

Chapter 64

Licensees, Agents, Brokers, Adjusters, and Consultants.

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Subchapter 1. General Provisions.

23-64-101. Scope of provisions.

This chapter shall apply with respect to any insurer, as to all insurances other than wet marine, foreign trade insurance, and title insurance.

23-64-102. Definitions. [Effective until July 1, 2002 - provisional date.]

As used in this chapter, unless the context otherwise requires:

- (1)(A) An "agent" is an individual, firm, limited liability company, or corporation licensed as an agent by the Insurance Commissioner.
- (B) Acting as an agent without proper licensure is a violation of this chapter.
- (C)(i) An agent shall conduct business only after being appointed by an insurer to solicit applications for insurance or annuities or to negotiate insurance on its behalf.
- (ii) Exceptions to the appointment provision are specifically provided in this chapter.
- (iii) If authorized to do so by the insurer, an appointed agent may effectuate and countersign insurance contracts.
- (iv) An agent shall be deemed to be the agent of the appointing insurer.
- (2)(A)(i) A "resident agent" is an agent whose residence is in or who may vote in this state or who is licensed as a resident agent by the commissioner in accordance with subdivisions (2)(B)-(D) of this section.

- (ii) Every reference herein to "an agent, a resident of this state" and to "a licensed agent, a resident of this state" shall include any duly licensed resident agent as defined in this section.
- (B) By reciprocal arrangements with another state under which residents of Arkansas may be licensed and operate as resident agents of the other state, the commissioner may license, as resident agents of Arkansas, residents of the other state who:
 - (i) In cities or towns through which passes the Arkansas boundary, or border communities or border trade areas, maintain their principal place of business in that city, town, community, or trade area;
 - (ii) Conduct all or a substantial portion of their insurance business in Arkansas;
 - (iii) Are employed to sell insurance by Arkansas resident firms or corporations licensed as agents; and
 - (iv) Are otherwise qualified for the license.
- (C) The terms "border communities" or "border trade areas" shall mean communities and trade areas situated within five (5) miles of the Arkansas boundary.
- (D) Firms and corporations of which all the members and persons exercising the license power qualify individually as to residence under the definition in this subdivision (2) may be licensed as resident agents;
- (3) A "broker" is an individual, firm, limited liability company, or corporation who for compensation as an independent contractor in any manner solicits, negotiates, or procures insurance or the renewal or continuance thereof on behalf of insureds or prospective insureds other than himself or herself and not on behalf of an insurer or agent, who has posted the required bond, and who may not effectuate or countersign insurance contracts. A broker shall be deemed to be the agent of the insured;
- (4)(A) An "adjuster" is an individual, firm, limited liability company, or corporation who for compensation as an independent contractor or as the employee of an independent contractor or for fee or commission investigates and negotiates, on behalf of the insurer, settlement of claims arising under insurance contracts.
 - (B) A licensed attorney at law who is qualified to practice law in this state is not deemed to be an "adjuster" for the purposes of this chapter.
 - (C) A salaried employee of an insurer or of a managing general agent or of any adjustment bureau or association owned and maintained by insurers to adjust losses of member insurers is not deemed to be an "adjuster" for the purposes of this chapter.
 - (D) A resident agent or marine average adjuster or an agent or broker who adjusts or assists in adjustment of losses arising under policies procured through the broker or issued by the insurer represented by the agent that is appointed by the insurer shall not be deemed to be an "adjuster" for the purposes of this chapter.
 - (E)(i) The commissioner may issue "limited adjusters' licenses" to persons who are sponsored and are employees of self-insured, self-funded, entities for

purposes of the adjustment of claims for or on the behalf of that self-insured sponsoring entity.

(ii) The limited license shall be valid only while the employee is employed by the sponsoring self-insured entity.

(iii) Qualifications, fees, and other aspects of licensure for "limited adjusters' licenses" shall be as established by regulation;

(5)(A) An "insurance consultant" is an individual, firm, limited liability company, or corporation which, for a fee, in any manner advises or counsels anyone as to his or her insurance needs and coverages under any insurance policy or contract.

(B) The term "insurance consultant" shall not be deemed to include licensed attorneys, actuaries, certified public accountants, medical bill analysts, or any other person who gives or offers incidental advice to the public in the normal course of a business or professional activity other than insurance consulting; and

(6) For purposes of the commissioner's reciprocal arrangements or agreements with the insurance supervisory officials of other states for licensure of nonresident insurance applicants as permitted in §§ 23-64-203 and 23-64-211 or other applicable laws, the term "insurance producer" means "agent" or "broker", or both, as applicable, as defined in this section.

23-64-102. Definitions. [Effective July 1, 2002 - provisional date.]

As used in this chapter, unless the context otherwise requires:

(1)(A) An "agent" is an individual, firm, limited liability company, or corporation who is required by § 23-64-501 et seq. to be licensed as an insurance producer by the Insurance Commissioner.

(B) An agent shall be deemed to be the agent of the appointing insurer;

(2)(A)(i) A "resident agent" is an agent whose residence is in or who may vote in this state or who is licensed as a resident insurance producer by the commissioner in accordance with § 23-64-501 et seq.

(ii) Every reference herein to "an agent, a resident of this state" and to "a licensed agent, a resident of this state" shall include any duly licensed resident agent as defined in this section.

(B) By reciprocal arrangements with another state under which residents of Arkansas may be licensed and operate as resident agents of the other state, the commissioner may license, as resident agents of Arkansas, residents of the other state who:

(i) In cities or towns through which passes the Arkansas boundary, or border communities or border trade areas, maintain their principal place of business in that city, town, community, or trade area; and

(ii) Are otherwise qualified for the license.

(C) The terms "border communities" or "border trade areas" shall mean communities and trade areas situated within five (5) miles of the Arkansas boundary.

(D) Firms and corporations of which all the members and persons exercising the

- license power qualify individually as to residence under the definition in this subdivision (2) may be licensed as resident agents;
- (3) A "broker" is an individual, firm, limited liability company, or corporation who is required to be licensed as an insurance producer under § 23-64-501 et seq. who represents insureds or prospective insureds other than himself or herself and not on behalf of an insurer or agent. A broker shall be deemed to be the agent of the insured;
- (4)(A) An "adjuster" is an individual, firm, limited liability company, or corporation who for compensation as an independent contractor or as the employee of an independent contractor or for fee or commission investigates and negotiates, on behalf of the insurer, settlement of claims arising under insurance contracts.
- (B) A licensed attorney at law who is qualified to practice law in this state is not deemed to be an "adjuster" for the purposes of this chapter.
- (C) A salaried employee of an insurer or of a managing general agent or of any adjustment bureau or association owned and maintained by insurers to adjust losses of member insurers is not deemed to be an "adjuster" for the purposes of this chapter.
- (D) A resident agent or marine average adjuster or an agent or broker who adjusts or assists in adjustment of losses arising under policies procured through the broker or issued by the insurer represented by the agent that is appointed by the insurer shall not be deemed to be an "adjuster" for the purposes of this chapter.
- (E)(i) The commissioner may issue "limited adjusters' licenses" to persons who are sponsored and are employees of self-insured, self-funded, entities for purposes of the adjustment of claims for or on the behalf of that self-insured sponsoring entity.
- (ii) The limited license shall be valid only while the employee is employed by the sponsoring self-insured entity.
- (iii) Qualifications, fees, and other aspects of licensure for "limited adjusters' licenses" shall be as established by regulation;
- (5)(A) An "insurance consultant" is an individual, firm, limited liability company, or corporation which, for a fee, in any manner advises or counsels anyone as to his or her insurance needs and coverages under any insurance policy or contract.
- (B) The term "insurance consultant" shall not be deemed to include licensed attorneys, actuaries, certified public accountants, medical bill analysts, or any other person who gives or offers incidental advice to the public in the normal course of a business or professional activity other than insurance consulting; and
- (6) For purposes of the commissioner's reciprocal arrangements or agreements with the insurance supervisory officials of other states for licensure of nonresident insurance applicants as permitted in § 23-64-203 or other applicable laws, the term "insurance producer" means "agent" or "broker", or both, as applicable, as defined in this section.

23-64-103. Exceptions to definitions. [Effective until July 1, 2002 - provisional

date.]

The definitions contained in § 23-64-102 shall not be deemed to include:

- (1) Individuals employed by agents, brokers, consultants, adjusters, or insurers solely for the performance of clerical, stenographic, secretarial, and similar office duties;
- (2) Individuals who work in the office of an agent, agency, or insurer under the direction and supervision of a licensed agent or broker within the scope of the insurance license and who devote full time to clerical, stenographic, secretarial, and similar office duties, including the incidental taking of information from customers and quoting and receiving premiums in the office of the agent, broker, agency, or insurer, if his or her compensation does not include in whole or in part any commissions, fees, or other sums on such business; or
- (3) The attorney in fact of a reciprocal insurer.

23-64-103. Exceptions to definitions. [Effective July 1, 2002 - provisional date.]

The definitions contained in § 23-64-102 shall not be deemed to include the attorney-in-fact of a reciprocal insurer.

Subchapter 2. Licensing and Appointment.

23-64-201. License required. [Effective until July 1, 2002 - provisional date.]

- (a) No person shall in this state act as or hold himself or herself out to be an agent, broker, consultant, or adjuster, as to subjects of insurance located, resident, or to be performed in this state unless then licensed for that purpose pursuant to this chapter.
- (b) No agent or broker shall solicit or take application for, procure, or place for others any kind of insurance as to which he or she is not then licensed.
- (c) Except as specifically excepted in this chapter, no agent shall place any business with any insurer as to which he or she does not then hold an appointment as agent.
- (d) No agent, insurer, broker, consultant, or adjuster shall permit any person not so properly licensed as provided in this chapter to solicit, engage, consult, or adjust in the business of insurance on its behalf.
- (e) No person shall consult, counsel, or advise others on matters of insurance needs or coverages under any insurance policy or contract of insurance unless licensed under this chapter. Licensure of a salaried employee of the entity or entities for which they may consult or counsel on matters of insurance to that entity or entities shall not be required.
- (f) No person may adjust claims as an adjuster without licensure under this chapter.
- (g) Any license issued by the Insurance Commissioner may be immediately suspended as per § 9-14-239 for failure to pay child support.
- (h) All licensees or applicants for licensure must notify the commissioner in writing within ten (10) days of any filing of a criminal charge or conviction or plea of a criminal charge or the filing of any bankruptcy proceeding by or against them. Failure to so notify the commissioner may result in the immediate suspension of the license.

23-64-201. License required for adjusters and insurance consultants. [Effective July 1, 2002 - provisional date.]

- (a) No insurer, insurance consultant, or adjuster shall permit any person not so properly licensed as provided in § 23-64-501 et seq. to solicit, engage, consult, or adjust in the business of insurance on its behalf.
- (b)(1) Unless he or she has complied with § 23-64-501 et seq., a person shall not consult, counsel, or advise others on matters of insurance needs or coverages under any insurance policy or contract of insurance unless licensed under this section.
 - (2) Licensure of a salaried employee of the entity or entities for which he or she may consult or counsel on matters of insurance to that entity or entities shall not be required.
- (c) No person may adjust claims as an adjuster without licensure under this chapter.
- (d) Any license issued by the Insurance Commissioner, under this section, may be immediately suspended as per § 9-14-239 for failure to pay child support.
- (e) All licensees or applicants for licensure under this section must notify the commissioner in writing within thirty (30) days of any filing of a criminal charge or conviction or plea of a criminal charge or the filing of any bankruptcy proceeding by or against them. Failure to so notify the commissioner may result in the immediate suspension of the license.

23-64-202. General qualifications for licensure - Exemptions. [Effective until July 1, 2002 - provisional date.]

- (a) For the protection of the people of this state, the Insurance Commissioner shall not, at or before completion of application processing, issue, continue, or permit to exist any license as to insurance unless the licensee is in compliance with this chapter and other applicable laws of this state, and as to any individual who does not also meet the following qualifications:
 - (1) Must be of legal age of majority, or must have had disabilities of minority removed for all general purposes and provide evidence of same.
 - (2)(A) Must be a resident of this state, or of a city or town through which passes the boundary of this state, qualified as to residence under § 23-64-102(2)(B) and must have been a resident for not less than the thirty (30) days immediately prior to date of application for the license;
 - (B) However, the commissioner may, in his or her discretion, upon written request by the applicant waive the thirty-day residence requirement as to any applicant for license who is a bona fide resident of this state, and who furnishes proof satisfactory to the commissioner that he or she is, and intends to be, a permanent resident of Arkansas;
 - (3) Must be deemed by the commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation, and these qualifications must continue in order to remain licensed;
 - (4) Must pass a written examination for the license if required under this subchapter and attest that he or she is familiar with the insurance laws of this state and will keep himself or herself familiar despite changes in the law; and

- (5)(A)(i) Shall, before licensure or examination, if examination is required, complete specific courses of instruction in the field of insurance as the commissioner shall by regulation prescribe for the license.
- (ii) Proof of completion must be presented before testing is administered.
 - (iii) The courses of instruction shall in the aggregate consist of not less than thirty-six (36) hours of classroom instruction administered by or under the supervision of persons qualifying with and approved by the commissioner for that purpose.
 - (iv) Successful completion of the courses of instruction shall be certified to the commissioner, on forms prescribed by him or her, by the person under whose supervision the instruction was administered.
 - (v) The courses of instruction shall provide the applicant with basic knowledge of the broad principles of insurance, licensing and regulatory laws of this state, and the obligations and duties of an agent, broker, or consultant.
 - (vi) Programs of instruction may be provided by any authorized insurer, agents' association, or trade association recognized by the commissioner or by any university, college, or any other institution in this state having a comprehensive course of instruction approved and certified by the commissioner.
 - (vii) The commissioner shall issue appropriate regulations to implement the educational requirements and standards prescribed in this subdivision and to prescribe the general curriculum of courses of instruction.
 - (viii) The curriculum shall include not less than five (5) hours of instruction relative to the licensing of agents and insurance regulatory laws of this state, criteria for approval of the providers of the courses of instruction, and certifications contemplated hereunder.
- (B) None of the provisions of this subdivision (a)(5) shall apply to, and no examination or educational requirements contained in this subdivision (a)(5) shall be required of, any applicant for a license presently exempted by law from an examination. This subdivision (a)(5) shall also not apply and no educational requirements shall be required as to any person licensed as of March 18, 1983, as an insurance agent, broker, or consultant under the laws of this state.
- (C) The provisions of subdivision (a)(5)(A) of this section shall not apply to persons making application for license as an agent or broker for crop hail insurance, mobile home physical damage insurance, mortgagor's decreasing term life and disability insurance, prepaid legal insurance, and fire and marine insurance written in connection with credit transactions, or any line exempted by law, for which only a limited license is issued, nor any other insurance for which only a limited license may be issued and the commissioner, by order or regulation, exempts from the educational requirements of subdivision (a)(5)(A) of this section.
- (b)(1) The commissioner shall not issue, permit to continue, or renew any license to any lending institution, or to any subsidiary or affiliate of any lending institution, or any

officer or any employee of any of the foregoing, with the following exceptions:

- (A) The licenses may be issued, continued, and renewed to lending institutions, their affiliates, branches, and subsidiaries, and officers and employees of either, if the persons or entities are located or reside in places which have a population which does not exceed five thousand (5,000) according to the latest federal decennial census.
 - (B) If an application or licensee is permitted to be licensed or continued by any other provision of this section.
- (2)(A)(i) Notwithstanding any other provision of subdivision (b)(1) of this section and with the exception of the effect of population growth upon the licenses of lending institutions, their affiliates, subsidiaries, offices, and employees, the commissioner shall permit to continue and shall renew the licenses of licensees who may operate in part at or through nonqualifying locations and who do not meet the foregoing requirements, if the licensees are actively conducting insurance activities under its licenses at the locations on March 16, 1993, and for so long as the licensees continue to function in the manner it was constituted on that date.
- (ii) Provided, however, that if any ownership interest in or any right to participate in the profits of a licensee operating through what might otherwise be nonqualifying locations is transferred to a new or different lending institution or to an affiliate or subsidiary of the new or different lending institution, the commissioner shall not allow the licenses of the licensees to be continued or renewed.
- (B) However, a lending institution, an officer or employee of a lending institution, a subsidiary or affiliate of a lending institution, or an officer or employee of a subsidiary or affiliate of a lending institution, otherwise qualified therefor, may be issued a license to sell mortgagor's decreasing term life insurance, mortgagor's accident and health and sickness insurance, credit life insurance, credit accident, credit property, and credit health and accident insurance and to sell fixed or variable annuities.
- (3) The commissioner may renew or continue a license issued to a lending institution, an officer or employee of a lending institution, or a subsidiary or affiliate of a lending institution where the license was lawfully outstanding on March 25, 1975; and where the licensee was on that date, and continues to be at the time of renewal or continuance of the license, actively engaged in conducting insurance activities authorized under the license.
- (A)(i) The commissioner may issue to and renew or continue licenses of successors who are otherwise qualified therefor, who are associated with or employed by licensees whose licenses are renewed or continued pursuant to this subdivision (b)(3) for so long as the licensee renewed or continued pursuant to this subdivision (b)(3) continues to function as it was constituted on March 25, 1975.
 - (ii) The successor licensees may be employed or controlled directly or indirectly only by the licensee whose license is renewed or continued pursuant to this subdivision.

