FORM AL-MGA-2

MANAGING GENERAL AGENT’S CONTRACT

ARTICLE I -- PREAMBLE

(a) The parties to this agreement are:

(1) _________________________________________________________________,
hereafter referred to as the insurer, and

(2) _________________________________________________________________,
hereafter referred to as the managing general agent or MGA.

(b) The promises and agreements made by the insurer in this managing
general agent's contract are made in consideration of the promises and
agreements made by the managing general agent. The promises and
agreements made by the managing general agent in this managing general
agent's contract are made in consideration of the promises and agreements
made by the insurer.

(c) This written managing general agent’s contract contains the entire
agreement of the insurer and the managing general agent.

(d) This managing general agent's contract will not become effective until
signed by the insurer and the managing general agent, and is filed with and
approved by the Commissioner of Insurance of the State of Alabama.

ARTICLE II -- MANDATORY PROVISIONS

Notwithstanding any provision in the managing general agent’s contract or any
other written, oral or parole agreement to the contrary, the following provisions
are binding upon the insurer and the managing general agent:

(1) The insurer may terminate the contract for cause upon written
notice to the managing general agent. The insurer may suspend the
underwriting authority of the managing general agent during the pendency of
any dispute regarding the cause for termination. Nothing in this section is
intended to relieve the managing general agent or insurer of any other
contractual obligation;

(2) The managing general agent shall render accounts to the insurer
detailing all transactions and remit all funds due under the contract to the
insurer on not less than a monthly basis;
(3) All funds collected for the account of an insurer will be held by the managing general agent in a fiduciary capacity **in a segregated account** in a bank that is a member of the Federal Reserve System. This account shall be used for all payments on behalf of the insurer **and for no other purpose**. The managing general agent may retain no more than three months estimated claims payments and allocated loss adjustment expenses;

(4) Separate records of business written by the managing general agent shall be maintained. The insurer shall have access and right to copy all accounts and records related to its business in a form usable by the insurer and the Alabama Commissioner of Insurance shall have access to all books, bank accounts, and records of the managing general agent in a form usable to the commissioner. Such records shall be retained for a minimum of three years following the transactions to which the records relate.

(5) This contract may not be assigned in whole or part by the managing general agent.

(6) Appropriate underwriting guidelines are established in Article III of this managing general agent’s agreement.

(7) The insurer shall have the right to cancel or not renew any policy of insurance subject to the applicable laws and regulations concerning the cancellation and non-renewal of insurance policies.

(8) This contract **(does/does not)** permit the managing general agent to settle claims on behalf of the insurer. If this managing general agent's contract permits the managing general agent to settle claims on behalf of the insurer:

a. All claims shall be reported to the company in a timely manner.

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

   1. Has the potential to exceed $10,000 or exceeds the limit set by the company ($______), whichever is less;

   2. Involves a coverage dispute;

   3. May exceed the managing general agent’s claims settlement authority;

   4. Has been open for more than six months; or
5. Is closed by payment of $10,000 or an amount set by the company ($______), whichever is less;

c. All claim files will be the joint property of the insurer and managing general agent. However, upon an order of liquidation of the insurer, such files shall become the sole property of the insurer or its estate, but the managing general agent shall have reasonable access to and the right to copy the files on a timely basis;

d. Any settlement authority granted to the managing general agent may be terminated for cause upon the insurer's written notice to the managing general agent or upon the termination of this contract. The insurer may suspend the settlement authority during the pendency of any dispute regarding the cause for termination. Nothing in this paragraph is intended to relieve the managing general agent or insurer of any other contractual obligation; and

e. Article III contains other provisions relating to the settlement of claims by the managing general agent on behalf of the insurer.

(9) Electronic claims files (are/are not) in existence. If such files are in existence, Article III of this managing general agent's contract will contain provisions which govern the timely transmission of the data by the managing general agent to the insurer.

