

(1) IF INSURANCE BUSINESS IS PLACED THROUGH A CONTROLLING BROKER, THE CONTROLLING BROKER SHALL DELIVER WRITTEN NOTICE TO THE PROSPECTIVE INSURED BEFORE THE EFFECTIVE DATE OF THE POLICY, DISCLOSING THE RELATIONSHIP BETWEEN THE CONTROLLING BROKER AND THE CONTROLLED INSURER.

(2) THE DISCLOSURE SHALL BE SIGNED BY THE PROSPECTIVE INSURED AND RETAINED IN THE UNDERWRITING FILE UNTIL THE FILING OF THE EXAMINATION REPORT FOR THE PERIOD DURING WHICH THE POLICY IS IN EFFECT.

(3) IF INSURANCE BUSINESS IS PLACED THROUGH A SUBBROKER THAT IS NOT A CONTROLLING BROKER, THE CONTROLLING BROKER SHALL RETAIN IN THE CONTROLLING BROKER'S RECORDS A SIGNED STATEMENT FROM THE SUBBROKER THAT:

(I) THE SUBBROKER IS AWARE OF THE RELATIONSHIP BETWEEN THE CONTROLLING BROKER AND THE CONTROLLED INSURER;

(II) THE SUBBROKER HAS DELIVERED TO THE PROSPECTIVE INSURED WRITTEN NOTICE DISCLOSING THAT RELATIONSHIP; AND

(III) THE DISCLOSURE HAS BEEN SIGNED BY THE PROSPECTIVE INSURED AND WILL BE RETAINED BY THE SUBBROKER FOR 3 YEARS.

(E) SAME — PAYMENT OF MONEY COLLECTED.

AT LEAST QUARTERLY, THE CONTROLLING BROKER SHALL PAY TO THE CONTROLLED INSURER ALL MONEY THAT THE CONTROLLING BROKER COLLECTED FOR THE ACCOUNT OF THE CONTROLLED INSURER, NET OF COMMISSIONS, CANCELLATIONS, AND OTHER ADJUSTMENTS.

(F) SAME — OPINION OF LOSS RATIOS AND RESERVES.

(1) IN ADDITION TO ANY OTHER REQUIRED LOSS RESERVE CERTIFICATION, THE CONTROLLED INSURER ON OR BEFORE APRIL 1 OF EACH YEAR SHALL FILE WITH THE COMMISSIONER AN OPINION OF:

(I) AN INDEPENDENT CASUALTY ACTUARY; OR

(II) ANOTHER INDEPENDENT LOSS RESERVE SPECIALIST ACCEPTABLE TO THE COMMISSIONER.

(2) THE OPINION SHALL:

(I) REPORT LOSS RATIOS FOR EACH LINE OF INSURANCE BUSINESS WRITTEN; AND

(II) ATTEST THAT LOSS RESERVES ARE ADEQUATE FOR LOSSES INCURRED AND OUTSTANDING AS OF YEAR END ON INSURANCE BUSINESS PLACED BY THE CONTROLLING BROKER, INCLUDING LOSSES INCURRED BUT NOT REPORTED.

(G) SAME — ANNUAL REPORT.