- (iii) The term "successor" as used in this subdivision (b)(3)(A) means individuals who replace in an identical capacity other individuals who have left or ceased to be employed by or associated with a lending institution agency or its subsidiary or affiliate.
 - (B)(i) The subsequent transfer of ownership or control of a licensee whose license is renewed or continued pursuant to this subdivision (b)(3) to other subsidiaries or affiliates of the licensee with which the licensee was associated on March 25, 1975, shall not prohibit the commissioner from granting renewals of or licenses to successor licensees.
 - (ii) However, the restrictions of this subsection shall attach, and the commissioner shall not issue, renew, or continue any license of a lending institution or of any subsidiary or affiliate of a lending institution or to any officer or employee of either of the above if any ownership interest in or any right to participate directly or indirectly in the profits of the licensee whose license has been continued pursuant to this subdivision (b)(3) is transferred to a new or different lending institution or to an affiliate or subsidiary of the new or different lending institution.
 - (C) No provision of this section shall in any way affect any business activities of a broker-dealer licensed by the State of Arkansas or its affiliates or subsidiaries nor affect any contracts or agreements that the broker-dealer or its affiliates or subsidiaries may have with any entity.
 - (4) For purposes of this section:
 - (A) "Lending institution" means any entity which has a place of business in this state at which it accepts deposits of money from the public and lends money, including banks and savings and loan associations;
 - (B) "Subsidiary" means any person or entity which is controlled by a lending institution or its affiliate;
 - (C) "Affiliate" means any person or entity which controls or is under common control with a lending institution; and
 - (D) "Control" means the power to exercise a deciding influence over the management of a lending institution, unless the power is solely the result of an official position with the lending institution.
 - (5) The commissioner is authorized to promulgate regulations, in order to effectuate the purposes of this subsection, which are to help maintain the separation between lending institutions and the insurance business and to minimize the possibilities of unfair competitive and deceptive practices by lending institutions or their subsidiaries or affiliates affecting agents, brokers, or the public, and to maintain parity between federally chartered lending institutions and state-chartered lending institutions with respect to the sale of insurance.
 - (6)(A) The provisions of this subsection shall apply only to transfers of any ownership interest in, or control of, or any right to participate or share directly or indirectly in, the profits of any licensee that occur on or after January 1, 1993.
 - (B) The transfers effected prior to January 1, 1993, shall be governed by the law in effect when the transfer was made.
- (c) Notwithstanding the requirements contained in subsections (a) or (b) of this section,

the commissioner may renew or continue the licenses of persons who, as of immediately prior to January 1, 1960, were lawfully licensed as agents or solicitors under laws then in force. All the licenses shall, however, be subject to the other applicable provisions of the Arkansas Insurance Code.

23-64-202. General qualifications for licensure - Exemptions. [Effective July 1, 2002 - provisional date.]

- (a) For the protection of the people of this state, the Insurance Commissioner shall not, at or before completion of application processing, issue, continue, or permit to exist any license as to insurance unless the licensee is in compliance with this chapter and other applicable laws of this state, and as to any individual who does not also meet the following qualifications:
 - (1) To obtain a license as an agent or broker, he or she shall have complied with § 23-64-501 et seq. and subsection (b) of this section; and
 - (2) To obtain a license as an adjuster or insurance consultant, he or she must be:
 - (A) Of legal age of majority, or must have had disabilities of minority removed for all general purposes and provide evidence of same;
 - (B)(i) A resident of this state, or of a city or town through which passes the boundary of this state, qualified as to residence under § 23-64-102(2)(B) and must have been a resident for not less than the thirty (30) days immediately prior to the date of application for the license;
 - (ii) However, upon written request by the applicant, the commissioner in his or her discretion may waive the thirty-day residence requirement as to any applicant for license who is a bona fide resident of this state, and who furnishes proof satisfactory to the commissioner that he or she is, and intends to be, a permanent resident of Arkansas; and
 - (C) Deemed by the commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation, and these qualifications must continue in order to remain licensed.
- (b) All applicants for a license as an agent, broker, adjuster, or insurance consultant shall:
 - (1) Pass a written examination for the license if required under this chapter and attest that he or she is familiar with the insurance laws of this state and will keep himself or herself familiar despite changes in the law; and
 - (2)(A)(i) Before licensure or examination, if examination is required, complete specific courses of instruction in the field of insurance as the commissioner shall by regulation prescribe for the license.
 - (ii) Proof of completion must be presented before testing is administered.
 - (iii) The courses of instruction shall in the aggregate consist of not less than thirty-six (36) hours of classroom instruction administered by or under the supervision of persons qualifying with and approved by the commissioner for that purpose.
 - (iv) Successful completion of the courses of instruction shall be certified to the commissioner, on forms prescribed by him or her, by the person under whose supervision the instruction was administered.

- (v) The courses of instruction shall provide the applicant with basic knowledge of the broad principles of insurance, licensing and regulatory laws of this state, and the obligations and duties of an agent, broker, or consultant.
 - (vi) Programs of instruction may be provided by any authorized insurer, agents' association, or trade association recognized by the commissioner or by any university, college, or any other institution in this state having a comprehensive course of instruction approved and certified by the commissioner.
 - (vii) The commissioner shall issue appropriate regulations to implement the educational requirements and standards prescribed in this subdivision (b)(2) and to prescribe the general curriculum of courses of instruction.
 - (viii) The curriculum shall include not fewer than five (5) hours of instruction relative to the licensing of agents and insurance regulatory laws of this state, criteria for approval of the providers of the courses of instruction, and certifications contemplated hereunder.
- (B) None of the provisions of this subsection shall apply to, and no examination or educational requirements contained in this subsection shall be required of, any applicant for a license presently exempted by law from an examination.
- (C) The provisions of subdivision (b)(2)(A) of this section shall not apply to persons making application for license as an agent or broker for crop hail insurance, mobile home physical damage insurance, mortgagor's decreasing term life and disability insurance, prepaid legal insurance, and fire and marine insurance written in connection with credit transactions, or any line exempted by law, for which only a limited license is issued, nor any other insurance for which only a limited license may be issued and the commissioner, by order or regulation, exempts from the educational requirements of subdivision (b)(2)(A) of this section.
- (c) No written examination shall be required for:
- (1) Any applicant for a license as a limited line credit insurance producer as defined in § 23-64-502;
 - (2) Automobile dealers or automobile finance companies or their employees applying for licenses covering auto physical damage or the vendor's single interest on motor vehicles only;
 - (3) Transportation ticket agents of common carriers applying for licenses to solicit and sell only accident insurance ticket policies or insurance of personal effects while being carried as baggage on the common carrier, as incidental to their duties as transportation ticket agents;
 - (4) Applicants for licenses as nonresident agents or nonresident brokers, but subject to reciprocal arrangements as provided for in this chapter;
 - (5) Any applicant for a temporary license under this chapter;
 - (6) Applicants for licenses to sell credit property insurance;
 - (7)(A) Applicants for licenses to sell funeral expense insurance exclusively.
 - (B) "Funeral expense insurance" shall be defined in rules adopted by the commissioner;

- (8) Applicants for licenses to sell mortgagor's decreasing term life insurance or mortgagor's decreasing term disability insurance to debtors of the applicants or of their employers; or
- (9) Applicants for licenses to sell for farmers' mutual aid associations.
- (d)(1) The commissioner may issue to a rental company that has complied with the requirements of this subsection a limited license authorizing the limited licensee to offer or sell insurance in connection with the rental of vehicles.
- (2) As used in this subsection:
 - (A) "Limited license" means the authority of a person or entity authorized to sell certain coverages relating to the rental of vehicles pursuant to the provisions of this subsection;
 - (B) "Rental agreement" means any written agreement setting forth the terms and conditions governing the use of a vehicle provided by the rental company for rental or lease;
 - (C) "Rental company" means any person or entity in the business of providing primarily private passenger vehicles to the public under a rental agreement for a period not to exceed ninety (90) days;
 - (D) "Rental period" means the term of the rental agreement;
 - (E) "Renter" means any person obtaining the use of a vehicle from a rental company under the terms of a rental agreement for a period not to exceed ninety (90) days; and
 - (F) "Vehicle" or "rental vehicle" means a motor vehicle of the private passenger type, including passenger vans, minivans, and sport utility vehicles and of the cargo type, including cargo vans, pickup trucks, and trucks with a gross vehicle weight of less than twenty-six thousand pounds (26,000 lbs.) and which do not require the operator to possess a commercial driver's license.
- (3) As a prerequisite for issuance of a limited license under this subsection, there shall be filed with the commissioner a written application for a limited license signed by an officer of the applicant, in such form or forms and supplements thereto, and containing such information as the commissioner may prescribe.
- (4) In the event that any provision of this subsection is violated by a limited licensee, the commissioner may:
 - (A) After notice and a hearing, revoke or suspend a limited license issued under this subsection in accordance with the provisions of law; or
 - (B) After notice and hearing, impose other penalties, including suspending the transaction of insurance at specific rental locations where violations of this subsection have occurred, as the commissioner deems to be necessary or convenient to carry out the purposes of this subsection.
- (5) The rental company licensed pursuant to this subsection may offer or sell insurance underwritten by a licensed insurer or authorized surplus lines carrier only in connection with and incidental to the rental of vehicles, whether at the rental office or by preselection coverage in a master, corporate, group rental, or individual agreement in any of the following general categories:
 - (A) Personal accident insurance covering the risks of travel, including, but not limited to, accident and health insurance that provides coverage, as applicable,

- to renters and other rental vehicle occupants for accidental death or dismemberment and reimbursement for medical expenses resulting from an accident that occurs during the rental period;
- (B) Liability insurance which at the exclusive option of the rental company may include uninsured and underinsured motorist coverage whether offered separately or in combination with other liability insurance that provides coverage, as applicable, to renters and other authorized drivers of rental vehicles for liability arising from the operation of the rental vehicle;
 - (C) Personal effects insurance that provides coverage, as applicable, to renters and other vehicle occupants for the loss of or damage to personal effects that occurs during the rental period;
 - (D) Roadside assistance and emergency sickness protection programs; and
 - (E) Any other travel or auto-related coverage that a rental company offers in connection with and incidental to the rental of vehicles.
- (6) No insurance may be issued by a limited licensee pursuant to this subsection unless:
- (A) The rental period of the rental agreement does not exceed ninety (90) consecutive days;
 - (B) At every rental location where rental agreements are executed, brochures or other written materials are readily available to the prospective renter that:
 - (i) Summarize clearly and correctly the material terms of coverage offered to renters, including the identity of the insurer;
 - (ii) Disclose that the coverage offered by the rental company may provide a duplication of coverage already provided by a renter's personal automobile insurance policy, homeowner's insurance policy, personal liability insurance policy, or other source of coverage;
 - (iii) State that the purchase by the renter of the kinds of coverage specified in this subsection is not required in order to rent a vehicle; and
 - (iv) Describe the process for filing a claim in the event the renter elects to purchase coverage and in the event of a claim; and
 - (C) Evidence of coverage is disclosed within the rental agreement provided to every renter who elects to purchase such coverage.
- (7) Any limited license issued under this subsection shall also authorize any employee of the limited licensee to act individually on behalf of and under the supervision of the limited licensee with respect to the kinds of coverage specified in this subsection.
- (8) Each rental company licensed pursuant to this subsection shall conduct a training program in which employees being trained shall receive basic instruction about the kinds of coverage specified in this subsection and offered for purchase by prospective renters of rental vehicles.
- (9) Notwithstanding any other provision of this subsection or any rule adopted by the commissioner, a limited licensee pursuant to this subsection shall not be required to treat moneys collected from renters purchasing such insurance when renting vehicles as funds received in a fiduciary capacity, provided that the charges for coverages shall be itemized and be ancillary to a rental transaction. The sale of

insurance not in conjunction with a rental transaction shall not be permitted.

- (10) No limited licensee under this subsection shall advertise, represent, or otherwise hold itself or any of its employees out as licensed insurers, insurance agents, or insurance brokers.

23-64-203. Specific qualifications for license as an agent, broker, or consultant - Exemptions. [Effective until July 1, 2002 - provisional date.]

- (a) For the protection of the people of this state, the Insurance Commissioner shall not at or before completion of the application process issue, continue, or permit to exist any agent's or broker's or consultant's license as to insurance except in compliance with this chapter or other applicable laws or as to any individual not qualified therefor as follows:
- (1) Must be a resident of this state or of another state if, by reciprocal arrangements made by the commissioner with the other state, similar privileges therein are granted to residents of this state or per this chapter;
 - (2) Must have been appointed an agent by an authorized insurer before solicitation or sale of any product, if licensed as an agent;
 - (3) Must pass the written examination as shall be required by the commissioner;
 - (4)(A) Shall, before licensure or examination if examination is required, complete specific courses of instruction in the field of insurance as the commissioner shall by regulation prescribe for the license.
 - (B) Proof of completion must be presented before testing is administered.
 - (C) The courses of instruction shall in the aggregate consist of not less than thirty-six (36) hours of classroom instruction administered by or under the supervision of persons qualifying with and approved by the commissioner for such purpose and successful completion of which shall be certified to the commissioner, on forms prescribed by him or her, by the person under whose supervision the instruction was administered.
 - (D) The courses of instruction shall provide the applicant with basic knowledge of the broad principles of insurance, licensing, and regulatory laws of this state and the obligations and duties of an agent, broker, or consultant licensed as such to transact insurance.
 - (E) Programs of instruction may be provided by any authorized insurer, agents' association, or trade association recognized by the commissioner, or by any university, college, or any other educational institution in this state having a comprehensive course of instruction approved and certified by the commissioner.
 - (F) The commissioner shall issue appropriate regulations to implement the educational requirements and standards prescribed in this subdivision and to prescribe the general curriculum of courses of instruction.
 - (G) The curriculum shall include not less than five (5) hours of instruction relative to the licensing of agents and insurance regulatory laws of this state, criteria for approval of the providers of the courses of instruction, and certifications contemplated pursuant to this subdivision (a)(4); and
 - (5) None of the provisions of subdivision (a)(4) of this section shall apply to, and no

examination shall be required of, any applicant for a license presently exempted by law from an examination. Subdivision (a)(4) of this section shall also not apply as to any person licensed as of March 18, 1983, as an insurance agent or broker under the laws of this state.

- (b) As to licenses existing immediately prior to January 1, 1960, the commissioner shall not issue any license as to banks, trust companies, and other financial institutions and persons prohibited from being licensed as to other kinds of insurance under § 23-64-202(b), but subject to § 23-64-202(c).
- (c)(1) No person shall be a licensed agent, broker, or consultant until that person shall take, if so required, and pass, to the satisfaction of the commissioner, a written examination to determine the competency of the person to be an insurance agent, broker, or consultant within that insurance area of expertise desired to be licensed, in addition to other requirements determined by the commissioner. The commissioner shall prescribe the form and content of the examination and shall include therein questions calculated to determine the applicant's knowledge of the laws of this state and the regulations of the commissioner relative to those areas of licensure.
 - (2)(A) If the employment or appointment of any insurance agent is terminated by an insurance company because of the licensee's misrepresentation of insurance policies to any person, for acts of fraud, or for any other reason of dishonesty or inappropriate action, or because of the discovery of information found in an appointment review of the agent, the insurance company shall notify the commissioner within ten (10) working days of the dismissal and the reasons therefor.
 - (B) The notice shall be a privileged communication and shall not be admissible in evidence in any action or proceeding other than those brought by the commissioner.
 - (C) For purposes of this communication only, the insurance company shall be deemed to be the commissioner's authorized representative and shall have available the immunity afforded per § 23-61-208.
 - (D) Failure by any insurance company to notify the commissioner of such acts shall be deemed to be a refusal to give information per § 23-63-213(a)(2).
 - (E) Upon receipt of the notice from any insurance company, the commissioner shall, if he or she determines after investigation that the dismissal was because of misrepresentation of any insurance policy or for fraud or for violation of any of the laws of this state, immediately suspend the license of the licensee pending a hearing on the matter.
 - (3)(A) The commissioner shall maintain information on each licensee in this state. A complete record of all information furnished the commissioner regarding the conduct of any licensee in this state shall be maintained for a reasonable period of time as determined by the commissioner.
 - (B) If the commissioner receives information from any insurance company or from any other person about acts of fraud by a licensee, or about misrepresentations of the terms and provisions of any insurance policy by the licensee, the commissioner shall transmit that information plus any other information discovered in an investigation by the commissioner to the proper

authorities for legal action against the agent as authorized by the laws of this state.

