



Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## MANAGING AGENTS: EXEMPTION

House Bill 4770

Sponsor: Rep. Mary C. Brown

Committee: Insurance

Complete to 5-14-91

### A SUMMARY OF HOUSE BILL 4770 AS INTRODUCED 5-1-91

Public Act 350 of 1990 created a new chapter in the Insurance Code to regulate the relationship between insurance companies and "managing general agents." These are agents with greater management powers on behalf of an insurer than the typical agent; they can do such things as review applications for coverage, appoint subagents to handle accounts; settle claims; and arrange for reinsurance with other companies. Among other things, Public Act 350 provided a definition of a managing general agent and required a written contract of a certain kind between such an agent and an insurance company. The act also listed those personnel who would not be considered managing general agents under the act. House Bill 4770 would add to the list of those exempted from the act "an attorney-in-fact for a reciprocal or inter-insurance exchange." The bill would take effect June 1, 1991.

The term "managing general agent" is defined in the Insurance Code as a person who both:

1) manages all or part of the insurance business of an insurer, including the management of a separate division, department, or underwriting office, or negotiates and binds reinsurance contracts on behalf of the insurer; and

2) acts as an agent for an insurer, whether known as a managing general agent or similar term, and who, either separately or together with affiliates, produces and underwrites an amount of gross direct written premium of not less than five percent of the policyholder surplus in any one quarter or year and adjusts and pays claims above a certain amount or negotiates reinsurance on behalf of an insurer.

The following are not considered a managing general agent: an employee of an insurer; a U.S. manager of the U.S. branch of an alien insurer; or an underwriting manager who pursuant to contract manages all of the insurer's insurance operations, is under common control with the insurer, is subject to Chapter 13 (holding companies), and whose compensation is not based on the volume of premiums written.

MCL 500.1403