



The AID



*Mike Huckabee
Governor*

Quarterly Newsletter

*Mike Pickens
Commissioner*

Spring-Summer 2001

**Insurance News from the
ARKANSAS INSURANCE DEPARTMENT
We Work For You!**

Volume II, No. 2

Department-Sponsored Bills Moved Successfully Through Recent Legislative Session

A total of 35 Insurance Department-sponsored bills were passed into law during the 2001 session of the Arkansas General Assembly. Touted as “an extremely ambitious legislative package” by State Insurance Commissioner Mike Pickens, the package included changes to the Arkansas Insurance Code, Gramm-Leach-Bliley (GLB) compliance provisions, and new laws related to health insurance and other insurance issues.

“The 2001 session of the Arkansas General Assembly proved to be a very good and productive one,” Commissioner Pickens said. “We believe all facets of the industry, including producers, insurers, and most especially consumers, will reap tremendous benefits from the new laws passed this session.”

Some of the changes include: Act 8 of 2001, which strengthens Arkansas’s solvency laws by removing a broad and dangerous exemption to the risk-based capital law. Acts 538; 580; 1239;

1619; and 1728 were all enacted to bring Arkansas into compliance with the federal Gramm-Leach-Bliley Act of 1999. These laws address the areas of privacy and uniform agent licensing requirements, as mandated by GLB.

Health insurance changes include Acts 924; 925; and 1720, which address insurance purchasing updates, giving consumers more options concerning the type of coverage they purchase. For example, the Health Consumer Choice Act (Act 924) allows consumers, at their option, to choose a health plan with all the state mandates, some of the mandates, or none of the

mandates. Act 924 was created with the goal of reducing the cost of insurance, thereby reducing the number of uninsured in the State of Arkansas.

“The high cost of health insurance is the number one complaint received in my office,” Commissioner Pickens stated. “It is our hope that Act 924 will make great strides toward making health insurance more affordable to Arkansas.”

Similarly Act 925, the Health Insurance Purchasing Group Act, (HIPG), provides more options to health insurance purchasing groups. Un-

der this Act, a fully-insured health insurance purchasing group can purchase plans with all, some, or none of the State mandates.

Among other significant legislation enacted during the recent legislative session is Act 43, which grants special law enforcement authority to certified investigators of the Arkansas Insurance Department’s Fraud Investigation Division. This new law allows certified Fraud Investigators to carry weapons and to execute search warrants.

Additionally, Acts 1043 and 1149 created a pre-paid funeral contracts recovery fund, which will be funded by the industry, to serve as a guaranty fund-type mechanism to protect the policyholders of pre-paid funeral insurance contracts.

“We are excited about the work ahead of us that has come as a result of a successful and productive legislative session,” Commissioner Pickens concluded. “All of us at the Department have rolled

Inside The AID

| | |
|---|---------------|
| <i>Department-Sponsored Bills Moved Successfully Through Recent Legislative Session</i> | <i>Page 1</i> |
| <i>Commissioner's Comments</i> | <i>Page 3</i> |
| <i>Department Awaits Liquidation Ruling on American Investors</i> | <i>Page 4</i> |
| <i>Department Launches EAGLE Mediation Program</i> | <i>Page 4</i> |
| <i>Department Brings Agent Search, CE On-line</i> | <i>Page 5</i> |
| <i>State Prepares for Catastrophic Disaster</i> | <i>Page 5</i> |
| <i>The Rate Report</i> | <i>Page 6</i> |
| <i>Mission Statement</i> | <i>Page 8</i> |

For more information, visit our web site at www.state.ar.us/insurance

*The Arkansas Insurance Department is located at 1200 West Third Street (the corner of Third and Cross Streets) in Downtown Little Rock, Arkansas.
Our mission is to serve and protect the public interest by the equitable enforcement of Arkansas laws impacting the insurance industry.*



Department-Sponsored Bills (Cont.)

up our sleeves to continue our work to improve the insurance climate in the State of Arkansas.”