- (4) The provisions of this subsection shall be supplemental to and shall not repeal any existing laws on the same subject.

23-64-203. Testing, emergency suspension, and records. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner shall prescribe the form and content of all examinations required by this chapter and shall include therein questions calculated to determine the applicant's knowledge of the laws of this state and the regulations of the commissioner relative to those areas of licensure.
- (b) Upon receipt of the notice from any insurance company pursuant to § 23-64-515(a), if the commissioner determines after investigation that the dismissal was for any of the reasons described in § 23-64-512, the commissioner shall immediately suspend the license of the licensee pending a hearing on the matter.
- (c)(1) The commissioner shall maintain information on each licensee in this state. A complete record of all information furnished the commissioner regarding the conduct of any licensee in this state shall be maintained for a reasonable period of time as determined by the commissioner.
- (2) If the commissioner receives information from any insurance company or from any other person about acts of fraud by a licensee, or about misrepresentations of the terms and provisions of any insurance policy by the licensee, the commissioner shall transmit that information plus any other information discovered in an investigation by the commissioner to the proper authorities for legal action against the agent as authorized by the laws of this state.
- (d) The provisions of this subsection shall be supplemental to and shall not repeal any existing laws on the same subject.

23-64-204. Application for agent's, broker's, or consultant's license. [Effective until July 1, 2002 - provisional date.]

- (a) Application for an agent's, broker's, or consultant's license shall be made to the Insurance Commissioner by the applicant and be signed and sworn to by the applicant along with a nonrefundable application fee as prescribed by regulation.
- (b) The form of application shall require full answers to such questions as may reasonably be necessary to determine the applicant's identity, residence, personal history, business record, experience in insurance, and other facts, such as, but not limited to, criminal convictions, pleas, pending charges, bankruptcies, or filings for bankruptcy or any other items, as required by the commissioner to determine whether the applicant meets the applicable qualifications mandated.
- (c) The application shall state the kinds of insurance proposed to be transacted.
- (d) If the applicant for license is a firm, limited liability company, or corporation, the application shall show the names of all members, managers, officers, and directors and shall designate each individual who is to exercise the powers to be conferred by the license. Each individual so designated shall furnish information with respect to himself or herself, as part of the application, as though licensed as an individual

licensee.

- (e) The application shall also show whether the applicant or individual designee under the license was ever previously licensed to transact any kind of insurance in this state or elsewhere, whether the license was ever refused, suspended, or revoked, and whether any insurer or insurance licensee claims an applicant is indebted to it, and if so, the details thereof.
- (f)(1) If the application is approved and if the nonrefundable application fee is paid, an examination permit will be issued to the applicant.
 - (2) The permit will be valid for a period of ninety (90) days from the date of issuance.
 - (3) If the applicant does not schedule and appear for examination within that ninety-day period, the permit shall expire and the applicant may be required to file a new application and shall pay another nonrefundable application fee before issuance of another examination permit to the applicant.
 - (4) If an applicant appears for examination but fails to pass the examination, he or she shall be required to pay a nonrefundable reexamination fee before reexamination.
- (g)(1) As to any application or request for appointment by an insurer or company to be added to the license obtained by an individual agent who has had no previous appointments on his or her Arkansas license prior to this request, the commissioner shall require that the insurer has conducted or secured at its expense an investigation as to the applicant's identity, residence, experience, or instruction as to the kinds of insurance to be transacted, and as to the agent's character, financial condition, and financial history. This requirement shall not be applied to any individual requesting a renewal license or requesting his or her second or subsequent insurer appointments added after the first-time license or appointment.
 - (2) The investigation shall include, at a minimum, the following information disclosed by such an investigation:
 - (A) Whether the applicant has been convicted of a felony, and, if so, the date and nature of the conviction, the name and location of the court, and the penalty imposed or other disposition of the case, for review in compliance with the provisions of § 23-66-502(c) and other applicable state or federal laws;
 - (B) Whether, at the time of the application, the agent or applicant is a named party in any lawsuit, and, if so, the style of the lawsuit, a brief description of the litigation, and the name and location of the court;
 - (C) Whether a judgment for monetary damages has been entered against the applicant within the last five (5) years, and, if so, the date of the judgment, the amount of the judgment, whether the judgment has been paid or otherwise satisfied, the name and location of the court, and the style of the case; and
 - (D) Such other information as the commissioner shall require.
 - (3) The forms and the requirements of this subsection shall not apply to:
 - (A) Any limited or restricted license referenced in § 23-64-205(f), any limited or restricted license which the commissioner may exempt, or any temporary license the commissioner may issue; and
 - (B) Corporations, partnerships, limited liability companies, and partnerships

licensed as insurance agencies under this chapter.

- (h) The requirements for broker background checks of subdivisions (g)(1) and (2) of this section shall apply to each first-time original license applicant for a broker's license in this state. However, those requirements shall not be required for any renewal broker's license, and all filings shall exclude appointment forms for first or renewal licenses for brokers.

23-64-204. Application for an insurance consultant's license. [Effective July 1, 2002 - provisional date.]

- (a) Application for an insurance consultant's license shall be made to the Insurance Commissioner by the applicant and be signed and sworn to by the applicant along with a nonrefundable application fee as prescribed by regulation.
- (b) The form of application shall require full answers to such questions as may reasonably be necessary to determine the applicant's identity, residence, personal history, business record, experience in insurance, and other facts, such as, but not limited to, criminal convictions, pleas, pending charges, bankruptcies, or filings for bankruptcy or any other items, as required by the commissioner to determine whether the applicant meets the applicable qualifications mandated.
- (c) The application shall state the kinds of insurance proposed to be transacted.
- (d) If the applicant for license is a firm, limited liability company, or corporation, the application shall show the names of all members, managers, officers, and directors and shall designate each individual who is to exercise the powers to be conferred by the license. Each individual so designated shall furnish information with respect to himself or herself, as part of the application, as though licensed as an individual licensee.
- (e) The application shall also show whether the applicant or individual designee under the license was ever previously licensed to transact any kind of insurance in this state or elsewhere, whether the license was ever refused, suspended, or revoked, and whether any insurer or insurance licensee claims an applicant is indebted to it, and if so, the details thereof.
- (f)(1) If the application is approved and if the nonrefundable application fee is paid, an examination permit will be issued to the applicant.
 - (2) The permit will be valid for a period of ninety (90) days from the date of issuance.
 - (3) If the applicant does not schedule and appear for examination within that ninety-day period, the permit shall expire and the applicant may be required to file a new application and shall pay another nonrefundable application fee before issuance of another examination permit to the applicant.
 - (4) If an applicant appears for examination but fails to pass the examination, the applicant shall be required to pay a nonrefundable reexamination fee before reexamination.

23-64-205. Written examination. [Effective until July 1, 2002 - provisional date.]

- (a) Within a reasonable time and in a location to be determined by the Insurance

Commissioner, after filing of application and payment of the applicable fees, the commissioner shall subject each applicant for license as agent, broker, or consultant, unless exempted therefrom under subsection (f) of this section, to a written examination.

- (b) If the applicant is a firm, limited liability company, or corporation, the examination shall be taken by each individual who is to be named in the license as having authority to act for the applicant in its insurance transactions under the license.
- (c) Examination of an applicant for an agent's license shall cover the kinds of insurance or subdivisions thereof defined in the Arkansas Insurance Code for which the agent desires to be licensed.
- (d) Examination of an applicant for a broker's or consultant's license shall cover the kinds of insurance as to which the applicant is to be licensed.
- (e)(1) The commissioner may give, conduct, and grade all examinations, or he or she may arrange to have examinations administered and graded by an independent testing service as specified by contract, in a fair and impartial manner, and without unfair discrimination as between individuals examined.
 - (2) Any written examination may be substituted by an oral examination of the applicant if so deemed necessary under any applicable statute, including, but not limited to, the Americans with Disabilities Act.
 - (3) The commissioner shall require a waiting period of four (4) weeks before reexamination of an applicant who thrice failed to pass previous similar examinations. This waiting period applies after every third unsuccessful attempt.
- (f) This section shall not apply to, and no examination shall be required of:
 - (1) Applicants for licenses to sell credit life or credit disability insurance;
 - (2) Automobile dealers or automobile finance companies or their employees applying for licenses covering auto physical damage or the vendor's single interest on motor vehicles only;
 - (3) Transportation ticket agents of common carriers applying for licenses to solicit and sell only accident insurance ticket policies or insurance of personal effects while being carried as baggage on the common carrier, as incidental to their duties as transportation ticket agents;
 - (4) Applicants for licenses as nonresident agents or nonresident brokers, but subject to reciprocal arrangements as provided for in this chapter;
 - (5) Any applicant for a temporary license under this chapter;
 - (6) Applicants for licenses to sell credit property insurance;
 - (7) Applicants for licenses to sell funeral expense insurance exclusively. "Funeral expense insurance" shall be defined in rules adopted by the commissioner;
 - (8) Applicants for licenses to sell mortgagor's decreasing term life or mortgagor's decreasing term disability insurance to debtors of the applicants or of their employers; or
 - (9) Applicants for licenses to sell for farmers' mutual aid associations.
- (g)(1) The commissioner may issue to a rental company that has complied with the requirements of this subsection a limited license authorizing the limited licensee to offer or sell insurance in connection with the rental of vehicles.

- (2) As used in this subsection:
 - (A) "Limited license" means the authority of a person or entity authorized to sell certain coverages relating to the rental of vehicles pursuant to the provisions of this subsection;
 - (B) "Rental agreement" means any written agreement setting forth the terms and conditions governing the use of a vehicle provided by the rental company for rental or lease;
 - (C) "Rental company" means any person or entity in the business of providing primarily private passenger vehicles to the public under a rental agreement for a period not to exceed ninety (90) days;
 - (D) "Rental period" means the term of the rental agreement;
 - (E) "Renter" means any person obtaining the use of a vehicle from a rental company under the terms of a rental agreement for a period not to exceed ninety (90) days; and
 - (F) "Vehicle" or "rental vehicle" means a motor vehicle of the private passenger type, including passenger vans, minivans, and sport utility vehicles and of the cargo type, including cargo vans, pickup trucks, and trucks with a gross vehicle weight of less than twenty-six thousand pounds (26,000 lbs.) and which do not require the operator to possess a commercial driver's license.
- (3) As a prerequisite for issuance of a limited license under this subsection, there shall be filed with the commissioner a written application for a limited license signed by an officer of the applicant, in such form or forms and supplements thereto, and containing such information as the commissioner may prescribe.
- (4) In the event that any provision of this subsection is violated by a limited licensee, the commissioner may:
 - (A) After notice and a hearing, revoke or suspend a limited license issued under this subsection in accordance with the provisions of law; or
 - (B) After notice and hearing, impose other penalties, including suspending the transaction of insurance at specific rental locations where violations of this subsection have occurred, as the commissioner deems to be necessary or convenient to carry out the purposes of this subsection.
- (5) The rental company licensed pursuant to this subsection may offer or sell insurance underwritten by a licensed insurer or authorized surplus lines carrier only in connection with and incidental to the rental of vehicles, whether at the rental office or by pre-selection coverage in a master, corporate, group rental, or individual agreement in any of the following general categories:
 - (A) Personal accident insurance covering the risks of travel, including, but not limited to, accident and health insurance that provides coverage, as applicable, to renters and other rental vehicle occupants for accidental death or dismemberment and reimbursement for medical expenses resulting from an accident that occurs during the rental period;
 - (B) Liability insurance which at the exclusive option of the rental company may include uninsured and underinsured motorist coverage whether offered separately or in combination with other liability insurance that provides coverage, as applicable, to renters and other authorized drivers of rental

- vehicles for liability arising from the operation of the rental vehicle;
- (C) Personal effects insurance that provides coverage, as applicable, to renters and other vehicle occupants for the loss of or damage to personal effects that occurs during the rental period;
 - (D) Roadside assistance and emergency sickness protection programs; and
 - (E) Any other travel or auto-related coverage that a rental company offers in connection with and incidental to the rental of vehicles.
- (6) No insurance may be issued by a limited licensee pursuant to this subsection unless:
- (A) The rental period of the rental agreement does not exceed ninety (90) consecutive days;
 - (B) At every rental location where rental agreements are executed, brochures or other written materials are readily available to the prospective renter that:
 - (i) Summarize clearly and correctly the material terms of coverage offered to renters, including the identity of the insurer;
 - (ii) Disclose that the coverage offered by the rental company may provide a duplication of coverage already provided by a renter's personal automobile insurance policy, homeowner's insurance policy, personal liability insurance policy, or other source of coverage;
 - (iii) State that the purchase by the renter of the kinds of coverage specified in this subsection is not required in order to rent a vehicle; and
 - (iv) Describe the process for filing a claim in the event the renter elects to purchase coverage and in the event of a claim; and
 - (C) Evidence of coverage is disclosed within the rental agreement provided to every renter who elects to purchase such coverage.
- (7) Any limited license issued under this subsection shall also authorize any employee of the limited licensee to act individually on behalf of and under the supervision of the limited licensee with respect to the kinds of coverage specified in this subsection.
- (8) Each rental company licensed pursuant to this subsection shall conduct a training program in which employees being trained shall receive basic instruction about the kinds of coverage specified in this subsection and offered for purchase by prospective renters of rental vehicles.
- (9) Notwithstanding any other provision of this subsection or any rule adopted by the commissioner, a limited licensee pursuant to this subsection shall not be required to treat moneys collected from renters purchasing such insurance when renting vehicles as funds received in a fiduciary capacity, provided that the charges for coverages shall be itemized and be ancillary to a rental transaction. The sale of insurance not in conjunction with a rental transaction shall not be permitted.
- (10) No limited licensee under this subsection shall advertise, represent, or otherwise hold itself or any of its employees out as licensed insurers, insurance agents, or insurance brokers.

23-64-205. Written examination. [Effective July 1, 2002 - provisional date.]

- (a) Within a reasonable time and in a location to be determined by the Insurance Commissioner, after filing of application and payment of the applicable fees, the commissioner shall subject each applicant for license as an insurance consultant to a written examination.
- (b) If the applicant is a firm, limited liability company, or corporation, the examination shall be taken by each individual who is to be named in the license as having authority to act for the applicant in its insurance transactions under the license.
- (c) Examination of an applicant for an insurance consultant's license shall cover the kinds of insurance as to which the applicant is to be licensed.
- (d)(1) The commissioner may give, conduct, and grade all examinations, or he or she may arrange to have examinations administered and graded by an independent testing service as specified by contract, in a fair and impartial manner, and without unfair discrimination as between individuals examined.
 - (2) Any written examination may be substituted by an oral examination of the applicant if so deemed necessary under any applicable statute, including, but not limited to, the Americans with Disabilities Act.
 - (3) The commissioner shall require a waiting period of four (4) weeks before reexamination of an applicant who thrice failed to pass previous similar examinations. This waiting period applies after every third unsuccessful attempt.

23-64-206. Appointments for agents representing insurers. [Repealed effective July 1, 2002 - provisional date.]

- (a) Qualified agents shall have one (1) appointment for each insurer to be so represented as agent. No agent shall place any business with any insurer as to which that agent does not then hold an appointment as an agent, except as specifically provided in this chapter.
- (b) Appointment of an agent shall be effectuated as specified per regulation by the Insurance Commissioner.

23-64-207. Scope of broker's license and authority. [Effective until July 1, 2002 - provisional date.]

- (a)(1) A license as a broker shall cover property, casualty, surety, and marine insurance, and the Insurance Commissioner shall not issue a broker's license limited to particular lines of insurance.
 - (2) However, a broker's license shall not include life or disability insurance.
 - (3) A license as a consultant may cover:
 - (A) Life and disability; or
 - (B) Property and casualty which includes surety and marine; or
 - (C) Both subdivisions (3)(A) and (B) of this section.
- (b)(1) A broker, as such, is not an agent or other representative of an insurer and does not have power by his or her own acts to obligate the insurer upon any risk or with reference to any insurance transaction.
 - (2) An insurer or agent shall have the right to pay to a broker licensed under this chapter the customary commissions upon insurance placed through the broker.