(10) This contract (does/does not) provide for a sharing of interim profits by the managing general agent. If this contract does provide for such sharing, then:

a. Provisions for such sharing are described in Article III of this managing general agent's contract; and

b. If the managing general agent has the authority to determine the amount of the interim profits by establishing loss reserves or controlling claim payments, or in any other manner, interim profits will not be paid to the managing general agent until one year after they are earned for property insurance business and five years after they are earned on casualty business and not until the profits have been verified pursuant to the Alabama Managing General Agents Act.

(11) The managing general agent shall not:

a. Bind reinsurance or retrocessions on behalf of the insurer. The managing general agent (however, may/may not) bind facultative
reinsurance contracts pursuant to obligatory facultative agreements. If the managing general agent is permitted to bind facultative reinsurance contracts, this managing general agent's contract will contain in Article III reinsurance underwriting guidelines, including, for both reinsurance assumed and ceded, a list of reinsurers with which such automatic agreements are in effect, the coverages and amounts or percentages that may be reinsured and commission schedules;

b. Commit the insurer to participate in insurance or reinsurance syndicates;

c. Appoint any agent without assuring that the agent is lawfully licensed to transact the type of insurance for which he or she is appointed;

d. Without prior approval of the insurer, pay or commit the insurer to pay a claim over a specified amount, net of reinsurance, which shall not exceed one percent of the insurer's policyholder's surplus as of December 31 of the last completed calendar year;

e. Collect any payment from a reinsurer or commit the insurer to any claim settlement with a reinsurer without prior approval of the insurer. If prior approval is given, a report shall be promptly forwarded to the insurer;

f. Permit its subagent to serve on the insurer's board of directors;

g. Jointly employ an individual who is employed by the insurer; or

h. Appoint a subordinate managing general agent.

ARTICLE III -- OPTIONAL PROVISIONS

(a) The following are underwriting guidelines for the managing general agent (see Article II (6)):

(1) The maximum annual premium volume:

____________________________________________________________

____________________________________________________________
(2) The basis of the rates to be charged:

____________________________________________________________

____________________________________________________________

(3) The types of risks which may be written:

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____________________________________________________________

(4) Maximum limits of liability:

____________________________________________________________

____________________________________________________________

(5) Applicable exclusions:

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(6) Territorial limitations:

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(7) Policy cancellation provisions:

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(8) The maximum policy period:

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(9) Other underwriting guidelines:

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(b) The following provisions govern the settlement of claims by the managing general agent on behalf of the insurer (see Article II (8)(e)):

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(c) The following provisions govern the timely transmission of data in electronic claims files by the managing general agent to the insurer (see Article II (9)):

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____________________________________________________________

____________________________________________________________
(d) The following provisions govern the sharing of interim profits by the managing general agent (see Article II (10)):

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(e) The following provisions govern reinsurance underwriting guidelines, for both reinsurance assumed and ceded, for the binding by the managing general agent of facultative contracts (see Article II (11)b):

(1) List of reinsurers with which obligatory facultative reinsurance agreements are in effect:

____________________________________________________________

____________________________________________________________

(2) The coverages and amounts or percentages that may be reinsured:

____________________________________________________________

____________________________________________________________

(3) Commission schedules:

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(4) Other provisions relating to underwriting guidelines for facultative reinsurance:

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ARTICLE IV -- OTHER PROVISIONS

(a) The provisions of this Article IV are in addition to and not in lieu of the provisions of Articles I, II and III. The provisions of Articles I, II and III shall be construed wherever possible as not in conflict and not in place of this Article IV, but as minimum requirements in addition to this Article IV. Only in the event of irreconcilable conflict, the provisions of Articles I, II and III will prevail over the provisions of this Article IV.

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Dated: _________________  Signed: _____________________________
Name: __________________
Title: _________________
Insurer: ________________

Dated: _________________  Signed: _____________________________
Name: __________________
Title: _________________
MGA: _________________