Arkansas Insurance Code Modernization

The Arkansas Insurance Code Revision Task Force met and worked for most of the year 2000 to develop this work product.

- ◆ **Act 8:** Strengthened Arkansas’s solvency laws by removing an exemption to the risk-based capital law.
- ◆ **Act 909:** Individual Accident and Health Insurance Omnibus Act
- ◆ **Act 1063:** Group Accident and Health Insurance Omnibus Act
- ◆ **Act 1382:** Life Insurance Omnibus Act
- ◆ **Act 1566:** Assets and Liabilities Modernization Act
- ◆ **Act 1603:** Disability Insurance Omnibus Act
- ◆ **Act 1604:** General Omnibus/Technical Corrections Act
- ◆ **Act 1605:** HMO Omnibus Act
- ◆ **Act 1555:** Property and Casualty Insurance Omnibus Act

Gramm-Leach-Bliley (GLB) Compliance

- ◆ **Act 538:** Provides for information sharing and confidentiality between state, federal and international regulatory bodies.
- ◆ **Act 580:** Producer Licensing Model Act provides for GLB compliance.
- ◆ **Act 1239:** Allows the Commissioner to enter into interstate coordination and cooperation agreements (i.e., “interstate compacts”). Also expands the Commissioner’s authority to promulgate rules and regulations “necessary for the effective regulation of the business of insurance.”
- ◆ **Act 1619:** Privacy Regulation-Enabling Act. Enabling legislation with regard to the Department’s promulgation of regulations to protect the personal financial and health information of insurance consumers and customers.
- ◆ **Act 1728:** “Safe Harbors” Act. Ensures Arkansas’s consumer protection laws that deal with insurance sales activities of depository institutions are GLB compliant.

Important Health Insurance Legislation

- ◆ **Act 924:** Health Insurance Consumer Choice Act. Allows consumers, at their option, to choose a health plan with all of the state mandates, some of the state mandates, or none of the state mandates. Requires certain disclosures to be made to consumers so they may make a fully-informed plan choice. The goal of this Act is to reduce the cost of insurance for many insureds and, therefore, decrease the number of uninsured Arkansans.
- ◆ **Act 925:** Health Insurance Purchasing Group (“HIPG”) Act. Provides for fully-insured health insurance purchasing groups; consumer choice of plans with all of the state mandates, none of the state mandates, or some of the state mandates, at the option of the consumer; all solvency, mar-

ket conduct and fraud protections offered under Arkansas law; and full guaranty fund coverage in the event of insolvency. Contains actuarial protections to minimize the possibility of anti-selection. (Applicable to small groups of one to one hundred.)

- ◆ **Act 1730:** Health Insurance Mandate Commission Act. Establishes a commission comprised of consumer, insurer, and provider representatives whose responsibility will be to conduct a cost versus benefit analysis of any future health insurance mandates, and to make a report concerning their findings to the Governor and the General Assembly.

