

**§3413. Prohibited pecuniary interest of officials and others; use of confidential information prohibited**

1. Any officer or director, or any member of any committee or any employee of a domestic insurer, having the duty or power of investing or handling the insurer's funds, may not deposit or invest such funds except in the insurer's name; may not borrow the funds of the insurer; or be pecuniarily interested in any loan, pledge, deposit, security, investment, sale, purchase, exchange, reinsurance or other similar transaction or property of the insurer except as a stockholder, member, employee or director, unless the transaction is authorized or approved by the insurer's board of directors, with knowledge and recording of such pecuniary interest, by affirmative vote of not less than 2/3 of the directors; and may not take or receive to the officer's, director's or member's own use any fee, brokerage, commission, gift or other similar consideration for or on account of any such transaction made by or on behalf of the insurer.

[RR 2021, c. 1, Pt. B, §272 (COR).]

2. A director, officer or employee of a domestic insurer may not directly or indirectly use for the director's, officer's or employee's own private pecuniary advantage confidential information concerning the insurer or its past, existing or proposed affairs or transactions acquired by the director, officer or employee in the course of the director's, officer's or employee's services as such director, officer or employee. The amount of any financial gain realized directly or indirectly by any such individual and accompanied by violation of this subsection belongs to the insurer, and is recoverable by the insurer by civil suit. This subsection does not apply as to transactions in shares of a stock insurer that are subject to section 16 of the Securities Exchange Act of 1934, as amended.

[RR 2021, c. 1, Pt. B, §273 (COR).]

3. No insurer shall guarantee the financial obligation of any of its officers or directors.

[PL 1969, c. 132, §1 (NEW).]

4. This section does not prohibit such a director, officer, member of a committee or employee from becoming a policyholder of the insurer and enjoying the usual rights of a policyholder or from participating as beneficiary in any pension trust, deferred compensation plan, profit sharing plan, stock option plan or similar plan authorized by the insurer and to which the director, officer, member of a committee or employee may be eligible; or prohibit any director or member of a committee from receiving a reasonable fee for lawful services actually rendered to the insurer.

[RR 2021, c. 1, Pt. B, §274 (COR).]

5. The superintendent may, by regulation from time to time, define and permit additional exceptions to the prohibition contained in subsection 1 solely to enable payment of reasonable compensation to a director who is not otherwise an officer or employee of the insurer, or to a corporation or firm in which a director is interested, for necessary services performed or sales or purchases made to or for the insurer in the ordinary course of the insurer's business and in the usual private professional or business capacity of such director, corporation or firm.

[PL 1973, c. 585, §12 (AMD).]

**SECTION HISTORY**

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). RR 2021, c. 1, Pt. B, §§272-274 (COR).

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