23-64-207. Scope of broker's license and authority and an insurance consultant's license. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner shall not issue a broker's license limited to particular lines of insurance.
- (b)(1) A broker, as such, is not an agent or other representative of an insurer and does not have power by his or her own acts to obligate the insurer upon any risk or with reference to any insurance transaction unless, and to the extent, he or she has received refunded premiums from the insurer on behalf of the insured.
- (2) An insurer or agent shall have the right to pay to a broker licensed under this chapter the customary commissions upon insurance placed through the broker.
- (c) A license as a consultant may cover:
 - (1) Life and disability;
 - (2) Property and casualty which includes surety and marine; or
 - (3) Both subdivisions (c)(1) and (2) of this section.

23-64-208. Broker's surety bond. [Repealed effective July 1, 2002 - provisional date.]

- (a)(1) Every applicant for a broker's license and for a renewal license shall file with the application and shall thereafter maintain in force while so licensed a bond in favor of the people of the State of Arkansas executed by an authorized surety insurer.
- (2) The bond may be continuous in form, and total aggregate liability on the bond may be limited to payment of twenty-five thousand dollars (\$25,000).
- (3) The bond shall be conditioned upon full accounting and due payment to the person entitled thereto of funds coming into the broker's possession through insurance transactions under the license.
- (b) The bond shall remain in force until released by the Insurance Commissioner or until cancelled by the surety. Without prejudice to any liability previously incurred thereunder, the surety may cancel the bond on thirty (30) days' advance written notice to both the broker and the commissioner.

23-64-209. Qualifications for adjuster's license.

- (a) No person shall, in this state, act as or hold himself or herself out to be an adjuster unless then licensed therefor under this chapter. Application for license shall be made to the Insurance Commissioner according to forms as prescribed and furnished by him or her. The commissioner shall issue the adjuster's license for property insurance, or for casualty insurance, or for workers' compensation insurance, or for any combination thereof as to individuals qualified therefor upon payment of the nonrefundable license fee stated in § 23-61-401.
- (b) To be licensed as an adjuster, the applicant must be qualified as follows:
 - (1) Must be of the legal age of majority, or have had the disabilities of minority removed for all general purposes and provide evidence of same;
 - (2) Must be a resident of Arkansas, or resident of another state which will permit residents of Arkansas to act as adjusters in the other state;
 - (3) Must be a full-time salaried employee of a licensed adjuster, or a graduate of a

- recognized law school, or must have had experience or special education or training as to the handling of property, casualty, or workers' compensation loss claims under insurance contracts of sufficient duration and extent reasonably to make him or her competent to fulfill the responsibilities of an adjuster;
- (4) Must be deemed by the commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation;
 - (5) Must have and maintain in this state an office accessible to the public and keep therein the usual and customary records pertaining to transactions under the license. This provision shall not be deemed to prohibit maintenance of an office in the home of the licensee. A licensed, nonresident adjuster shall not be required to maintain an office in this state;
 - (6)(A)(i) Must pass a written examination as to his or her competence to act as a property, casualty, or workers' compensation insurance adjuster as shall be required by the commissioner.
 - (ii) The commissioner may give, conduct, and grade all examinations or he or she may arrange to have examinations administered and graded by an independent testing service as specified by contract, in a fair and impartial manner, and without unfair discrimination as between individuals examined.
 - (iii) The commissioner may require a waiting period of four (4) weeks before reexamination of an applicant who thrice failed to pass previous similar examinations. This waiting period applies after every third unsuccessful attempt.
 - (iv) The nonrefundable application fee shall be the same as that charged an applicant for license as an agent or broker under § 23-61-401.
 - (v) This examination requirement shall be effective only as to all resident applicants for license as an adjuster hereunder beginning January 1, 1986.
 - (B)(i) If the application is approved and if the nonrefundable application fee is paid, an examination permit will be issued to the applicant.
 - (ii) The permit will be valid for a period of ninety (90) days from the date of issuance.
 - (iii) If the applicant does not schedule and appear for examination within that ninety-day period, the permit shall expire and the applicant may be required to file a new application and shall pay another nonrefundable application fee before issuance of another examination permit to the applicant.
 - (iv) If the applicant appears for examination but fails to pass such an examination, the applicant shall be required to pay a nonrefundable reexamination fee before reexamination.
 - (C) By reciprocal arrangements with the insurance supervisory official in the other state, the commissioner may waive written examination of a nonresident applicant for license as an adjuster, if the official certifies that the applicant is licensed as a resident adjuster of that state and has complied with its qualification standards therefor.
- (c) A firm, limited liability company, or corporation, whether or not organized under the

laws of this state, may be licensed as an adjuster if each individual who is to exercise the license powers is named in the license and is qualified as for an individual licensed as adjuster. An additional full license fee shall be paid as to each individual in excess of one (1), so named in the license to exercise its powers.

- (d) However, no adjuster's license or qualifications shall be required as to any adjuster who is sent into this state on behalf of an insurer for the purpose of investigating or making adjustment of a particular loss under an insurance policy, or for the adjustment of a series of losses resulting from a catastrophe common to all the losses.

**23-64-210. Licensing of firms, limited liability companies, and corporations.
[Effective until July 1, 2002 - provisional date.]**

- (a)(1) A firm, limited liability company, or corporation may be licensed only as a licensee. If a firm, each general partner and each other individual to act for the firm under the license, and if a limited liability company or a corporation, each individual to act for the limited liability company or corporation under the license, shall be named in the license and shall qualify for the license as though an individual licensee.
- (2) The Insurance Commissioner shall charge, and the licensee shall pay, a full additional license fee as to each respective individual so named in the license in excess of one (1) licensee.
- (b)(1) The commissioner, in his or her discretion, may issue a license to a firm, limited liability company, or corporation organized under the laws of another state if the firm, limited liability company, or corporation is licensed as a resident licensee under the laws of its state of domicile.
- (2)(A) If a firm, each general partner and each other individual authorized to act on behalf of the firm under the license, and if a limited liability company or corporation, each individual authorized to act on behalf of the limited liability company or corporation under the license shall be named in the license and shall qualify therefor as though an individual licensee under the provisions of the Arkansas Insurance Code.
- (B) The commissioner shall charge, and the licensee shall pay, a full additional license fee as to each respective individual licensee in the license in excess of one (1), in the amounts stated in § 23-61-401.
- (3) The nonresident licensee shall promptly notify the commissioner of all changes among its members, partners, directors, managers, and officers, and all other individuals designated in the license.
- (4) As a part of the application for the license of agent, the commissioner shall require the applicant to file a written agreement executed by a member, partner, or officer authorized to act for the firm, limited liability company, or corporation acknowledging under oath that its agents will not during the period of the license directly or indirectly place insurance upon subjects resident, located, or to be performed in this state except by policies or contracts in insurers authorized to transact insurance in this state.
- (5) Application for and acceptance of a firm's, limited liability company's, or corporation's license as a nonresident licensee shall be deemed to constitute irrevocable appointment of the commissioner as the attorney of the licensee for

the acceptance of service of process issued in this state. The licensee shall comply with the further provisions of this chapter.

- (c) Within ten (10) days, each licensee shall notify the commissioner of all changes among its members, directors, officers, and all other individuals designated in the license.
- (d)(1) Every firm, limited liability company, or corporation licensed and every applicant for a license shall file with the commissioner the true name of the firm, limited liability company, or corporation and also all fictitious names under which it conducts or intends to conduct its business and, after licensing, shall file with the commissioner any change in or discontinuance of those names.
- (2) The commissioner may disapprove in writing the use of any name on any of the following grounds:
 - (A) The name is identical to or is similar to that of another licensee so as to confuse or otherwise mislead the public;
 - (B) The name includes words or phrases that may mislead the public as to activities not authorized under the license or which are in violation of any insurance law or insurance regulation;
 - (C) The name states, infers, or implies that the firm, limited liability company, or corporation is an insurer, motor club, or hospital service plan or entitled to engage in insurance activities not permitted under the license applied for or held; or
 - (D) Other reasonable grounds as the commissioner may determine.
- (3) The grounds specified in subdivisions (d)(2)(B) and (D) of this section shall not be applicable to the true name of any firm or corporation which on March 21, 1985, held a license issued under this subchapter.
- (e) The provisions of subsections (a) and (b) of this section shall not apply to those partners who are partners in the firm for investment purposes only and who do not act for the firm or take any other active role in the operations of the firm.
- (f) In the event an insurer does not wish to provide for the authority of all such agents authorized under the license of a firm, limited liability company, or corporation to act on their behalf, that insurer may appoint specific agents individually within the firm, limited liability company, or corporation, and the firm, limited liability company, or corporation may act on the behalf of the insurer, but only through those agents individually appointed by the insurer while acting on the behalf of the firm, limited liability company, or corporation and only if among those specific agents individually appointed, there is one general partner, one officer of the corporation, or one manager of the limited liability company.

23-64-210. Licensing of adjuster and insurance consulting partnerships, limited partnerships, joint ventures, limited liability companies, and corporations. [Effective July 1, 2002 - provisional date.]

- (B) If a partnership, limited partnership, or joint venture, each general partner and each other individual to act for it under the license, and if a limited liability company or a corporation, each individual to act for it under the license, shall be named in the license and shall qualify for the license as

though an individual licensee.

- (2) The Insurance Commissioner shall charge, and the licensee shall pay, a full additional license fee as to each respective individual so named in the license in excess of one (1) licensee.
- (b)(1) The commissioner in his or her discretion may issue a license to a partnership, limited partnership, joint venture, limited liability company, or corporation organized under the laws of another state if the partnership, limited partnership, joint venture, limited liability company, or corporation is licensed as a resident licensee under the laws of its state of domicile.
 - (2)(A) Each individual authorized to act on behalf of a partnership, limited partnership, joint venture, limited liability company, or corporation under the license shall be named in the license and shall qualify therefor as though an individual licensee under the provisions of the Arkansas Insurance Code.
 - (B) The commissioner shall charge, and the licensee shall pay, a full additional license fee as to each respective individual licensee in the license in excess of one (1), in the amounts stated in § 23-61-401 and any existing or future rule and regulation.
- (3) The nonresident licensee shall promptly notify the commissioner of all changes among its members, partners, directors, managers, and officers, and all other individuals designated in the license.
- (c) Within ten (10) days, each licensee shall notify the commissioner of all changes among its members, directors, officers, and all other individuals designated in the license.
- (d)(1) Every firm, limited liability company, or corporation licensed and every applicant for a license shall file with the commissioner the true name of the firm, limited liability company, or corporation and also all fictitious names under which it conducts or intends to conduct its business and, after licensing, shall file with the commissioner any change in or discontinuance of those names.
 - (2) The commissioner may disapprove in writing the use of any name on any of the following grounds:
 - (A) The name is identical to or is similar to that of another licensee so as to confuse or otherwise mislead the public;
 - (B) The name includes words or phrases that may mislead the public as to activities not authorized under the license or which are in violation of any insurance law or insurance regulation;
 - (C) The name states, infers, or implies that the firm, limited liability company, or corporation is an insurer, motor club, or hospital service plan or entitled to engage in insurance activities not permitted under the license applied for or held; or
 - (D) Other reasonable grounds as the commissioner may determine.
 - (3) The grounds specified in subdivisions (d)(2)(B) and (D) of this section shall not be applicable to the true name of any firm or corporation which on March 21, 1985, held a license issued under this subchapter.
- (e) In the event an insurer does not wish to provide for the authority of all such agents authorized under the license of a partnership, limited partnership, joint venture,

limited liability company, or corporation to act on their behalf, that insurer may appoint specific agents individually within it, and they may act on the behalf of the insurer, but only:

- (1) While acting on the behalf of the partnership, limited partnership, joint venture, limited liability company, or corporation; and
 - (2) If among those specific agents individually appointed, there is one general partner, one officer of the corporation, or one manager of the limited liability company or joint venture.
- (f) Every partnership, limited partnership, joint venture, limited liability company, or corporation receiving a license pursuant to this section, shall designate and continuously maintain in the state:
- (1) A registered office that may be the same as any of its places of business; and
 - (2) A registered agent, who may be:
 - (A) An individual who resides in this state and whose business office is identical with the registered office;
 - (B) A state bank, domestic corporation, or not-for-profit corporation whose business office is identical with the registered office; or
 - (C) A foreign corporation or foreign not-for-profit corporation authorized to transact business in this state whose business office is identical with the registered office.
- (g)(1) The partnership, limited partnership, joint venture, limited liability company, or corporation may change its registered office or registered agent by delivering to the commissioner for filing a statement of change that sets forth:
- (A) Its name;
 - (B) The street address of its current registered office;
 - (C) If the current registered office is to be changed, the street address of its new registered office;
 - (D) The name of its current registered agent;
 - (E) If the current registered agent is to be changed, the name of its new registered agent with the new agent's written consent to the appointment, either on the statement or attached to it; and
 - (F) That after the change or changes are made, the street addresses of its registered office and the business office of its reciprocal agent will be identical.
- (2) If a registered agent changes the street address of the registered agent's business office, he or she may change the street address of the registered office of any foreign insurer holding a certificate of authority to transact business in Arkansas or any domestic reciprocal insurer for which he or she is the registered agent by:
- (A) Notifying the insurer in writing of the change; and
 - (B) Signing, either manually or in facsimile, and delivering to the commissioner for filing a statement of change that:
 - (i) Complies with the requirements of subsection (a) of this section; and
 - (ii) Recites that the insurer has been notified of the change.
- (h)(1) The registered agent of a partnership, limited partnership, joint venture, limited

liability company, or corporation, holding a license under this section, may resign his or her agency appointment by signing and delivering to the commissioner for filing the original and two (2) exact or conformed copies of a statement of resignation. The statement of resignation may include a statement that the registered office is also discontinued.

- (2) After filing the statement, the commissioner shall attach the filing receipt to one (1) copy and mail the copy and receipt to the registered office if not discontinued. The commissioner shall mail the other copy to the partnership, limited partnership, joint venture, limited liability company, or corporation at its principal office address shown in its most recent annual report.
 - (3) The agency appointment is terminated, and the registered office discontinued if so provided, on the thirty-first day after the date on which the statement was filed.
- (i)(1) The registered agent of a partnership, limited partnership, joint venture, limited liability company, or corporation holding a license issued pursuant to this section in Arkansas is the insurer's agent for service of process, notice, or demand required or permitted by law to be served on it.
- (2) A partnership, limited partnership, joint venture, limited liability company, or corporation may be served by registered or certified mail, return receipt requested, addressed to its managing partner, manager, president, or secretary at its principal office shown in its application for a license if it:
 - (A) Has no registered agent or its registered agent cannot with reasonable diligence be served;
 - (B) Has withdrawn from transacting business in this state; or
 - (C) Has had its license revoked under this subchapter.
 - (3) Service is perfected at the earliest of:
 - (A) The date the insurer receives the mail;
 - (B) The date shown on the return receipt, if signed on behalf of the insurer; or
 - (C) Five (5) days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed.
 - (4) This section does not prescribe the only means or necessarily the required means of serving a partnership, limited partnership, joint venture, limited liability company, or corporation holding a license under this section.

23-64-211. Nonresident agents or brokers - License. [Repealed effective July 1, 2002 - provisional date.]

- (a)(1) The Insurance Commissioner may license as an agent or a broker a person who is a licensed agent or broker of another state, and who is otherwise qualified therefor under this chapter except as to residence, if under the laws of the state of his or her domicile a similar privilege is granted to persons resident or domiciled in Arkansas.
- (2) By reciprocal arrangements with the insurance supervisory official in the other state, the commissioner may waive written examination of an applicant for license as nonresident broker or agent, if the official certifies that the applicant is licensed as a resident agent or broker of such a state and has complied with its qualification standards therefor.