Other Significant Legislation

- ◆ **Act 309:** Requires insurers to provide extra-territorial coverage on auto policies.
- ◆ **Act 610:** “Commissioner White Knight” statute. Codifies the Insurance Department’s Mission Statement and specifically allows the Commissioner to intervene (not just initiate) in lawsuits to protect the public interest with respect to both insurer and producer solvency issues.
- ◆ **Act 743:** Insurance Fraud Investigation law Enforcement Act. Confers specialized law enforcement authority upon the investigators in the Insurance Department’s Fraud Investigation Division. Among other things, certified investigators may serve and execute arrest warrants and carry weapons.
- ◆ **Acts 1043 and 1149:** Creates a pre-paid funeral contracts recovery fund, an industry-funded guaranty fund-like mechanism to protect policyholders of pre-paid funeral insurance contracts.
- ◆ **Act 1137:** Increases the guaranty fund deposits for stipulated premium insurance companies.
- ◆ **Acts 1391 and 1428:** Captive Insurer and Protected Cell Model Acts. Provide for the licensing and regulation of captive insurers and protected cells.
- ◆ **Act 1438:** Prohibits step-down provisions in auto policies.
- ◆ **Act 1825:** Nursing Home Liability Insurance Act. Creates a nursing home liability insurance pool to help deal with the current availability crisis.
- ◆ **Act 1702:** Prohibits providers from balance billing health insurance consumers in the event of the financial difficulty or insolvency of an HMO. Arkansas law already expressly prohibits this practice in all other circumstances.
- ◆ **Act 1726:** Mutual Holding Company Model Act.
- ◆ **Act 1827:** Requires insurers to report to the Insurance Department those agents who fail to timely remit insured premium monies to the insurer. Contains protections to prevent unfair treatment of agents.
- ◆ **Act 1811:** Provides the Insurance Department with additional regulatory authority over the management agreements of Farmers’ Mutual Aid Associations.
- ◆ **Act 919:** Requires premium finance companies to expressly notify the insured, not just the agent, before they request cancellation of their insurance policies.

Commissioner's Comments

No Need for a Federal Insurance Regulator

It is no secret insurance regulators all over the country are getting pressure from our constituents to modernize the state-based insurance regulatory system. We can and must accomplish our reform and modernization objectives -- not because various interested parties are applying pressure, but because it is the right thing to do for insurance consumers, the financial services industry and the United States economy.

Just look at the fantastic progress the National Association of Insurance Commissioners (NAIC) member states have made in one short year! Thirty-seven (37) states -- and counting -- are now GLB/NARAB compliant, seven (7) states have legislation pending and one (1) by regulation. Forty Three (43) states have enacted laws and/or regulations protecting consumer privacy protections and eight (8) states have privacy regulations pending. We are responding to the Gramm-Leach-Bliley (GLB)/NARAB challenge, implementing privacy protections, working to ensure speed-to-market and ensuring cooperation between state and federal regulators. The strong proof exists: State insurance regulators are up to the challenge.

GLB has produced re-

newed interest in exploring a federal insurance regulatory option. The American Bankers Association Insurance Association and American Council of Life Insurers are vetting federal charter proposals. However, federal regulation is unnecessary, imprudent and may prove to be dangerous to insurance consumers, state governments and to the insurance industry.

Consumers with whom I have visited do not want a federal insurance regulator. They see federal regulation as the creation of an enormous federal bureaucracy that will shrink their tax dollars and in return give them less responsiveness and accountability. State insurance regulators are more accountable and responsive than a federal regulator could ever be, because we are closer in proximity and ideology to our fellow consumers.

The current federal charter proposals hold hidden dangers for state governments as well. While our governors and state legislators are now beginning to seriously focus on this federal regulation issue, they are greatly concerned about the loss of local accountability and control. In this day and age, when the states are acting as laboratories of democracy in areas such as welfare and education re-

form, it is ironic that we are talking about creating a monolithic federal bureaucracy to regulate a product as fundamentally important in the daily lives of citizens as is insurance. Law makers have serious questions about the potential loss of revenue inherent in these federal charter proposals. And if insurers must pay premium taxes and regulatory fees at both the federal and state levels, won't this increase the cost of doing business and increase the cost of insurance products for consumers?

The proponents of federal regulation need to consider that a federal regulator may be dangerous for the industry. The Independent Insurance Agents of America and the National Association of Insurance and Financial Advisors have issued a statement pointing out that current federal charter proposals "fly in the face" of the GLB concept of functional regulation, could expose the Federal Treasury to new obligations as an insurance guaranty fund, and will serve only to "create an incredibly unfair and expensive requisite federal licensing obligation for most insurance agencies."

The insurance industry could end up with a second or third layer of regulation, more hassles and more costs. Ever since the feder-



Commissioner Mike Pickens

al government assumed a greater role in the area of health insurance, the business of health insurance has become increasingly politicized, and, coupled with the ever-increasing cost of medical care and pharmaceuticals, has led to enormous increases in the cost of health insurance and an increase in the number of uninsured Americans.

