

**Source and Effective Date**

R.1993 d.563, effective October 15, 1993.  
See: 25 N.J.R. 4318(a), 25 N.J.R. 5229(c).

**Subchapter Historical Note**

Subchapter 6, Managing General Agents, was adopted as emergency new rules R.1993 d.454, effective August 16, 1993 (to expire October 15, 1993). See: 25 N.J.R. 4318(a). The provisions of R.1993 d.454 were readopted as R.1993 d.563. See: Source and Effective Date.

**11:17-6.1 Purpose and scope**

This subchapter implements the provisions of N.J.S.A. 17:22C-1 et seq. This subchapter sets forth the procedures for the regulation of certain persons, firms, associations or corporations who act as managing general agents on behalf of insurers.

Amended by R.1998 d.233, effective May 18, 1998.  
See: 30 N.J.R. 779(a), 30 N.J.R. 1833(a).

Substituted an N.J.S.A. reference for a Public Law reference.

**11:17-6.2 Definitions**

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Commissioner” means the Commissioner of the New Jersey Department of Insurance.

“Insurer” means:

1. Any corporation, association, partnership, reciprocal exchange, interinsurer, Lloyd’s insurer, fraternal benefit society or other person engaged in the business of insurance pursuant to N.J.S.A. 17:17-1 et seq., or N.J.S.A. 17B:17-1 et seq.;
2. Any medical service corporation operating pursuant to N.J.S.A. 17:48A-1 et seq.;
3. Any hospital service corporation operating pursuant to N.J.S.A. 17:48-1 et seq.;
4. Any health service corporation operating pursuant to N.J.S.A. 17:48E-1 et seq.;
5. Any dental service corporation operating pursuant to N.J.S.A. 17:48C-1 et seq.

“Managing general agent” or “MGA” means any person, firm, association or corporation who binds ceding reinsurance contracts on behalf of an insurer or manages all or part of the insurance business of an insurer, including the management of a separate division, department or underwriting office, and acts as an agent for that insurer whether known as a managing general agent, manager or other similar term, who, with or without the authority, either separately or together with affiliates, produces, directly or indirectly, and underwrites an amount of gross direct written premium equal to or more than five percent of the policyholder surplus as reported in the last annual statement of the

insurer in any one quarter or year together with one or more of the following:

1. Authority to adjust or pays claims in excess of \$5,000 per claim or in the aggregate, if the claims will settle for \$100,000 or more in a year; or
2. Negotiates reinsurance on behalf of the insurer.

Notwithstanding the above; the following persons shall not be MGAs for the purposes of this subchapter:

1. An employee of the insurer;
2. A United States manager of the United States branch of an alien insurer;
3. An underwriting manager which, pursuant to contract, manages all or part of the insurance operations of the insurer, is under common control with the insurer, subject to N.J.S.A. 17:27A-1 et seq., and whose compensation is not solely based on the volume of premiums written;
4. An attorney-in-fact authorized by and acting for the subscribers of a reciprocal insurer or inter-insurance exchange under powers of attorney.

“Nonresident” means a person who neither resides in New Jersey nor maintains an office in New Jersey where insurance business is transacted.

“Producer” means a person licensed in accordance with N.J.S.A. 17:22A-1 et seq. and N.J.A.C. 11:3-17.

“Resident” (of New Jersey) means a person who either resides in New Jersey or maintains an office in New Jersey where insurance business is transacted.

**11:17-6.3 Requirements for MGA**

(a) No person, firm, association or corporation shall act in the capacity of a managing general agent with respect to risks located in this State for an insurer licensed in this State unless such person is licensed as an insurance producer in this State, with authority for the kind or kinds of business to be transacted.

(b) No person, firm, association or corporation shall act in the capacity of a managing general agent representing an insurer domiciled in this State with respect to risks located outside of this State unless such person is licensed as a producer in this State.

(c) All managing general agents shall acquire and maintain a surety bond for the protection of the insurer contracting with the managing general agent. The bond shall be in the amount of \$100,000 or 25 percent up to \$10,000,000 of the direct premium written by the insurer for the previous calendar year that is attributable to the managing general agent, whichever is greater.