- (3) As part of the application for any such license, the commissioner shall require the applicant to file his or her written agreement, acknowledged under the oath of the applicant, that he or she will not during the period of the license directly or indirectly place insurance upon subjects resident, located, or to be performed in this state, except by policies or contracts in insurers authorized to transact insurance in this state.
 - (4) The fee for any such license shall be as stated in § 23-61-401.
 - (5) A nonresident agent shall have one (1) appointment for each insurer to be so represented.
- (b)(1)(A)(i) Upon the licensed nonresident broker's or nonresident agent's change of domicile to the State of Arkansas, each licensee shall apply for and obtain a resident agent's or broker's license within ninety (90) days of such a change of domicile to this state.
- (ii) The nonresident broker or nonresident agent license of such a person shall cease to be valid ninety (90) days after such a change of domicile to this state.
- (B)(i) The nonresidents shall apply on forms prescribed by the commissioner.
- (ii) The nonresidents shall not be required to secure pre-licensing education or pass an Arkansas examination to qualify for a resident license after a change of domicile to Arkansas, if the former home state will grant similar waivers to Arkansas resident agents.
 - (iii) For nonresidents from states which will not reciprocate on waivers for Arkansas agents, the nonresident licensed in the former state for less than one (1) year shall complete Arkansas prelicensing education and pass the appropriate examination under the provisions of § 23-64-201 et seq.
 - (iv) Nonresidents licensed in the nonwaiver home state for one (1) or more years shall pass the Arkansas examination, but may apply for a waiver of prelicensing education.
- (2) If any nonresident broker or nonresident agent fails to obtain a resident agent's or broker's license within this time period, the commissioner in his or her discretion may refuse to issue a resident agent's or broker's license to the person or, upon issuance of the license, may suspend the license for up to twelve (12) months and may impose an administrative penalty upon the person in the amount of three hundred dollars (\$300) or, if the commissioner has found willful misconduct or willful violation on the part of the person, one thousand dollars (\$1,000). This administrative penalty may, in the commissioner's discretion, be augmented by an amount equal to any commissions received by or accruing to the credit of the person with regard to any transactions occurring after the expiration of the ninety-day period as provided in subdivision (b)(1) of this section.
- (c) A nonresident broker's license or a nonresident agent's license may be suspended or revoked for violation of the agreement referred to in subdivision (a)(3) of this section or for any other cause for which the license of a resident agent or broker may be revoked.

23-64-212. Temporary licenses. [Repealed effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may issue a temporary license as resident agent or resident broker, as the case may be, to or with respect to an individual qualified therefor as to age and character and without requiring the individual to take an examination, in the following cases:
 - (1) To the surviving spouse or next of kin or to the administrator or executor, or the employee of the administrator or executor, of a licensed agent or broker becoming deceased;
 - (2) To the spouse, next of kin, employee, or legal guardian of a licensed agent or broker disabled by sickness, injury, or insanity;
 - (3) With respect to an employee of a firm, or officer or employee of a corporation, or manager or employee of a limited liability company, licensed as agent or broker, upon the death or disability of an individual designated in the license to exercise the powers thereof;
 - (4) To a salaried employee of an authorized insurer sent to this state by the insurer to take the place of a licensed agent of the insurer;
 - (5) To the designee of a licensed agent or broker entering upon active service in the armed forces of the United States; or
 - (6) To an applicant for a license as agent or broker, who is otherwise qualified for the license, pending the availability and taking, by the applicant, of any written examination required under this chapter.
- (b) The temporary license shall be issued upon application filed with the commissioner in such form and containing such information as the commissioner may reasonably require and upon payment of the applicable fee as stated in § 23-61-401.
- (c) The temporary license shall be for a period of not over one hundred eighty (180) days, subject to extension by the commissioner in his or her discretion for an additional one-hundred-eighty-day period. However, a license issued pursuant to subdivision (a)(1) of this section may be continued without payment of an additional fee until the executor or administrator disposes of the insurance business but not to exceed a period of fifteen (15) months. A temporary license issued to the next of kin under subdivision (a)(1) of this section shall not be extended for additional terms after appointment and qualification of an administrator or executor.

23-64-213. Rights and limitations on temporary licenses. [Repealed effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner shall not issue more than one (1) temporary license, to or with respect to the same individual to be so licensed, within any twelve-month period.
- (b) The temporary license may cover the same kinds of insurance for which the agent or broker thereby being replaced was licensed.
- (c) As to a temporary agent's license issued on account of the death or disability of an agent, the licensee may so represent all of the insurers last represented by the deceased or disabled agent without the making of a new appointment of the licensee by the insurers. However, the licensee shall not be appointed as to any additional insurer or additional kind of insurance under a temporary license. This provision shall not be deemed to prohibit termination of its appointment by an insurer.

- (d) A temporary licensee shall have the same license powers and duties as though under a permanent license.
- (e) The fee paid for temporary license may be applied upon the fee for a like permanent license issued to the licensee before expiration of the temporary license.

23-64-214. Issuance of license - Form and content of license. [Effective until July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may promptly issue licenses applied for to persons qualified therefor in accordance with this chapter.
- (b) The license shall state the name and address of the licensee, the date of issue, general conditions relative to expiration or termination, kind or kinds of insurance covered, the license number as determined and assigned by the commissioner, and the other conditions of the license.
- (c) If the licensee is other than an individual, the license shall also state the name of each individual authorized thereunder to exercise the license powers.
- (d) Every licensee shall notify the commissioner, in writing, of any change in the licensee's mailing or residence address within ten (10) days of the change.

23-64-214. Issuance of license - Form and content of license. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner shall promptly issue adjuster or insurance consultant's licenses applied for to persons qualified therefor in accordance with this chapter.
- (b) The license shall state the name and address of the licensee, the date of issue, general conditions relative to expiration or termination, kind or kinds of insurance covered, the license number as determined and assigned by the commissioner, and the other conditions of the license.
- (c) If the licensee is other than an individual, the license shall also state the name of each individual authorized thereunder to exercise the license powers.

23-64-215. Continuance of license. [Effective until July 1, 2002 - provisional date.]

- (a)(1) All agent, broker, consultant, or adjuster licenses shall continue in force unless nonrenewed, expired, suspended, revoked, or terminated, but shall be subject at all times to annual payment to the Insurance Commissioner of the applicable continuation fee as stated in § 23-61-401, accompanied by a written request for the continuation:
 - (A) On or before the licensee's birthday if an individual; or
 - (B) The annual period from the date of issue if a firm, limited liability company, or corporation.
- (2) Failure to pay the annual continuation fee on or before the date required shall result in the following actions:
 - (A) If more than thirty (30) days have elapsed since the due date, the payment shall be double the annual continuation fee;
 - (B) If more than sixty (60) days have elapsed since the due date, the payment

shall be triple the annual continuation fee;

- (C) If more than ninety (90) days have elapsed since the due date, the agent's license may be summarily suspended with all appointing companies being notified. Reinstatement of the license shall require payment in an amount triple the annual continuation fee; and
 - (D) If more than ninety (90) days have elapsed since the date of the suspension, the commissioner may automatically cancel or revoke the license without further hearing or notice.
- (b)(1) During the period that an agent has no company appointments, the licensee shall not transact the business of insurance in this state.
- (2) Subject to the terms of the insurer's contract with the licensee, an agent who has no active appointments may continue to receive commissions or other compensation relative to business written while actively appointed by such a licensee.
 - (3) Any licensed resident agent who has no insurance company appointments must continue to comply with § 23-64-301 as to continuing education, pay all applicable license fees, and shall be subject at all times to the provisions and sanctions of the Arkansas Insurance Code.

23-64-215. Continuance of license. [Effective July 1, 2002 - provisional date.]

- (a) All insurance consultants or adjuster licenses shall continue in force unless nonrenewed, expired, suspended, revoked, or terminated, but shall be subject at all times to annual payment to the Insurance Commissioner of the applicable continuation fee as stated in § 23-61-401, accompanied by a written request for the continuation:
 - (1) On or before the licensee's birthday if an individual; or
 - (2) The annual period from the date of issue if a firm, limited liability company, or corporation.
- (b) A licensee who allows his or her license to lapse may reinstate the same license within twelve (12) months after the due date of the renewal fee without the necessity of passing a written examination. However, a penalty in the amount of double the unpaid renewal fee shall be required for any renewal fee received after the due date.

23-64-216. Suspension or revocation. [Effective until July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may suspend for up to thirty-six (36) months, or may revoke or refuse to continue, any license issued by him or her if, after notice to the licensee and after hearing, he or she finds any one (1) or more of the following causes exist:
 - (1) Any cause for which issuance of the license could have been refused had it then existed and been known to the commissioner;
 - (2) Violation of or noncompliance with any applicable provision of the laws of this state, the Arkansas Insurance Code, or of any lawful rule, regulation, or order of the commissioner;

- (3) Obtaining or attempting to obtain any such license through misrepresentation or fraud;
 - (4) Misappropriation or conversion to the licensee's own use or benefit or illegal withholding of moneys belonging to policyholders, insurers, beneficiaries, or others and received in conduct of business under the license;
 - (5) Conviction of or the pleading of guilty or nolo contendere to a felony;
 - (6) If, in the conduct of the licensee's affairs, the licensee has used fraudulent or dishonest practices or trade practices prohibited by the laws or regulations of this state;
 - (7) Failing to provide a written response after receipt of a written inquiry from the commissioner or his or her representative as to transactions under the license within thirty (30) days after receipt thereof, unless the timely written response is knowingly waived in writing by the commissioner;
 - (8) Having an insurance license suspended or revoked in any other state, province, district, or territory;
 - (9) The licensee no longer meets the qualifications required for a license as described in the Arkansas Insurance Code; or
 - (10) Refusing to be examined or to produce any of his or her accounts, records, and files for examination or failure to cooperate with the commissioner in an investigation when required by the commissioner.
- (b) For purposes of this section, licenses also include permits, registrations, or certificates of authority.
- (c) The license of a firm, limited liability company, or corporation may be suspended, revoked, or refused also for any of such causes as relate to any individual designated in the license to exercise its powers.
- (d) If the commissioner finds that one (1) or more grounds exist for the suspension or revocation of any license, the commissioner in his or her discretion may impose upon the licensee an administrative penalty in the amount of up to one thousand (\$1,000) dollars per violation or, if the commissioner has found willful misconduct or willful violation on the part of the licensee, up to five thousand dollars (\$5,000) per violation. The administrative penalty may, in the commissioner's discretion, be augmented by an amount equal to any commissions received by or accruing to the credit of the licensee for any transaction related to the proceeding against the licensee. The commissioner may also order restitution of actual losses to affected persons.
- (e) If the commissioner determines that the public health, safety, or welfare imperatively requires emergency action, and incorporates a finding to that effect in his or her order, a summary suspension of any license issued by the commissioner may be ordered pending an administrative hearing before the commissioner, which hearing shall be promptly instituted.
- (f)(1) If the commissioner finds upon notice and hearing that the licensee has violated a provision of the insurance laws of this state or any rule, regulation, or order of the commissioner and that the licensee previously has been found to have violated provisions of the insurance laws of this state or any rule, regulation, or order of the commissioner, by an order of the commissioner after hearing or by an order entered with the consent and agreement of the parties, the commissioner may take judicial

notice of the previous orders against the licensee and, within his or her discretion, may enhance or increase the penalties ordered in the current proceeding as to the licensee, and the commissioner shall incorporate a finding to that effect in his or her order.

- (2) Statutory or regulatory violations for which an order has been entered as to the licensee by the insurance department or equivalent regulatory body in any other jurisdiction may be taken into consideration and included in assessing the enhanced or increased penalties provided in subdivision (f)(1) of this section.
- (g) The penalties recited in this section may be imposed by the commissioner for violations of the Arkansas Insurance Code or other applicable laws, or rules or orders of the commissioner, committed by any resident agent whose license is on inactive or retired status.

23-64-216. Suspension or revocation. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may suspend for up to thirty-six (36) months, or may revoke or refuse to continue, any license issued by him or her if, after notice to the licensee and after hearing, he or she finds any one (1) or more of the following causes exist:
 - (1) In the case of an agent or broker licensed as an insurance producer, for any of the causes under § 23-64-512; or
 - (2) In the case of an adjuster or insurance consultant licensed under this subchapter:
 - (A) Providing incorrect, misleading, incomplete, or materially untrue information in the license application;
 - (B) Violating any insurance laws or violating any regulation, subpoena, or order of the commissioner or of another state's insurance commissioner;
 - (C) Obtaining or attempting to obtain a license through misrepresentation or fraud;
 - (D) Improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business;
 - (E) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
 - (F) Having been convicted of a felony;
 - (G) Having admitted or been found to have committed any insurance unfair trade practice or fraud;
 - (H) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere;
 - (I) Having an insurance producer, insurance consultant, or adjuster license, or its equivalent, denied, suspended, or revoked in any other state, province, district, or territory;
 - (J) Forging another's name to an application for insurance or to any document related to an insurance transaction;
 - (K) Improperly using notes or any other reference material to complete an examination for an insurance license;

- (L) Knowingly accepting insurance business from an individual who is not licensed;
 - (M) Failing to comply with an administrative or court order imposing a child support obligation; or
 - (N) Failing to pay state income tax or comply with any administrative or court order directing payment of state income tax.
- (b) For purposes of this section, licenses also include permits, registrations, or certificates of authority.
- (c) The license of a firm, limited liability company, or corporation may be suspended, revoked, or refused also for any of such causes as relate to any individual designated in the license to exercise its powers.
- (d)(1) If the commissioner finds that one (1) or more grounds exist for the suspension or revocation of any license, the commissioner in his or her discretion may impose upon the licensee an administrative penalty in the amount of up to one thousand dollars (\$1,000) per violation or, if the commissioner has found willful misconduct or willful violation on the part of the licensee, up to five thousand dollars (\$5,000) per violation.
- (2) The administrative penalty may be augmented, in the commissioner's discretion, by an amount equal to any commissions received by or accruing to the credit of the licensee for any transaction related to the proceeding against the licensee.
- (3) The commissioner may also order restitution of actual losses to affected persons.
- (e) If the commissioner determines that the public health, safety, or welfare imperatively requires emergency action, and incorporates a finding to that effect in his or her order, a summary suspension of any license issued by him or her may be ordered pending an administrative hearing before the commissioner, which hearing shall be promptly instituted.
- (f)(1) If upon notice and hearing the commissioner finds that the licensee has violated a provision of the insurance laws of this state or any rule, regulation, or order of the commissioner and that the licensee previously has been found to have violated provisions of the insurance laws of this state or any rule, regulation, or order of the commissioner, by an order of the commissioner after hearing or by an order entered with the consent and agreement of the parties, the commissioner may take judicial notice of the previous orders against the licensee and, within the commissioner's discretion, may enhance or increase the penalties ordered in the current proceeding as to the licensee, and the commissioner shall incorporate a finding to that effect in his or her order.
- (2) Statutory or regulatory violations for which an order has been entered as to the licensee by the insurance department or equivalent regulatory body in any other jurisdiction may be taken into consideration and included in assessing the enhanced or increased penalties provided in subdivision (f)(1) of this section.
- (g) The penalties recited in this section may be imposed by the commissioner for violations of the Arkansas Insurance Code or other applicable laws, or rules or orders of the commissioner, committed by any resident agent whose license is on inactive or retired status.

23-64-217. Procedure following suspension or revocation.

- (a)(1) Upon the suspension or revocation of a license, the Insurance Commissioner shall immediately notify the licensee of the suspension or revocation either in person or by mail addressed to the licensee at the licensee's address last of record with the commissioner.
- (2) Notice by mail shall be deemed effectuated when so mailed.
- (3) The commissioner shall give like notice to the insurers represented by the agent in the case of an agent's license. Upon receipt of notice from the commissioner that the license has been revoked, each insurer represented by the agent shall take appropriate and prompt action necessary to:
 - (A) Retrieve from the agent all solicitation materials, policy applications, binders, and any and all other materials in the possession of the agent which are the property of such an insurer; and
 - (B) Retrieve the agent's policyholder files and records for policies in force at the time such an insurer receives notice of the revocation.
- (b) The commissioner may not again issue a license under the Arkansas Insurance Code to any person whose license has been revoked until after the expiration of three (3) years, and thereafter not until:
 - (1) The person has paid in full any fines, administrative penalties, or monetary penalties imposed on the person at the time of revocation;
 - (2) The person has paid restitution of actual losses to affected persons where the order of revocation contains findings that the conduct of the person resulted in actual losses to affected persons; and
 - (3) The person again qualifies for license in accordance with the applicable provisions of the Arkansas Insurance Code.
- (c) If the license of a firm, limited liability company, or corporation is so suspended or revoked, no member of the firm or limited liability company, or officer or director of the corporation shall be licensed or be designated in any license to exercise the powers thereof during the period of the suspension or revocation, unless the commissioner determines upon substantial evidence that the member, officer, or director was not personally at fault and did not acquiesce in the matter on account of which the license was suspended or revoked.

23-64-218. Return of license to Insurance Commissioner.