The future of insurance regulation lies in improving the state-based system, not in creating a second layer of regulation or a federal bureaucracy. Facilitating good business practices and protecting consumers are not mutually exclusive notions. The NAIC's member states are well on the way to building a new insurance regulatory framework for the 21st century. We intend to expedite and continue this work, while at the same time educating consumers and law makers about the hidden dangers in the current federal charter proposals.



Department Awaits Liquidation Ruling on American Investors

The Deputy Receiver for the Arkansas Insurance Department continues to await a court ruling to determine whether the Order of Liquidation for American Investors Life Insurance Company entered by the Pulaski County Circuit Court in February will be upheld.

After the Court entered the Order of Liquidation, Bob Fewell and Holdingsco, Inc. filed a Notice of Appeal, in protest of the Liquidation Order. In June, the Arkansas Supreme Court granted Mr. Fewell's request to offer oral arguments. As of this writing, however, a date to hear the arguments has not been set.

The Receiver had filed a motion with the Court, requesting that the appeal process be accelerated; however, the Court denied that motion on June 28th. **The Court went into its summer recess on July 9th and is not expected to reconvene until sometime in September. Therefore, a ruling on the Order of Liquidation for American Investors is not expected until sometime after the Court resumes this fall.**

Once the liquidation order is resolved, and providing the Liquidation Order is upheld, American Investors policyholders will have a minimum of 30 days to find other coverage, and at that time the Arkansas Life and Disability Insurance Guaranty Association will pay claims, up to its statutory limits.

In the meantime, American Investors policyholders are encouraged to pay providers out-of-pocket expenses such as deductibles, co-payments and other uncovered charges. Providers are asked not to penalize American Investor patients and pursue them for payment of claims owed by the insurer.

Providers and policyholders with questions regarding the status of issues concerning American Investors should call 501-227-6660 or 1-800-467-0028.

Department Launches EAGLE Mediation Program

Commissioner Mike Pickens announced recently a voluntary mediation program designed to assist insurance consumers and insurers with conflict resolution, in hopes of thwarting lengthy and costly litigation proceedings. The Insurance Department-managed project, dubbed the EAGLE Mediation Program, is aimed at doing what its name implies: "Ending Arguments Gently, Legally, and Economically."

"Sometimes cases that originate in our Consumer Services Division go unresolved, since there is no violation of the law and the investigator is unable to resolve a question of fact," Commissioner Pickens said. "Unfortunately, in some instances these cases result in costly litigation. The EAGLE program is designed to help the parties in these unresolved cases reach a satisfactory conclusion without having to engage in court proceedings."

Mediators for the program will be Insurance Department employees, primarily attorneys, who have been trained in mediation techniques by certified Mediators. Those serving as Mediators will not issue rulings, but

will act as facilitators, attempting to reach a settlement that is beneficial to both parties.

"The Mediators will be impartial and fair, and will not have been directly involved in the case in any way prior to serving as a Mediator," Commissioner Pickens asserted. "We believe this voluntary approach to dispute resolution will prove beneficial to consumers and insurers alike."

Both opposing parties must agree to mediation proceedings before the mediation process begins. Those participating in the mediation process must have full settlement authority.



Ending
Arguments
Gently
Legally
Economically



Department Brings Agent Search, CE On-line



The Insurance Department has added an insurance agent information search feature, and a home-based continuing education study link to the Department's Web site. The agent search feature allows users to see appointments, obtain address and telephone number by entering the agent's name. The continuing education link takes users to a number of providers offering home-based study for continuing education (CE) credits. Users should visit the Insurance Department's Web site at www.state.ar.us/insurance and click on the *License Division* to access the new links.