1. The bond amount shall be adjusted accordingly on or before April 1st of each year.

2. The bond shall be executed by an admitted company authorized to transact fidelity and surety business in New Jersey. The bond shall not be written by the insurer or an affiliate of the insurer contracting with the managing general agent.

3. The executed bond shall be submitted to the insurance company contracting with the MGA.

(d) All managing general agents shall acquire and maintain an errors and omissions insurance policy. The policy coverage limits shall be set at \$100,000 or 25 percent up to \$10,000,000 of the direct premium written by an insurer for the previous calendar year that is attributable to the MGA, whichever is greater.

1. The policy coverage limits shall be adjusted accordingly on or before April 1st of each year.

2. The errors and omissions policy shall be issued by an insurer admitted to do business in New Jersey or an eligible surplus lines insurer. The policy shall not be written by the insurer or an affiliate of the insurer contracting with the MGA.

3. Proof of an errors and omissions insurance policy shall be submitted to the insurance company contracting with the MGA.

(e) The obligations of the MGA to maintain in force a bond and errors and omissions insurance as provided in this section shall continue until Notice of Termination of Managing General Agent Contract is filed with the Department as provided in this subchapter.

Amended by R.1993 d.563, effective November 15, 1993.  
See: 25 N.J.R. 4318(a), 25 N.J.R. 5229(c).

#### 11:17-6.4 Insurer requirements

(a) No insurer shall appoint or continue to use the services of any MGA to act for it in this State, either directly or indirectly through sub-agents of the MGA, unless the managing general agent is qualified to act as an MGA in this State pursuant to N.J.A.C. 11:17-6.3.

(b) The insurer shall maintain and make available to the Commissioner upon request a copy of the following:

1. An executed contract between the MGA and the insurer;

2. An executed bond in accordance with N.J.A.C. 11:17-6.3(e); and

3. Proof of the MGA's errors and omissions coverage in accordance with N.J.A.C. 11:17-6.3(d).

(c) Thirty days of entering into, or within 15 days of terminating, a contract with an MGA, the insurer shall provide written notification of the appointment or termination of the MGA to the Commissioner.

#### 11:17-6.5 Filing requirements

(a) No person, firm, association or corporation shall act as an MGA with respect to risks located in this State for an insurer licensed or domiciled in this State, unless the MGA and the insurer have notified the Commissioner as provided (b) below.

(b) Insurers and MGAs required to notify the Commissioner as provided in (a) above shall file a Notice of Managing General Agent Contract in the form set forth as Form A in the Appendix to this subchapter incorporated herein by reference by completing and jointly executing the form and sending it to the Department at the following address:

Attn: License Processing  
New Jersey Department of Banking and Insurance  
PO Box 327  
Trenton, NJ 08625-0327

(c) The Commissioner may refuse to file any Notice of Managing General Agent Contract that is incomplete. The Commissioner shall notify the insurer of a determination that the Notice is incomplete, and the actions that must be taken or the items that must be submitted in order to make a complete filing.

Amended by R.1998 d.233, effective May 18, 1998.  
See: 30 N.J.R. 779(a), 30 N.J.R. 1833(a).

In (b), updated the address information.

#### 11:17-6.6 Claim processing requirements

(a) If the contract between the MGA and the insurer permits the MGA to settle claims on behalf of the insurer the MGA shall comply with the requirements governing the settlement of claims set forth in N.J.S.A. 17:29B-4, 17B:30-13.1 and 17B:30-13.2 as applicable and any regulations promulgated by the Commissioner thereunder. In addition:

1. All claims shall be reported to the company within 30 days of a claim being reported to the MGA, unless otherwise specified with the insurer; and

2. A copy of the claim file shall be sent to the insurer at its request or as soon as it becomes known that the claim:

i. Has the potential to exceed \$1,000,000 or exceeds the limit set by the insurer, whichever is less;

ii. Involves a coverage dispute;

iii. May exceed the managing general agent's claims settlement authority;