

VETOES

1. THE ~~BROKER~~ SUBBROKER IS AWARE OF THE RELATIONSHIP BETWEEN THE INSURER AND THE BROKER ~~AND THAT;~~

2. THE SUBBROKER HAS ~~OR WILL NOTIFY THE INSURED~~ DELIVERED WRITTEN NOTICE TO THE PROSPECTIVE INSURED DISCLOSING THAT RELATIONSHIP; ~~AND~~

3. THE DISCLOSURE HAS BEEN SIGNED BY THE INSURED ~~AND; AND~~

4. ~~THE DISCLOSURE WILL BE~~ RETAINED BY THE SUBBROKER FOR 3 YEARS;

(3) ALL MONEYS COLLECTED FOR THE ACCOUNT OF THE INSURER BY THE CONTROLLING BROKER ARE PAID, NET OF COMMISSIONS, CANCELLATIONS, AND OTHER ADJUSTMENTS, TO THE INSURER AT LEAST QUARTERLY;

(4) IN ADDITION TO ANY OTHER REQUIRED LOSS RESERVE CERTIFICATION, THE CONTROLLED INSURER ON APRIL 1 OF EACH YEAR FILES WITH THE COMMISSIONER AN OPINION OF AN INDEPENDENT CASUALTY ACTUARY, OR SUCH OTHER INDEPENDENT LOSS RESERVE SPECIALIST ACCEPTABLE TO THE COMMISSIONER, REPORTING LOSS RATIOS FOR EACH LINE OF BUSINESS WRITTEN AND ATTESTING TO THE ADEQUACY OF LOSS RESERVES ESTABLISHED FOR LOSSES INCURRED AND OUTSTANDING AS OF YEAR END (INCLUDING INCURRED BUT NOT REPORTED) ON BUSINESS PLACED BY THE BROKER;

(5) THE CONTROLLED INSURER ANNUALLY REPORTS TO THE COMMISSIONER:

(I) THE AMOUNT OF COMMISSION ~~IS~~ IT PAID TO THE BROKER;

(II) THE PERCENTAGE THAT AMOUNT REPRESENTS OF THE NET PREMIUMS WRITTEN; AND

(III) COMPARABLE AMOUNTS AND PERCENTAGE PERCENTAGES PAID TO NONCONTROLLING BROKERS FOR PLACEMENT OF THE SAME KINDS OF INSURANCE; AND

(6) ~~A THE~~ CONTROLLED INSURER ~~SHALL HAVE~~ HAS AN AUDIT COMMITTEE OF THE BOARD OF DIRECTORS COMPOSED OF INDEPENDENT DIRECTORS. PRIOR TO APPROVAL OF THE ANNUAL FINANCIAL STATEMENT, THE AUDIT COMMITTEE SHALL MEET TO REVIEW THE ADEQUACY OF THE INSURER'S LOSS RESERVES WITH:

(I) MANAGEMENT;

(II) THE INSURER'S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS; AND