"Our License Division receives a number of telephone calls requesting information on agents," Commissioner Pickens noted. "This agent search feature allows visitors to the site to access that information immediately, without having to call our office."

Arkansas insurance agents must meet annual continuing education requirements. The on-line continuing education study program makes fulfilling that obligation easier, License Division Director Fred Stiffler said. "Instead of leaving their homes or offices to satisfy the continuing education conditions, they can now do it on-line," Mr. Stiffler stated. Failure to meet the CE requirements could place the agent's license in jeopardy, according to Department officials.

"We want to do all we can to make it as easy as possible to do business with the Arkansas Insurance Department," Commissioner Pickens stated. "We have a wealth of technology available to us, our goal is to maximize its use and provide fast and efficient service to consumers and the entire industry."

State Prepares for Catastrophic Disaster

Commissioner Mike Pickens has announced the ongoing collaborative efforts to build a State Disaster Coalition between the State's Insurance Department and the Arkansas Department of Emergency Management. The purpose of the coalition is to ensure that Arkansans receive the best possible response and recovery when a disaster occurs. Members of the public and private sectors, including representatives from the National Guard, State Police and the insurance community, have joined the state agencies in this strategic planning effort.

"Although we don't like to think about it, the potential for a major disaster in the State of Arkansas cannot be ignored," Commissioner Pickens stated. "We want to be prepared if we are ever faced with a severe calamity."

The Coalition is working to develop effective strategies for communication and technology and to create disaster procedures and processes to be implemented during a severe crisis.

The Coalition expects to have an official plan in place by this September.

Mark your calendar

Insurance Day 2001

November 1-2, 2001

University of Arkansas at Little Rock

**Special Invited Guests:
Attorneys F. Lee Bailey
and Bill Bailey**





The Rate Report

The following property and casualty rates are provided to you as a service of the Property and Casualty Division of the Arkansas Insurance Department. The rates listed in this report reflect rate increases and decreases that have been filed with the Department from February 2001 through June 2001. The market, not the State, sets the rates in Arkansas. We will utilize this section of the newsletter to keep you informed of rate changes as they occur and are released through the Department.

Decreases

| <i>Company</i> | <i>Percent of Decrease</i> | <i>Effective Dates</i> | |
|---|----------------------------|------------------------|-----------------|
| | | <i>New Business</i> | <i>Renewals</i> |
| Allstate Indemnity Co. | 25.6% | 05/29/2001 | 05/29/2001 |
| American National General Insurance Co. | 1.6% | 02/23/2001 | 02/23/2001 |
| Pharmacists Mutual | 3.9% | 06/01/2001 | 06/01/2001 |
| Southern Heritage | 0.2% | 04/01/2001 | 04/01/2001 |

