

### **304.3-530 Duties and responsibilities of insured and controlling agent.**

- (1) The insurer shall have on file an independent financial examination, in a form acceptable to the commissioner, of each controlling agent with which it has done business.
- (2) If a controlling agent establishes loss reserves, the insurer shall annually obtain the opinion of an actuary attesting to the adequacy of loss reserves established for losses incurred and outstanding on business produced by the controlling agent. This is in addition to any other required loss reserve certification.
- (3) The insurer shall at least semiannually conduct an on-site review of underwriting and claims processing operations of the controlling agent.
- (4) Binding authority for all reinsurance contracts or participation in insurance or reinsurance syndicates shall rest with an officer of the insurer, who shall not be affiliated with the controlling agent.
- (5) Within thirty (30) days of entering into or termination of a contract with a controlling agent, the insurer shall provide written notification of the appointment or termination to the commissioner. Notices of appointment of a controlling agent shall include a statement of the duties which the applicant is expected to perform on behalf of the insurer, the lines of insurance for which the applicant is authorized to act, and any other information the commissioner may request.
- (6) An insurer shall review its books and records each quarter to determine if any person producing business has become a controlling agent as defined in KRS 304.3-500(3). If the insurer determines that a person producing business has become a controlling agent, the insurer shall promptly notify the person producing business and the commissioner of this determination and the insurer and the person producing business must fully comply with the provisions of KRS 304.3-500 to 304.3-570 within thirty (30) days.
- (7) An insurer shall not appoint to its board of directors an officer, director, employee, subproducer, or controlling shareholder of any of its controlling agents. This subsection shall not apply to relationships governed by Subtitle 37 of this chapter or any provisions of this subtitle pertaining to business transacted with a producer controlled property or casualty insurer.

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