

reinsurer, that the intermediary has sometimes gone south with the money. And if it is not regulated, that intermediary places the whole chain, the whole financial chain at risk. We have had examples of failed intermediaries. We have had examples of fraud by reinsurance intermediaries, and in an attempt to make sure that we can deal with these kinds of people, this Reinsurance Intermediary Act is...is adopted by this Legislature. This is model reinsur...model legislation offered by the National Association of Insurance Commissioners and they developed this model Reinsurance Intermediary Act. Lastly, the Producer-Controlled Property and Casualty Insurer Act. This is where an agent or a broker, rather, becomes so big and so large that they go out and basically create their own small insurance company. They then use that insurance company to write business that they couldn't place in other more legitimate companies. We have had the difficulty in the east coast of the Union Casualty Insurance Company which was created by a broker, Frank B. Hall. Basically, what the Hall brokerage firm did was whenever they got a risky piece of business that they couldn't place elsewhere, they wrote it with their own company. The company then failed and there were limited assets, but the broker, Frank B. Hall, claimed that the insurance company was separate and, therefore, Hall's assets were not available to any irregularity in the Union Casualty Company's operation. What the NAIC model has suggested is that we...that we adopt this set of standards as part of their accreditation program to see that our state is in good shape. It creates minimum standards of business conduct between the insurer and the producer. This is the insurance company and the broker who controls the insurer by virtue of owning a controlling shareholder's interest. It requires basically a written contract with the specification and responsibilities of both parties and it allows that relationship to be regulated by the Director of Insurance. I would be happy to answer questions. The measure basically stems from federal mandates, from NAIC model legislation, and it brings us, again, up to snuff with respect to the level of authority our department should have to regulate various problems in the insurance industry.

PRESIDENT MOUL: Thank you, Senator Landis. Senator Wesely.

SENATOR WESELY: Thank you, Madam President. I just appreciated Senator Landis taking the time to summarize the bill and these are, as he indicated, mostly model acts. One thing I would ask Senator Landis, do these acts relate back into the accreditation