



State of Missouri

John Ashcroft, Governor

Department of Economic Development

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Lewis E. Melahn
Director

Bulletin Number 90-12

TO: All Insurance Companies Licensed to Transact Insurance in Missouri
FROM: Lewis E. Melahn, Director
DATE: November 15, 1990
RE: Managing General Agents Act

During the last legislative session a new bill was passed called the "Managing General Agents Act".

Due to go into effect by July 1, 1991, any insurance company licensed to do business in the State of Missouri, that utilizes a managing General Agent (MGA), must notify this office.

Attached to this bulletin is a summary of the Managing General Agents Act. It is the insurance companies responsibility to notify this office and to meet the guidelines set out in this act.

Our office asks that all companies utilizing MGA's notify this office by June 1, 1991. Please send your letters to Theresa Nilges, Admissions Specialist at the address noted above. Upon receipt of such notification, our office will send the necessary forms and instructions as specified by this act.

Summary

New Guidelines - Managing General Agents

New statutes passed in the last legislative session have significantly increased the level of regulation of MGA's.

MGA's are defined in the statute as "any person, firm, association or corporation who manages all or part of the insurance business of an insurer"...."and underwrites an amount of gross direct written premium equal to or more than ten percent of the policyholder surplus as reported in the last annual statement".

An MGA can't represent a domestic insurer on risk located anywhere or a foreign insurer on risk located in Missouri unless the MGA is licensed. This may require a bond and errors and omissions insurance.

No business may be placed, by a licensed MGA, unless a written contract is in force, which has received the Directors approval. The contract must contain the following minimum clauses:

1. The insurer may terminate the contract and suspend underwriting authority.
2. Accounts must be rendered monthly.
3. All funds collected by the MGA must be held in a separate account.
4. Separate records must be maintained by the MGA.
5. The contract may not be assigned by the MGA.
6. Appropriate underwriting guidelines must be included.
7. The insurer retains policy cancellation rights.
8. Claim payment guidelines.
9. The MGA can't bind reinsurance in most instances.

The insurer is required to have, on file, an independent financial examination (CPA) of each MGA. In addition, if the MGA sets loss reserves, an independent actuarial review must be done of the losses, on an annual basis.

Notification of entering into or termination of a MGA agreement must be made to the MDI within 30 days.

No officer, director, employee or controlling shareholder of the MGA may be appointed to the insurance company's board of directors, except for relationships allowed under Ch. 382.

These guidelines become effective July 1, 1991. No insurer may continue to use an MGA not in compliance after June 30, 1991.

RESCINDED AND INOPERATIVE