- (a)(1) All licenses issued under this chapter, although issued and delivered to the licensee, shall at all times be the property of the State of Arkansas.
- (2) Upon any expiration, termination, suspension, or revocation of the license, the licensee or other person having possession or custody of the license shall immediately deliver it to the Insurance Commissioner either by personal delivery or by mail.
- (b) As to any license lost, stolen, or destroyed while in the possession of any licensee or person, the commissioner may accept, in lieu of return of the license, the affidavit of the licensee or other person responsible for or involved in the safekeeping of the license concerning the facts of the loss, theft, or destruction.

- (c) Any licensee who ceases to maintain his or her residence in this state shall deliver his or her insurance license to the commissioner within ten (10) days after terminating his or her residency.

23-64-219. Appointment of agent - Continuation and termination of appointment.

- (a) Each insurer appointing an agent in this state shall file with the Insurance Commissioner the appointment setting out the kinds of insurance to be transacted by the agent and pay the fee therefor. The appointing insurer's appointment of an agent shall be an indication to the commissioner that the insurer has reviewed the agent's background and fitness to be an agent.
- (b) Subject to a biennial continuation by the insurer not later than June 1, commencing on January 1, 1988, for life and accident and health insurers and commencing on January 1, 1989, for all other insurers, each appointment shall remain in effect until the agent's license is revoked or otherwise terminated unless written notice of earlier termination of the appointment is filed with the commissioner by the insurer or agent.
- (c) Biennially, prior to June 1 of each even-numbered year, each insurer maintaining a certificate of authority to transact life and accident and health insurance and, prior to June 1 of each odd-numbered year, all other insurers maintaining a certificate of authority to transact insurance in this state shall file with the commissioner an alphabetical list of the names and addresses of all its agents whose appointments in this state are to remain in effect, accompanied by payment of the biennial continuation of appointment fee as provided in § 23-61-401. At the same time, the insurer shall also file with the commissioner an alphabetical list of the names and addresses of all its agents whose appointments in this state are not to remain in effect, accompanied by any documentation the commissioner shall require.
- (d)(1) Subject to the terms of the agency contract, an insurer may terminate an agent's appointment at any time. The insurer shall promptly give written notice of the termination to the commissioner and thirty (30) days' advance notice to the agent by certified mail, return receipt requested. The return receipt shall be retained as part of the insurer's records. However, less than thirty (30) days' notice of cancellation may be given to the agent when the termination is for cause relating to the misconduct of the agent.
 - (2) Any information as to the cause of termination of any such appointment furnished the commissioner as part of the notice of termination shall be deemed a privileged communication and shall not be admissible in evidence in any action or proceedings other than those brought by the commissioner, nor shall any agent whose appointment has been so terminated have a cause of action against the insurer or any of its officers, directors, or employees by reason of the furnishing of such information to the commissioner.
- (e) The insurer shall promptly give written notice of nonrenewal of the agent's appointment to the agent by certified mail, return receipt requested, and the return receipt shall be retained as part of the insurer's records.

23-64-220. Place of business - Maintenance of records.

- (a)(1) Every resident agent or resident broker shall have and maintain in this state, or in a city or town in another state through which passes the boundary of this state, a place of business accessible to the public.
- (2) The place of business shall be that wherein the licensee principally conducts transactions under his or her license.
- (3) The address of the place shall appear upon the license, and the licensee shall promptly notify the Insurance Commissioner in writing of any change of address within ten (10) days of that change of address.
- (4) Nothing in this section shall be deemed to prohibit maintenance of the place of business in the licensee's place of residence in this state.
- (b) The licenses of the licensee shall be conspicuously displayed in the place of business in a part thereof customarily open to the public.
- (c) The agent or broker shall keep at his or her place of business the usual and customary records pertaining to transactions under his or her license.

23-64-221. Vending machines.

- (a) A licensed resident agent may solicit applications for and issue policies of personal travel and accident insurance by means of mechanical vending machines supervised by him or her and placed at airports, railroad stations, bus stations, hotels, and similar places of convenience to the traveling public if the Insurance Commissioner finds that:
 - (1) The policy to be so sold provides reasonable coverage and benefits, is reasonably suited for sale and issuance through vending machines, and that use of such a machine therefor in a particular proposed location would be of material convenience to the public;
 - (2) The type of vending machine proposed to be used is reasonably suitable and practical for the purpose;
 - (3) Reasonable means are provided for informing the prospective purchaser of the policy of the coverage and restrictions of the policy; and
 - (4) Reasonable means are provided for refund to the applicant or prospective applicant of money inserted in defective machines and for which no insurance, or a less amount than that paid for, is actually received.
- (b)(1) As to each machine to be so used, the commissioner shall issue to the agent a special vending machine license.
 - (2) The license shall specify the name and address of the insurer and agent, the name of the policy to be sold, the serial number of the machine, and the place where the machine is to be in operation.
 - (3) The license shall be subject to annual continuation, expiration, suspension, or revocation coincidentally with that of the agent.
 - (4) The commissioner shall also revoke the license as to any machine for which he or she finds that the conditions upon which the machine was licensed, as referred to in subsection (a) of this section, no longer exist.
 - (5) The license fee shall be as stated in § 23-61-401 for each license year or part of a year for each respective vending machine.

- (6) Proof of the existence of a subsisting license shall be displayed on or about each vending machine in use in such a manner as the commissioner may reasonably require.
- (c) Application for insurance issued by any vending machine must be signed by or on behalf of the individual to be so insured, as provided in § 23-79-105.

23-64-222. Payment of commissions.

- (a) No insurer shall directly or indirectly pay, and no person shall so receive, any fee, commission, or other compensation for services as agent or broker in connection with any insurance of a subject resident, located, or to be performed in this state, or for obtaining any such insurance, unless at the time of the service to which the compensation is related, the person was licensed and appointed as an agent or licensed as a broker or licensed as a nonresident broker or licensed and appointed as a nonresident agent.
- (b) No licensee shall directly or indirectly share his or her commission or other compensation received or to be received on account of a transaction under his or her license with any person not also licensed under this chapter as to the same kinds of insurance involved in the transaction. This provision shall not affect payment of the regular salaries due employees of the licensee or the distribution in regular course of business of compensation and profits among members or stockholders if the licensee is a firm, limited liability company, or corporation.
- (c) If a licensed nonresident broker or nonresident agent resides in a state which requires its resident agents to retain all or a stipulated percentage of the commission on coverages placed in such a state by nonresident agents or brokers, the Arkansas agent shall retain not less than a like percentage of the commission for his or her services for like coverage placed in Arkansas by residents of the other state.
- (d) This section shall not apply as to those transactions with surplus line brokers that are lawful under § 23-65-310 nor to life or accident and health insurance placed as provided in § 23-64-225.

23-64-223. Fiduciary duties of licensees.

- (a) All funds, fees, moneys, premiums, or return premiums received by a licensee in the capacity as a licensee shall be trust funds so received by the licensee in a fiduciary capacity, and the licensee shall in the applicable regular course of business account for and pay these funds, fees, moneys, premiums, or return premiums to the insured, insurer, licensee, or any other person entitled thereto.
- (b) Any licensee who, not being lawfully entitled thereto, diverts or appropriates those funds or any portion thereof to his or her own use shall upon conviction be guilty of theft of property and shall be punished as provided by law.

23-64-224. Combination agent and broker license.

- (a) A licensed agent may be licensed as a broker and be a broker as to insurers for which he or she is not then licensed as agent.
- (b) A licensed broker may be licensed as and be an agent as to insurers appointing him or her as agent.

- (c) The sole relationship between a broker and an insurer as to which he or she is then licensed as an agent, as to transactions arising during the existence of the agency appointment, shall be that of insurer and agent and not that of insurer and broker.

23-64-225. Excess or rejected business.

A licensed agent authorized to sell life or accident and health insurance may place, from time to time, excess or rejected risks in any other life or accident and health insurer authorized to transact insurance in this state with the knowledge and approval of the insurers as to which the agent is so appointed and may receive a commission thereon without being required to have an appointment as to the other insurer.

23-64-226. Termination rights of agents.

Following termination of any agency appointment as to property, casualty, or surety insurance, subject to consent of the insurer and to the terms of the insurer's contract with the agent, the agent may continue to service, and receive from the insurer commissions or other compensation relative to, business written by him or her for the insurer during the existence of the appointment.

23-64-227. Appointment of Insurance Commissioner as agent for service of process.

- (a) Application for an acceptance of any nonresident license provided under this chapter shall thereby be deemed to constitute irrevocable appointment of the Insurance Commissioner as the agent of the licensee for the acceptance of service of process issued in this state in any action or proceeding against the licensee arising out of such licensing or at any time out of transactions under the license.
- (b)(1) Duplicate copies of the process shall be served upon the commissioner or upon his or her deputy, assistant, or other person in charge of his or her office during his absence.
- (2) Upon receiving the service, the commissioner shall promptly forward a copy of it by registered mail, return receipt requested, to the nonresident licensee at his or her business address last of record with the commissioner.
- (3) Where process is served upon the commissioner as a nonresident's process agent, the licensee shall be required to appear, answer, or plead within thirty (30) days after date of the mailing of the copy of the process by the commissioner.
- (4) Process served upon the commissioner and a copy forwarded shall for all purposes constitute service upon the person licensed.

§ 23-64-228, 23-64-229. [Transferred.]

23-64-230. Renewal of policies after agent's termination.

- (a)(1) Any insurance company authorized to transact fire or casualty business in this state shall, upon termination of an agent's appointment by the company, permit the renewal of all contracts of insurance written by the agent for a period of twelve (12) months from the date of the termination, as determined by the individual underwriting requirements of the company, unless the insurance company is deemed by the

Insurance Commissioner to be in a hazardous, impaired, or insolvent condition.

- (2) Provided, in the case of a contract not meeting the underwriting requirements, the company shall give the agent sixty (60) days' notice of its intention not to renew the contract.
 - (3) Provided further that the periods of time may be reduced as the commissioner may deem necessary to adequately protect the insured or to secure the solvency of the company.
- (b)(1) No insurance agency contract entered into in this state by a licensed insurer with an insurance agent licensed under § 23-64-101 et seq. shall be terminated by the licensed insurer unless the agent is given at least ninety (90) days' advance written notice of the intent to terminate the contract.
- (2) Provided, if the contract is cancelled for failure of the agent to pay over moneys due the insurer after written demand therefor or for breach of contract, the advance notice shall not be required.
 - (3) Provided further, during the ninety-day period after any such notice, the licensed insurance agent shall not write or bind any new business on behalf of the licensed insurer without the specific written approval of the business by the insurer.
- (c) Any insurance company renewing contracts of insurance in accordance with this section shall pay commissions for the renewals to the terminated agent in the same amount as had been paid to him or her on similar policies during the twelve (12) months immediately preceding the notice of termination.
- (d) The provisions of this section shall not apply to any contract with an agent for the sale of life or accident and health insurance.
- (e) The provisions of this section shall not be applicable to any insurer which writes insurance only for members of a specific organization or to any agent of the insurer.
- (f)(1) This section shall not apply to agents or brokers of a company or group of companies whose agents or brokers by contractual agreement represent only that company or group of companies or whose agents are required by contractual agreement to submit all applications for insurance for the classes and lines underwritten by such a company or group of companies to that company or group of companies, and the book of business is owned by the company or group of companies.
- (2) The cancellation of any agent's or broker's contractual agreement shall not result in the cancellation or refusal to renew any policy of insurance.

23-64-231. Settlement with terminated producers required.

- (a) All life and accident and health insurance companies doing business in the State of Arkansas, as a condition of doing business in this state, shall make settlement with their authorized producers whose services are terminated by any insurance company, for all commissions then due and owing, and thereafter make settlement, from time to time, according to the terms of the contract of employment.
- (b) Whenever any life and accident and health insurance company in this state shall merge with, or be absorbed by, another life and accident and health insurance company or another insurance company, the successor company shall succeed to all of the obligations of the merged or absorbed company with regard to any unpaid

settlements due producers of the merged or absorbed company under the provisions of this section.

- (c) Nothing in this section shall prevent either party to the contract from resorting to any legal recourse now or hereafter available to the party.

23-64-232. Premium delinquencies - Definitions.

- (a) For purposes of this section:
- (1) "Account current" or "account rendered" means any system of account reconciliation between two (2) or more insurance producers, surplus lines brokers, or insurance companies that purports to render the status of the account between them in regard to the amount of net premium or return premium due;
 - (2) "Insurance producer" shall have the meaning found in § 23-64-502 and shall also include surplus lines brokers;
 - (3) "Insurer" shall have the meaning found in § 23-60-102 and shall include a surplus lines broker when it is representing the insurer in a transaction with an insurance producer;
 - (4) "Reconciled item" means an item subject to an invoice, account current, or account rendered that is undisputed, liquidated, and not subject to reasonable dispute; and
 - (5) "Surplus lines broker" shall have the meaning found in § 23-65-308.
- (b) When the premium due for an insurance policy or endorsement to the policy becomes a reconciled item and the insurance producer fails to deliver to the insurer the premiums due for the insurance policy or endorsement within the time provided by the agreement between the insurance producer and the insurer, or within sixty (60) days if no agreement, the insurer shall demand in writing that within thirty (30) days after the date of the demand, the insurance producer shall:
- (1) Cure the default; and
 - (2) Provide a sworn affidavit declaring:
 - (A) That the total of its available cash and cash equivalent assets exceeds the total of all premiums that are due all of its customers and any insurers with which it holds an appointment or has a contractual relationship;
 - (B) The insurance producer's license number or other identification issued by the State Insurance Department; and
 - (C) Any other comments that describe the reason for the default or any reason that the default is disputed.
- (c) The insurer shall provide a copy of the demand and any statements received from the insurance producer pursuant to subsection (b) of this section to the Insurance Commissioner as attachments to the report on which the insurance producer appears, as required by subsection (d) of this section.
- (d) By the end of each month, the insurer shall furnish a report to the commissioner, on a form approved by the commissioner, the following information with respect to each insurance producer who was mailed a demand pursuant to subsection (b) of this section in the prior month:
- (1) The name of the agent or agency;

- (2) The amount of premiums that are in default;
 - (3) The date of the inception of the insurance policy or endorsement; and
 - (4) The date when the transaction became reconciled.
- (e) Failure of the insurance producer to comply with the requirements set forth in subdivisions (b)(1) and (2) of this section shall constitute a Class A misdemeanor.

Subchapter 3. Continuing Education.

23-64-301. Continuing education required.

- (a) Beginning July 1, 1990, each insurance agent or broker, unless exempt under § 23-64-302, licensed in this state shall successfully complete courses of instruction as required by this section.
- (b)(1) Beginning July 1, 1998, during each annual period during the duration of his or her license, any person licensed to act as an insurance agent or broker shall satisfactorily complete courses or programs of instruction equivalent to a minimum of eight (8) hours of instruction for a life license or an accident and health license, or both, or a minimum of eight (8) hours of instruction for a property and casualty license.
 - (2) Persons holding dual licenses for life and accident and health or life or accident and health and property and casualty shall also be required to complete courses of instruction for a total of ten (10) hours.
- (c) The Insurance Commissioner may arrange for the administration of this subchapter, or any part thereof, by independent contractor as specified by contract, in a fair and impartial manner, and without unfair discrimination as between individuals subject to this subchapter.

23-64-302. Requirements for licensees - Exceptions.

The provisions of this subchapter shall not apply to:

- (1) Those natural persons holding licenses for any kind or kinds of insurance for which an examination is not required by the laws of this state;
- (2) Any limited or restricted license the Insurance Commissioner may exempt;
- (3) Any natural person who is at least sixty (60) years of age;
- (4) Any natural person who has held an active license as an agent, solicitor, consultant, or broker for a period of at least fifteen (15) consecutive years;
- (5) The licensee as a firm, limited liability company, or corporation, but this exception does not apply to any individual or natural person unless already exempted;
- (6) Nonresident agents or brokers;
- (7) Licensed insurance consultants for life, accident and health, property, or casualty insurance, or for other lines of insurance; and
- (8) Nonresident agents and brokers in the first full year of resident licensing following the year after a change in the state of domicile or residency to the State of Arkansas, but thereafter annually or otherwise in accordance with insurance

continuing education laws and rules and regulations of the commissioner.

23-64-303. Requirements for newly licensed agents or brokers.

Newly licensed agents or brokers shall not be required to meet the requirements of this subchapter until the first annual period after the first renewal of their licenses on the birthdate of the licensee.

23-64-304. Determination of course content and credit - Time extensions.