Increases

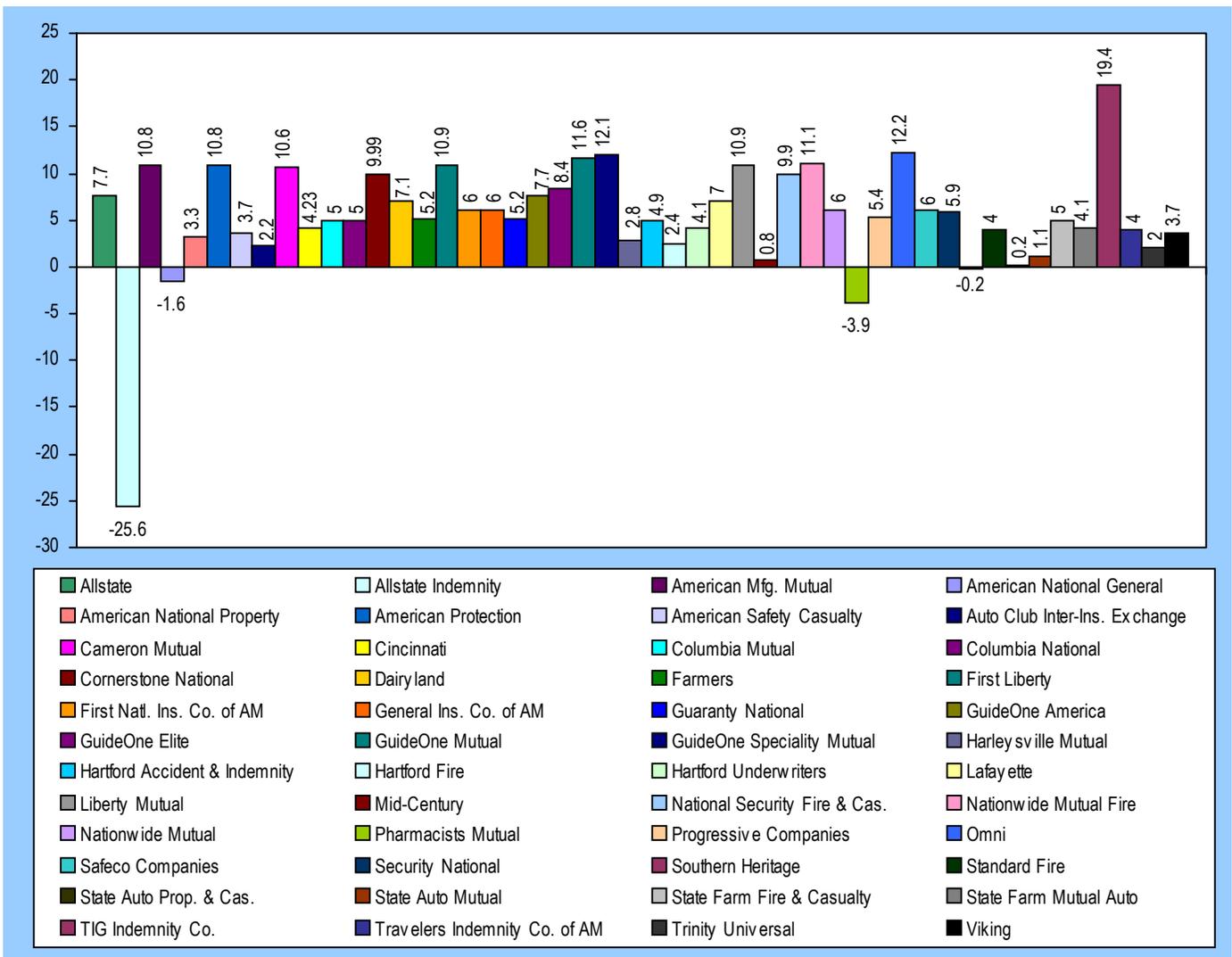
| <i>Company</i> | <i>Percent of Increase</i> | <i>Effective Dates</i> | |
|--|----------------------------|------------------------|-----------------|
| | | <i>New Business</i> | <i>Renewals</i> |
| Allstate Insurance Co. | 7.7% | 11/20/2001 | 11/20/2001 |
| American Manufacturers Mutual | 10.8% | 05/07/2001 | 05/07/2001 |
| American National Property | 3.3% | 02/23/2001 | 02/23/2001 |
| American Protection Insurance Co. | 10.8% | 05/07/2001 | 05/07/2001 |
| American Safety Casualty Insurance | 3.7% | 06/11/2001 | 08/11/2001 |
| Auto Club Inter-Insurance Exchange | 2.2% | 06/01/2001 | 06/01/2001 |
| Cameron Mutual | 10.6% | 05/01/2001 | 05/01/2001 |
| Cincinnati Insurance Co. | 4.23% | 09/01/2001 | 09/01/2001 |
| Columbia Mutual Insurance Co. | 5.0% | 04/01/2001 | 04/01/2001 |
| Columbia National Insurance Co. | 5.0% | 04/01/2001 | 04/01/2001 |
| Cornerstone National | 9.99% | 07/01/2001 | 07/01/2001 |
| Dairyland | 7.1% | 04/19/2001 | 04/19/2001 |
| Farmers Insurance Co. | 5.2% | 08/01/2001 | 08/01/2001 |
| First Liberty Insurance Corp. | 10.9% | 04/16/2001 | 06/06/2001 |
| First National Insurance Co. of America | 6.0% | 05/31/2001 | 07/05/2001 |
| General Insurance Co. of America | 6.0% | 05/31/2001 | 07/05/2001 |
| Guaranty National Insurance Co. | 5.2% | 02/26/2001 | 03/12/2001 |
| GuideOne America Insurance Co. | 7.7% | 07/01/2001 | 08/06/2001 |
| GuideOne Elite Insurance Co. | 8.4% | 07/01/2001 | 08/06/2001 |
| GuideOne Mutual Insurance Co. | 11.6% | 07/01/2001 | 08/06/2001 |
| GuideOne Speciality Mutual Insurance Co. | 12.1% | 07/01/2001 | 08/06/2001 |
| Harleysville Mutual Insurance Co. | 2.8% | 06/01/2001 | 07/10/2001 |
| Hartford Accident & Indemnity | 4.9% | 07/01/2001 | 07/01/2001 |
| Hartford Fire Insurance Co. | 2.4% | 07/01/2001 | 07/01/2001 |
| Hartford Underwriters Insurance Co. | 4.1% | 07/01/2001 | 07/01/2001 |
| Lafayette Insurance Co. | 7.0% | 04/01/2001 | 04/01/2001 |
| Liberty Mutual Insurance Co. | 10.9% | 04/16/2001 | 04/16/2001 |
| Mid-Century Insurance Co. | 0.8% | 08/01/2001 | 08/01/2001 |
| National Security Fire & Casualty | 9.9% | 05/01/2001 | 06/01/2001 |
| Nationwide Mutual Fire Insurance Co. | 11.1% | 07/19/2001 | 07/19/2001 |
| Nationwide Mutual Insurance Co. | 6.0% | 03/15/2001 | 03/15/2001 |
| Omni Insurance Co. | 12.2% | 05/14/2001 | 06/14/2001 |
| Progressive Cos. | 5.4% | 03/19/2001 | 03/19/2001 |

