (2) a balance sheet; (3) a statement of income; (4) a statement of cash flows; (5) a statement of income and retained earnings; (6) notes to financial statements required by generally accepted accounting principles; and a listing of all exceptions and internal control weaknesses noted in the course of the audit. The insurer shall retain a current independent audit report by a certified public accountant of each managing general agent with which the insurer has done business which shall be made available to the Insurance Department Examination Division upon request.

A managing general agent may be examined by the Insurance Department as if it were an insurer. The Department shall retain the authority to examine a managing general agent notwithstanding termination of the managing general agent's contractual authority. The expense of such examination shall be reimbursed to the Department by the insurer employing the managing general agent Stat. § 38a-14.



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Robert R. Googins  
Insurance Commissioner