- (a) Rules and regulations necessary and appropriate to implement and administer this subchapter shall be promulgated by the Insurance Commissioner.
- (b) For good cause shown, the commissioner may grant an extension of time during which the educational requirements imposed by this subchapter may be completed, but the extension of time shall not exceed a period of one (1) calendar year.
- (c) The number of hours for which credit shall be given for such courses, meetings, or programs of instruction shall be as determined by the commissioner.
- (d) Educational requirements shall be obtained and reported annually to the commissioner on or before the birthdate of the licensee. Failure to report or obtain the mandated educational requirements along with the fee imposed in a timely manner shall result in the additional following fines:
 - (1) If within thirty (30) days after the due date, a fine of twenty-five dollars (\$25.00) shall be imposed automatically;
 - (2) If within sixty (60) days after the due date, a fine of fifty dollars (\$50.00) shall be imposed automatically;
 - (3) If within ninety (90) days after the due date, a fine of one hundred dollars (\$100) shall be imposed automatically;
 - (4)(A) If after ninety (90) days from the due date, the license shall become automatically suspended.
 - (B) Reinstatement of the license shall require payment of a fine of one hundred fifty dollars (\$150) if reinstated within one year from the due date of the education; and
 - (5) If after one (1) year from the due date, reinstatement is not available. Should a license be desired, the licensee must again proceed to become licensed as if never having held a license in addition to obtaining the education due when the license was suspended and paying the fine of one hundred fifty dollars (\$150).

23-64-305. Programs of instruction.

- (a) Subject to approval of the Insurance Commissioner, the courses or programs of instruction or parts thereof which shall be deemed to meet the commissioner's standards for continuing education required hereunder shall include, but not be limited to, the following:
 - (1) American College Courses (CLU, ChFC);
 - (2) Life Underwriters Training Council (LUTC);
 - (3) Certified Insurance Counselor (CIC);
 - (4) Chartered Property & Casualty Underwriter (CPCU);

- (5) Insurance Institute of America (IAA);
 - (6) Certified Health Consultant (CHC);
 - (7) Registered Health Underwriter (RHU);
 - (8) An insurance-related course or program of instruction taught by an accredited college, university, or other educational institution in this state having a comprehensive course of instruction approved and certified by the commissioner; and
 - (9) A course or program of instruction developed or sponsored by any authorized insurer, recognized agents' association, or insurance trade association, including meetings dedicated to the instruction of agents' education concerning matters of insurance or insurance law.
- (b) A person teaching any approved course or program of instruction shall be allowed credit for the same number of educational hours as would be granted a person taking and successfully completing the course, program, or meeting.
 - (c) For courses, meetings, or programs not personally attended, but taken by correspondence, a proctored written exam shall be required with proof of passing the correspondence course accompanied by an affidavit from the proctor in form and substance as may be prescribed by the commissioner before credit may be considered for educational hours for that correspondence course.
 - (d) Subject to approval by the commissioner, the active annual membership of the licensed agent or broker in local, regional, state, or national professional insurance organizations or associations may be approved for up to two (2) annual hours of instruction. These hours shall be credited upon timely filing with the commissioner or his or her designee appropriate written evidence acceptable to the commissioner of active membership in the organization or association.

23-64-306. Certification of courses completed - Filing fee.

- (a) Every person subject to the provisions of this subchapter shall furnish, in a form satisfactory to the Insurance Commissioner, written certification as to the courses, meetings, or programs of instruction taken and successfully completed by such persons.
- (b) A filing fee shall be paid by the person furnishing the certification in an amount determined by the commissioner to be sufficient to cover the administrative costs related to the handling of such certification.
- (c) The commissioner shall determine the amount of the filing fee which shall not substantially exceed the cost of administering this subchapter.

23-64-307. Insurance Continuing Education Trust Fund.

- (a) All funds received pursuant to the provisions of this subchapter shall be transmitted by the Insurance Commissioner to the Treasurer of State to the credit of an account or fund to be entitled "Insurance Continuing Education Trust Fund", which is hereby established.
- (b) All expenditures disbursed pursuant to this subchapter shall be paid from funds appropriated from the Insurance Continuing Education Trust Fund by the General Assembly.

23-64-308. [Transferred.]

Subchapter 4. Managing General Agents Act.

23-64-401. Title.

This subchapter may be cited as the "Managing General Agents Act".

23-64-402. Definitions.

- (a) "Actuary" means a person who is a member in good standing of the American Academy of Actuaries.
- (b) "Insurer" means any person, firm, association, limited liability company, or corporation duly licensed in this state as an insurance company.
- (c)(1) "Managing general agent" means any person, firm, association, limited liability company, or corporation who manages all or part of the insurance business of an insurer, including the management of a separate division, department, or underwriting office, and acts as an agent for the insurer whether known as a managing general agent, manager, or other similar term, who, with or without the authority, either separately or together with affiliates:
 - (A) Produces, directly or indirectly, and underwrites an amount of gross direct written premium equal to or more than five percent (5%) of the policyholder surplus as reported in the last annual statement of the insurer in any one (1) quarter or year; together with
 - (B) One (1) or more of the following activities related to the business produced:
 - (i) Adjusts or pays claims in excess of an amount determined by the commissioner; or
 - (ii) Negotiates reinsurance on behalf of the insurer.
- (2) Notwithstanding subdivision (c)(1) of this section, the following persons shall not be considered as managing general agents for the purposes of this subchapter:
 - (A) An employee of the insurer;
 - (B) A United States manager of the United States branch of an alien insurer;
 - (C) An underwriting manager who, pursuant to contract, manages all or part of the insurance operations of the insurer, is under common control with the insurer, subject to the Insurance Holding Company Regulatory Act, § 23-63-501 et seq., and whose compensation is not based on the volume of premiums written; or
 - (D) The attorney in fact authorized by and acting for the subscribers of a reciprocal insurer or interinsurance exchange under powers of attorney.
- (d) "Underwrite" means the authority to accept or reject risk on behalf of the insurer.

23-64-403. License - Surety requirements.

- (a) No person, firm, association, limited liability company, or corporation shall act in the capacity of a managing general agent with respect to risks located in this state for an insurer licensed in this state unless the person is a licensed managing general agent

in this state.

- (b) No person, firm, association, limited liability company, or corporation shall act in the capacity of a managing general agent representing an insurer domiciled in this state with respect to risks located outside this state unless the person is licensed as a managing general agent in this state pursuant to the provisions of this subchapter. The license may be a nonresident license.
- (c) The Insurance Commissioner may require the managing general agent to post a bond in an amount acceptable to him or her for the protection of the insurer.
- (d) The commissioner may require the managing general agent to maintain an errors and omissions policy.
- (e) The commissioner shall not require a license under this subchapter for insurers acting in the capacity of a managing general agent or agency in this state for risks located in this state, nor for acting for a domestic insurer with respect to risks located outside this state, so long as those insurers hold a subsisting certificate of authority listing the same lines of insurance as it will transact as a managing general agent or agency in this state.

23-64-404. Agency contracts - Provisions.

No person, firm, association, limited liability company, or corporation acting in the capacity of a managing general agent shall place business with an insurer unless there is in force a written contract between the parties which sets forth the responsibilities of each party and, where both parties share responsibility for a particular function, specifies the division of the responsibilities, and which contains the following minimum provisions:

- (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;
- (2) The managing general agent will 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 bank which is a member of the Federal Reserve System. This account shall be used for all payments on behalf of the insurer. The managing general agent may retain no more than three (3) months' estimated claims payments and allocated loss adjustment expenses;
- (4) Separate records of business written by the managing general agent will be maintained. The insurer shall have access and the right to copy all accounts and records related to its business in a form usable by the insurer, and the Insurance Commissioner shall have access to all books, bank accounts, and records of the managing general agent in a form usable to the commissioner;
- (5) The contract may not be assigned in whole or part by the managing general agent;
- (6)(A) Appropriate underwriting guidelines, including:
 - (i) The maximum annual premium volume;
 - (ii) The basis of the rates to be charged;

- (iii) The types of risks which may be written;
 - (iv) Maximum limits of liability;
 - (v) Applicable exclusions;
 - (vi) Territorial limitations;
 - (vii) Policy cancellation provisions; and
 - (viii) The maximum policy period.
- (B) The insurer shall have the right to cancel or nonrenew any policy of insurance subject to the applicable laws and regulations of this state concerning the cancellation and nonrenewal of insurance policies;
- (7) If the contract permits the managing general agent to settle claims on behalf of the insurer:
 - (A) All claims must be reported to the company in a timely manner;
 - (B) A copy of the claim file will be sent to the insurer at its request or as soon as it becomes known that the claim:
 - (i) Has the potential to exceed an amount determined by the commissioner or exceeds the limit set by the company, whichever is less;
 - (ii) Involves a coverage dispute;
 - (iii) May exceed the managing general agent's claims settlement authority;
 - (iv) Is open for more than six (6) months; or
 - (v) Is closed by payment of an amount set by the commissioner 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, the files shall become the sole property of the insurer or its estate. The managing general agent shall have reasonable access to and the right to copy the files on a timely basis; and
 - (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 the contract. The insurer may suspend the settlement authority during the pendency of any dispute regarding the cause for termination;
- (8) Where electronic claims files are in existence, the contract must address the timely transmission of the data;
- (9) If the contract provides for a sharing of interim profits by the managing general agent, and 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 (1) year after they are earned for property insurance business and five (5) years after they are earned on casualty business and not until the profits have been verified pursuant to § 23-64-405; and
- (10) The managing general agent shall not:
 - (A) Bind reinsurance or retrocessions on behalf of the insurer, except that the managing general agent may bind facultative reinsurance contracts pursuant to obligatory facultative agreements if the contract with the insurer contains

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 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 (1%) 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 must 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 with the insurer; or
- (H) Appoint a managing general subagent.

23-64-405. Reporting requirements.

- (a) The insurer shall have on file an independent financial examination, in a form acceptable to the Insurance Commissioner, of each managing general agent with which it has done business.
- (b) If a managing general 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 managing general agent. This is in addition to any other required loss reserve certification.
- (c) The insurer shall periodically, and not less often than semiannually, conduct an on-site review of the underwriting and claims processing operations of the managing general agent.
- (d) 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 managing general agent.
- (e)(1) Within thirty (30) days of entering into or termination of a contract with a managing general agent, the insurer shall provide written notification of such appointment or termination to the commissioner.
- (2) Notices of appointment of a managing general agent shall include a statement of duties which the applicant is expected to perform on behalf of the insurer, the lines of insurance for which the applicant is to be authorized to act, and any other information the commissioner may request.
- (f)(1) An insurer shall review its books and records each quarter to determine if any agent has become, by operation of § 23-64-402(c), a managing general agent as defined in that subsection.
- (2) If the insurer determines that an agent has become a managing general agent pursuant to § 23-64-402(c), the insurer shall promptly notify the agent and the

commissioner of such a determination and the insurer and agent must fully comply with the provisions of this subchapter within thirty (30) days.

- (g)(1) An insurer shall not appoint to its board of directors an officer, director, employee, subagent, or controlling shareholder of its managing general agents.
- (2) This subsection shall not apply to relationships governed by § 23-63-601 et seq.

23-64-406. Representative capacity - Examinations.

The acts of the managing general agent are considered to be the acts of the insurer on whose behalf it is acting. A managing general agent may be examined as if it were the insurer.

23-64-407. Penalties for violations.

- (a) If the Insurance Commissioner finds after a hearing conducted in accordance with § 23-61-301 et seq. that any person has violated any provision of this subchapter, the commissioner may order:
 - (1) For each separate violation, a penalty in an amount of two thousand dollars (\$2,000) or, if the commissioner has found willful misconduct or willful violation, ten thousand dollars (\$10,000);
 - (2) Revocation or suspension of the managing general agent's license; and
 - (3) The managing general agent to reimburse the insurer, the rehabilitator, or liquidator of the insurer for any losses incurred by the insurer caused by a violation of this subchapter committed by the managing general agent.
- (b) The decision, determination, or order of the commissioner pursuant to subsection (a) of this section shall be subject to judicial review pursuant to § 23-61-307.
- (c) Nothing contained in this section shall affect the right of the commissioner to impose any other penalties provided for in the insurance law.
- (d) Nothing contained in this subchapter is intended to or shall in any manner limit or restrict the rights of policyholders, claimants, and auditors.

23-64-408. Insurance Commissioner's regulatory authority.

The Insurance Commissioner may adopt reasonable rules and regulations for the implementation and administration of the provisions of this subchapter.

Subchapter 5.

Producer Licensing Model Act. [Effective July 1, 2002 - provisional date.]

23-64-501. Title, purpose, and scope. [Effective July 1, 2002 - provisional date.]

- (a) This subchapter shall be known and may be cited as the "Producer Licensing Model Act".
- (b) This subchapter governs the qualifications and procedures for the licensing of insurance producers. It simplifies and organizes some statutory language to improve efficiency, permits the use of new technology and reduces costs associated with issuing and renewing insurance licenses.

- (c) This subchapter does not apply to excess and surplus lines agents and brokers licensed pursuant to the Surplus Lines Insurance Law, § 23-65-301 et seq., except as provided in §§ 23-64-508 and 23-64-516(b).

23-64-502. Definitions. [Effective July 1, 2002 - provisional date.]

For purposes of this subchapter:

- (1) "Business entity" means a corporation, association, partnership, limited liability company, limited liability partnership, or other legal entity;
- (2) "Home state" means the District of Columbia and any state or territory of the United States in which an insurance producer maintains his or her principal place of residence or principal place of business and is licensed to act as an insurance producer;
- (3) "Insurance" means any of the lines of authority defined in §§ 23-62-101 - 23-62-108;
- (4) "Insurance producer" means a person required to be licensed under the laws of this state to sell, solicit or negotiate insurance;
- (5) "Insurer" means those entities defined in § 23-60-102;
- (6) "License" means a document issued by this state's Insurance Commissioner authorizing a person to act as an insurance producer for the lines of authority specified in the document. The license itself does not create any authority, actual, apparent or inherent, in the holder to represent or commit an insurance carrier;
- (7) "Limited line credit insurance" includes credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage guaranty, mortgage disability, guaranteed automobile protection (gap) insurance, and any other form of insurance offered in connection with an extension of credit that is limited to partially or wholly extinguishing that credit obligation that the commissioner determines should be designated a form of limited line credit insurance;
- (8) "Limited line credit insurance producer" means a person who sells, solicits or negotiates one (1) or more forms of limited line credit insurance coverage to individuals through a master, corporate, group, or individual policy;
- (9) "Limited lines insurance" means those lines of insurance for crop hail insurance, mobile home physical damage insurance, pre-paid legal insurance, and fire and marine insurance written in connection with credit transactions, or any other line of insurance that the commissioner deems necessary to recognize for the purposes of complying with § 23-64-508(e);
- (10) "Limited lines producer" means a person authorized by the commissioner to sell, solicit, or negotiate limited lines insurance;
- (11) "Negotiate" means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers;
- (12) "Person" means an individual or a business entity;

- (13) "Sell" means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company;
- (14) "Solicit" means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company;
- (15) "Terminate" means the cancellation of the relationship between an insurance producer and the insurer or the termination of a producer's authority to transact insurance;
- (16) "Uniform Business Entity Application" means the current version of the National Association of Insurance Commissioners' Uniform Business Entity Application for resident and nonresident business entities; and
- (17) "Uniform Application" means the current version of the National Association of Insurance Commissioners' Uniform Application for resident and nonresident producer licensing.

23-64-503. License required. [Effective July 1, 2002 - provisional date.]

A person shall not sell, solicit, or negotiate insurance in this state for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this subchapter.

23-64-504. Exceptions to licensing. [Effective July 1, 2002 - provisional date.]