The Rate Report



Increases (Cont.)

| Company | Percent of Increase | Effective Dates | |
|--|---------------------|-----------------|------------|
| | | New Business | Renewals |
| Safeco Companies | 6.0% | 05/03/2001 | 07/05/2001 |
| Security National Insurance Co. | 5.9% | 05/01/2001 | 05/01/2001 |
| Standard Fire Insurance Co. | 4.0% | 04/01/2001 | 04/01/2001 |
| State Farm Fire & Casualty Co. | 5.0% | 07/01/2001 | 07/01/2001 |
| State Farm Mutual Automobile Insurance Co. | 4.1% | 07/01/2001 | 07/01/2001 |
| State Auto Property & Casualty | 0.2% | 05/17/2001 | 05/17/2001 |
| State Automobile Mutual | 1.1% | 05/17/2001 | 05/17/2001 |
| TIG Indemnity Co. | 19.4% | 05/07/2001 | 05/07/2001 |
| Travelers Indemnity Co. of America | 4.0% | 04/01/2001 | 04/01/2001 |
| Trinity Universal Insurance Co. | 2.0% | 04/01/2001 | 04/01/2001 |
| Viking Insurance Co. | 3.7% | 02/26/2001 | 03/12/2001 |





Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904
Tel: (501) 371-2600, (800) 292-9134
Fax: (501) 371-2618
E-mail: insurance@mail.state.ar.us



Mission Statement:
**To serve and protect the public
interest by the equitable
enforcement of the State's laws
and regulations affecting the
insurance industry.**

*To add or remove your name from our mailing list, please contact Sandy Currington at (501) 371-2620.
You can view The AID Quarterly Newsletter on the Department's web site at www.state.ar.us/insurance.*