

over to this managing general agent a number of business practices, including putting business on the books saying, yes, this is the kind of risk we're going to take, also to do reinsurance provisions to establish reserves, loss reserves and the like; basically, to assign almost the entire administrative and management function to an individual who is not a corporate officer but who is hired as a managing general agent. It's like hiring a management staff, if you will, to do the business. And that managing general agent then has tremendous power to make decisions which can impair the company. The phrase in the industry is "handing over your pen to the MGA". Currently, there is no limitation that that relationship has to be done under contract, what the provisions of that contract would be, whether or not the MGA has a fiduciary duty, whether the MGA has a legal obligation to settle accounts or to provide separate business records.

SPEAKER BARRETT: One minute.

SENATOR LANDIS: All of those provisions are in the MGA act. What they say is this critical person who is now, in fact, in charge of your...of your boat has to have a written contract, has to have guidelines for their underwriting practices, has to be able to have an actuarial showing for their loss reserves. What else? Has a fiduciary duty at law, has to be able to settle accounts and has to be able to keep separate business accounts for doing the insurance company's business.

SENATOR HALL: But in no way do we take away the ability for this transaction to take place.

SENATOR LANDIS: Exactly. MGA...

SENATOR HALL: That's my point, (interruption).

SENATOR LANDIS: Exactly. MGAs can occur and they are sound practices if you have got a good MGA.

SENATOR HALL: Because, as you know, it clearly is a method many times to basically circumvent limits in terms of salary...

SPEAKER BARRETT: Time has expired.

SENATOR HALL: ...(inaudible) benefits.