



# REINSURANCE INTERMEDIARY MANAGER

## Statutory Contract Requirements

*Title 24-A M.R.S.A. § 747 requires a reinsurance intermediary manager to have a contract with each insurer it represents in that capacity. This contract must specify the responsibilities of each party, must be approved by the reinsurer's board of directors, and a true copy must be filed with the superintendent for approval at least 30 days before the reinsurer assumes or cedes business through the reinsurance intermediary-manager. The contract must, at a minimum, contain the following terms and conditions.*

### Termination

- ◆ Reinsurer may terminate contract for cause upon 5 days' written notice to the reinsurance intermediary manager.
- ◆ Reinsurer may immediately suspend reinsurance intermediary manager's authority to assume or cede business during pendency of any dispute regarding the cause for termination.

### Accounting

- ◆ Reinsurance intermediary manager shall render accounts to reinsurer detailing all material transaction, including information necessary to support all commissions, charges and other fees received by or owed, to reinsurance intermediary manager and remit all funds due to the reinsurer on not less than a monthly basis.

### Fiduciary Accounts

- ◆ All funds collected on behalf of reinsurer are to be held by the reinsurance intermediary manager in a fiduciary capacity in bank that is a qualified United States financial institution. (See §741 (11).
- ◆ Reinsurance intermediary manager may retain no more that 3 months' estimated claims payments and allocated loss adjustment expenses.
- ◆ Reinsurance intermediary manager shall maintain a separate account for each reinsurer that it represents.

### Compliance with Law

- ◆ Reinsurance intermediary manager shall comply with § 748 (follows)  
**Records Required.** For at least 10 years after expiration of each contract of reinsurance transacted by reinsurance intermediary manager, a complete record for each transaction shall be kept showing:
  1. Type of contract, limits, underwriting restrictions, classes of risks and territory.
  2. Period of coverage, including effective and expiration dates, cancellation provisions and notice required for cancellation, and status of disposition of outstanding reserves on covered risks.
  3. Reporting and settlement requirements of balances.
  4. Rate used to compute the reinsurance premium.
  5. Names and addresses of reinsurers.
  6. Rates of all reinsurance commissions, including the commissions on any retrocessions handled by the reinsurance intermediary manager.
  7. Related correspondence and memoranda.
  8. Proof of placement.
  9. Details regarding retrocessions handled by the reinsurance intermediary manager, including the identity of retrocessionaires and percentage of each contract assumed or ceded.
  10. Financial records, including, but not limited to, premium and loss accounts.
  11. When the reinsurance intermediary manager places a reinsurance contract on behalf of a ceding insurer:
    - a. Directly from any assuming reinsurer, written evidence that the assuming reinsurer has agreed to assume the risk; or

- b. If placed through a representative of the assuming reinsurer other than an employee, written evidence that the reinsurer has delegated binding authority to the representative.

**Access**

- ◆ Reinsurer must have access to and may copy and audit all accounts and records maintained by the reinsurance intermediary manager related to its business in a form usable by the reinsurer.

**Nonassignable**

- ◆ The reinsurance intermediary manager may not assign the contract in whole or in part.

**Compliance with Standards**

- ◆ The reinsurance intermediary manager shall comply with the written underwriting and rating standards established by the insurer for the acceptance, rejection or cession of all risks.

**Commissions; fees**

- ◆ The contract must set forth the rates, terms and purposes of commissions; charges and other fees that the reinsurance intermediary may levy against the reinsurer.

**Settlement (If the contract permits the reinsurance intermediary manager to settle claims on behalf of the reinsurer)**

- ◆ All claims must be reported to the reinsurer in a timely manner.
- ◆ Copy of each claim file must be sent to the reinsurer at its request or as soon as it becomes known that the claim:
  1. Has the potential to exceed the lesser of an amount determined by the superintendent or the limit set by the reinsurer.
  2. Involves a coverage dispute.
  3. May exceed the reinsurance intermediary manager's claims settlement authority.
  4. Is open for more than 6 months. OR
  5. Is closed by payment of the lesser of an amount set by a court of competent jurisdiction or an amount agreed by the reinsurer.
- ◆ All claim files must be joint property of reinsurer and reinsurance intermediary manager. (Upon liquidation of reinsurer, files become sole property of the reinsurer or its estate.)
- ◆ Reinsurance intermediary manager must have reasonable access to and may copy files on a timely basis.
- ◆ Reinsurer may terminate settlement authority for cause upon notice to reinsurance intermediary manager or upon termination of contract.
- ◆ Reinsurer may suspend the settlement authority while termination dispute is pending.

**Interim Profits (If applicable)**

- ◆ Interim may not be paid until 1 year after earned for property business, 5 years for casualty.
- ◆ Interim may not be paid until verified by actuary.

**Financial statements**

- ◆ Reinsurance intermediary manager must provide reinsurer a copy of its CPA audit report annually.

**On-site review**

- ◆ Reinsurer must conduct an on-site review of underwriting and claims processing operations of reinsurance intermediary manager at least semiannually.

**Disclosure**

- ◆ The reinsurance intermediary manager must disclose to the reinsurer any relationship the reinsurer has with any insurer to which business will be ceded or assumed.

**Scope of Authority**

- ◆ Acts of reinsurance intermediary are deemed to be acts of reinsurer.

**Reinsurance Intermediary Manager may not**

- ◆ Retrocede business on behalf of reinsurer except facultative agreements containing:
  1. Reinsurance underwriting guidelines.
  2. A list of reinsurers with which automatic agreements are in effect.
  3. Commission schedules.
  4. Coverages and amounts of percentages that may be reinsured.
- ◆ Commit reinsurer to participate in reinsurance syndicates.
- ◆ Use any producer without verifying is licensed in Maine for kind of reinsurance transacted.
- ◆ Pay or commit reinsurer to pay a claim, net of retrocessions, that exceeds the lesser of an amount specified by reinsurer or one percent of reinsurer's policyholder surplus as of December 31<sup>st</sup> of the next preceding calendar year.
- ◆ Collect any payment from retrocessionaire or commit reinsurer to any claim settlement with a retrocessionaire, without prior approval of reinsurer, and if prior approval is given, a report must be promptly forwarded to reinsurer.
- ◆ Jointly employ an employee of the reinsurer unless reinsurance intermediary manager is under common control with the reinsurer subject to section 222.
- ◆ Assign any specific contractual duties to others.