- (a) Nothing in this subchapter shall be construed to require an insurer to obtain an insurance producer license. In this section, the term "insurer" does not include an insurer's officers, directors, employees, subsidiaries, or affiliates.
- (b) A license as an insurance producer shall not be required of the following:
 - (1) An officer, director, or employee of an insurer or of an insurance producer, provided that the officer, director, or employee does not receive any commission on policies written or sold to insure risks residing, located, or to be performed in this state and:
 - (A) The officer, director, or employee's activities are executive, administrative, managerial, clerical, or a combination of these, and are only indirectly related to the sale, solicitation, or negotiation of insurance; or
 - (B) The officer, director, or employee's function relates to underwriting, loss control, inspection, or the processing, adjusting, investigating, or settling of a claim on a contract of insurance; or
 - (C) The officer, director, or employee is acting in the capacity of a special agent or agency supervisor assisting insurance producers where the person's activities are limited to providing technical advice and assistance to licensed insurance producers and do not include the sale, solicitation, or negotiation of insurance;
 - (2) A person who does not receive any commission and:
 - (A) Secures and furnishes information for the purpose of enrolling individuals under group life insurance, group property and casualty insurance, group annuities, or group or blanket accident and health insurance;
 - (B) Issues certificates under group life insurance, group property and casualty

insurance, group annuities, group or blanket accident and health insurance, or otherwise assists in administering plans; or

- (C) Performs administrative services related to mass marketed property and casualty insurance;
- (3) An employer or association or its officers, directors, employees, or the trustees of an employee trust plan, to the extent that the employers, officers, employees, director, or trustees are engaged in the administration or operation of a program of employee benefits for the employer's or association's own employees or the employees of its subsidiaries or affiliates, which program involves the use of insurance issued by an insurer, as long as the employers, associations, officers, directors, employees, or trustees are not in any manner compensated, directly or indirectly, by the company issuing the contracts;
- (4) Employees of insurers or organizations employed by insurers who are engaging in the inspection, rating, or classification of risks, or in the supervision of the training of insurance producers and who are not individually engaged in the sale, solicitation, or negotiation of insurance;
- (5) A person whose activities in this state are limited to advertising without the intent to solicit insurance in this state through communications in printed publications or other forms of electronic mass media whose distribution is not limited to residents of the state, provided that the person does not sell, solicit, or negotiate insurance that would insure risks residing, located, or to be performed in this state;
- (6) A person who is not a resident of this state who sells, solicits, or negotiates a contract of insurance for commercial property and casualty risks to an insured with risks located in more than one state insured under that contract, provided that that person is otherwise licensed as an insurance producer to sell, solicit, or negotiate that insurance in the state where the insured maintains its principal place of business and the contract of insurance insures risks located in that state;
- (7) A salaried full-time employee who counsels or advises his or her employer relative to the insurance interests of the employer or of the subsidiaries or business affiliates of the employer provided that the employee does not sell or solicit insurance or receive a commission; or
- (8) Employees of an insurer or of an insurance producer who respond to requests from existing policyholders on existing policies provided that those employees are not directly compensated based on the volume of premiums that may result from these services and provided those employees do not sell, solicit, or negotiate insurance.

23-64-505. Application for examination. [Effective July 1, 2002 - provisional date.]

- (a) A resident individual applying for an insurance producer license shall pass a written examination unless exempt pursuant to § 23-64-205. The examination shall test the knowledge of the individual concerning the lines of authority for which application is made, the duties and responsibilities of an insurance producer, and the insurance laws and regulations of this state. Examinations required by this section shall be developed and conducted under rules and regulations prescribed by the Insurance

Commissioner.

- (b) The commissioner may make arrangements, including contracting with an outside testing service, for administering examinations and collecting the nonrefundable fee set forth in § 23-61-401 and any existing or future rule and regulation.
- (c) Each individual applying for an examination shall remit a nonrefundable fee as prescribed by the commissioner as set forth in § 23-61-401 and any existing or future rule and regulation.
- (d) An individual who fails to appear for the examination as scheduled or fails to pass the examination, shall reapply for an examination and remit all required fees and forms before being rescheduled for another examination.

23-64-506. Application for license. [Effective July 1, 2002 - provisional date.]

- (a) A person applying for a resident insurance producer license shall make application to the Insurance Commissioner on the Uniform Application and declare under penalty of refusal, suspension, or revocation of the license that the statements made in the application are true, correct, and complete to the best of the individual's knowledge and belief. Before approving the application, the commissioner shall find that the individual:
 - (1) Is at least eighteen (18) years of age;
 - (2) Has not committed any act that is a ground for denial, suspension, or revocation set forth in § 23-64-512;
 - (3) Where required by the commissioner, has completed a pre-licensing course of study for the lines of authority for which the person has applied;
 - (4) Has paid the fees set forth in § 23-61-401 and any existing or future rule and regulation; and
 - (5) Has successfully passed the examinations for the lines of authority for which the person has applied.
- (b) A business entity acting as an insurance producer is required to obtain an insurance producer license. Application shall be made using the Uniform Business Entity Application. Before approving the application, the commissioner shall find that:
 - (1) The business entity has paid the fees set forth in § 23-61-401 and any existing or future rule and regulation; and
 - (2) The business entity has designated a licensed producer responsible for the business entity's compliance with the insurance laws, rules, and regulations of this state.
- (c) The commissioner may require any documents reasonably necessary to verify the information contained in an application.
- (d) Each insurer that sells, solicits, or negotiates any form of limited line credit insurance shall provide to each individual whose duties will include selling, soliciting, or negotiating limited line credit insurance a program of instruction that may be approved by the commissioner.

23-64-507. License. [Effective July 1, 2002 - provisional date.]

- (a) Unless denied licensure pursuant to § 23-64-512, persons who have met the

requirements of §§ 23-64-505 and 23-64-506 shall be issued an insurance producer license. An insurance producer may receive qualification for a license in one (1) or more of the following lines of authority:

- (1) Life insurance coverage on human lives including benefits of endowment and annuities, and may include benefits in the event of death or dismemberment by accident and benefits for disability income;
 - (2) Accident and health or sickness insurance coverage for sickness, bodily injury, or accidental death and may include benefits for disability income;
 - (3) Property insurance coverage for the direct or consequential loss or damage to property of every kind;
 - (4) Casualty insurance coverage against legal liability, including that for death, injury, or disability or damage to real or personal property;
 - (5) Variable life and variable annuity products insurance coverage provided under variable life insurance contracts and variable annuities;
 - (6) Personal lines property and casualty insurance coverage sold to individuals and families for primarily noncommercial purposes;
 - (7) Credit limited line credit insurance; or
 - (8) Any other line of insurance permitted under state laws or regulations.
- (b) An insurance producer license shall remain in effect unless revoked or suspended as long as the fee set forth in § 23-61-401 and any existing or future rule and regulation is paid and education requirements for resident individual producers are met by the due date.
- (c) An individual insurance producer who allows his or her license to lapse may, within twelve (12) months after the due date of the renewal fee, reinstate the same license without the necessity of passing a written examination. However, a penalty in the amount of double the unpaid renewal fee shall be required for any renewal fee received after the due date.
- (d) A licensed insurance producer who is unable to comply with license renewal procedures due to military service or some other extenuating circumstance, e.g., a long-term medical disability, may request a waiver of those procedures. The producer may also request a waiver of any examination requirement or any other fine or sanction imposed for failure to comply with renewal procedures.
- (e) The license shall contain the licensee's name, address, personal identification number, and the date of issuance, the lines of authority, the expiration date, and any other information the Insurance Commissioner deems necessary.
- (f) Licensees shall inform the commissioner by any means acceptable to the commissioner of a change of address within thirty (30) days of the change. Failure to timely inform the commissioner of a change in legal name or address shall result in a penalty pursuant to § 23-64-216.
- (g) In order to assist in the performance of the commissioner's duties, the commissioner may contract with nongovernmental entities, including the National Association of Insurance Commissioners or any affiliates or subsidiaries that the National Association of Insurance Commissioners oversees, to perform any ministerial functions, including the collection of fees, related to producer licensing that the commissioner and the non-governmental entity may deem appropriate.

23-64-508. Nonresident Licensing. [Effective July 1, 2002 - provisional date.]

- (a) Unless denied licensure pursuant to § 23-64-512, a nonresident person shall receive a nonresident producer license if:
 - (1) The person is currently licensed as a resident and in good standing in his or her home state;
 - (2) The person has submitted the proper request for licensure and has paid the fees required by § 23-61-401 and any existing or future rule and regulation;
 - (3) The person has submitted or transmitted to the Insurance Commissioner the application for licensure that the person submitted to his or her home state, or in lieu of the same, a completed Uniform Application; and
 - (4) The person's home state awards nonresident producer licenses to residents of this state on the same basis.
- (b) The commissioner may verify the producer's licensing status through the producer database maintained by the National Association of Insurance Commissioners, its affiliates, or its subsidiaries.
- (c) A nonresident producer who moves from one state to another state or a resident producer who moves from this state to another state shall file a change of address and provide certification from the new resident state within thirty (30) days after the change of legal residence. No fee or license application is required.
- (d) Notwithstanding any other provision of this subchapter, a person licensed as a surplus lines producer in his or her home state shall receive a nonresident surplus lines producer license pursuant to subsection (a) of this section. Except as to subsection (a) of this section, nothing in this section otherwise amends or supercedes any provision of § 23-65-301 et seq.
- (e)(1) Notwithstanding any other provision of this subchapter, a person licensed as a limited line credit insurance or other type of limited lines producer in his or her home state shall receive a nonresident limited lines producer license, pursuant to subsection (a) of this section, granting the same scope of authority as granted under the license issued by the producer's home state.
 - (2) For the purposes of this subsection, "limited line insurance" is any authority granted by the home state which restricts the authority of the license to less than the total authority prescribed in the associated major lines pursuant to § 23-64-507(a)(1)-(6).

23-64-509. Exemption from examination. [Effective July 1, 2002 - provisional date.]

- (a) An individual who applies for an insurance producer license in this state who was previously licensed for the same lines of authority in another state shall not be required to complete any prelicensing education or examination. This exemption is only available if the person is currently licensed in that state or if the application is received within ninety (90) days after the cancellation of the applicant's previous license and if the prior state issues a certification that, at the time of cancellation, the applicant was in good standing in that state or the state's producer database records, maintained by the National Association of Insurance Commissioners, its affiliates, or

its subsidiaries, and indicates that the producer is or was licensed in good standing for the line of authority requested.

- (b) A person licensed as an insurance producer in another state who moves to this state shall make application within ninety (90) days after establishing legal residence to become a resident licensee pursuant to § 23-64-506. No prelicensing education or examination shall be required of that person to obtain any line of authority previously held in the prior state except where the Insurance Commissioner determines otherwise by regulation.

23-64-510. Assumed names. [Effective July 1, 2002 - provisional date.]

An insurance producer doing business under any name other than the producer's legal name is required to notify the Insurance Commissioner prior to using the assumed name.

23-64-511. Temporary licensing. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may issue a temporary insurance producer license for a period not to exceed one hundred eighty (180) days without requiring an examination if the commissioner deems that the temporary license is necessary for the servicing of an insurance business in the following cases:
 - (1) To the surviving spouse or court-appointed personal representative of a licensed insurance producer who dies or becomes mentally or physically disabled to allow adequate time for the sale of the insurance business owned by the producer or for the recovery or return of the producer to the business or to provide for the training and licensing of new personnel to operate the producer's business;
 - (2) To a member or employee of a business entity licensed as an insurance producer, upon the death or disability of an individual designated in the business entity application or the license;
 - (3) To the designee of a licensed insurance producer entering active service in the armed forces of the United States of America; or
 - (4) In any other circumstance where the commissioner deems that the public interest will best be served by the issuance of this license.
- (b) The commissioner may by order limit the authority of any temporary licensee in any way deemed necessary to protect insureds and the public. The commissioner may require the temporary licensee to have a suitable sponsor who is a licensed producer or insurer and who assumes responsibility for all acts of the temporary licensee and may impose other similar requirements designed to protect insureds and the public. The commissioner may by order revoke a temporary license if the interest of insureds or the public are endangered. A temporary license may not continue after the owner or the personal representative disposes of the business.

23-64-512. License denial, nonrenewal, or revocation. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may place on probation, suspend, revoke, or refuse to issue or renew an insurance producer's license or may levy a civil penalty in accordance with § 23-64-216 or any combination of actions, for any one (1) or more of the following causes:

- (1) Providing incorrect, misleading, incomplete, or materially untrue information in the license application;
 - (2) Violating any insurance laws, or violating any regulation, subpoena or order of the commissioner or of another state's insurance commissioner;
 - (3) Obtaining or attempting to obtain a license through misrepresentation or fraud;
 - (4) Improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business;
 - (5) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
 - (6) Having been convicted of a felony;
 - (7) Having admitted or been found to have committed any insurance unfair trade practice or fraud;
 - (8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere;
 - (9) Having an insurance producer license, or its equivalent, denied, suspended, or revoked in any other state, province, district, or territory;
 - (10) Forging another's name to an application for insurance or to any document related to an insurance transaction;
 - (11) Improperly using notes or any other reference material to complete an examination for an insurance license;
 - (12) Knowingly accepting insurance business from an individual who is not licensed;
 - (13) Failing to provide a written response after receipt of a written inquiry from the commissioner or his representative as to transactions under the license within thirty (30) days after receipt thereof, unless the timely written response is knowingly waived in writing by the commissioner;
 - (14) Failing to comply with an administrative or court order imposing a child support obligation; or
 - (15) Failing to pay state income tax or comply with any administrative or court order directing payment of state income tax.
- (b) In the event that the action by the commissioner is to nonrenew or to deny an application for a license, the commissioner shall notify the applicant or licensee and advise, in writing, the applicant or licensee of the reason for the denial or nonrenewal of the applicant's or licensee's license. The applicant or licensee may make written demand upon the commissioner within thirty (30) days for a hearing before the commissioner to determine the reasonableness of the commissioner's action. The hearing shall be held within thirty (30) days and shall be held pursuant to § 23-64-217 and the Arkansas Administrative Procedure Act, § 25-15-201 et seq.
- (c) The license of a business entity may be suspended, revoked, or refused if the commissioner finds, after hearing, that an individual licensee's violation was known or should have been known by one or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the commissioner nor corrective action taken.
- (d) In addition to or in lieu of any applicable denial, suspension, or revocation of a

license, a person may, after hearing, be subject to a civil fine according to § 23-64-216.

- (e) The commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by this subchapter and the Arkansas Insurance Code, against any person who is under investigation for or charged with a violation of this subchapter or the Arkansas Insurance Code, even if the person's license or registration has been revoked, surrendered, or has lapsed by operation of law.

23-64-513. Commissions. [Effective July 1, 2002 - provisional date.]

- (a) An insurance company or insurance producer shall not pay a commission, service fee, brokerage, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under this subchapter and is not so licensed.
- (b) A person shall not accept a commission, service fee, brokerage, or other valuable consideration for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under this subchapter and is not so licensed.
- (c) Renewal or other deferred commissions may be paid to a person for selling, soliciting, or negotiating insurance in this state if the person was required to be licensed under this subchapter at the time of the sale, solicitation, or negotiation and was so licensed at that time.
- (d) An insurer or insurance producer may pay or assign commissions, service fees, brokerages, or other valuable consideration to an insurance agency or to persons who do not sell, solicit, or negotiate insurance in this state, unless the payment would violate the Trade Practices Act, § 23-66-201 et seq. or § 23-66-301 et seq. so long as the payment is not allowed by any provisions of the federal Gramm-Leach-Bliley Act of 1999, Pub. L. 106-102, 113 Stat. 1338.

23-64-514. Appointments. [Effective July 1, 2002 - provisional date.]

- (a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.
- (b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within fifteen (15) days after the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request.
- (c) Upon receipt of the notice of appointment, the commissioner shall verify within a reasonable time not to exceed thirty (30) days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the commissioner shall notify the insurer within five (5) days after the commissioner's determination.
- (d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in § 23-61-401 and any existing or future rule and regulation, for each insurance producer appointed by the insurer.

- (e) An insurer shall remit, in a manner prescribed by the commissioner, a renewal appointment fee in the amount set forth in § 23-61-401 and any existing or future rule and regulation.

23-64-515. Notification to Insurance Commissioner of termination. [Effective July 1, 2002 - provisional date.]

- (a) **Termination for Cause.** An insurer or authorized representative of the insurer that terminates the appointment, employment, contract, or other insurance business relationship with a producer shall notify the Insurance Commissioner within thirty (30) days following the effective date of the termination, using a format prescribed by the commissioner, if the reason for termination is one of the reasons set forth in § 23-64-512 or the insurer has knowledge that the producer was found by a court, government body, or self-regulatory organization authorized by law to have engaged in any of the activities in § 23-64-512. Upon the written request of the commissioner, the insurer shall provide additional information, documents, records, or other data pertaining to the termination or activity of the producer.
- (b) **Termination Without Cause.** An insurer or authorized representative of the insurer that terminates the appointment, employment, or contract with a producer for any reason not set forth in § 23-64-512, shall notify the commissioner within thirty (30) days following the effective date of the termination, using a format prescribed by the commissioner. Upon written request of the commissioner, the insurer shall provide additional information, documents, records, or other data pertaining to the termination.
- (c) **Ongoing Notification Requirement.** The insurer or the authorized representative of the insurer shall promptly notify the commissioner in a format acceptable to the commissioner if, upon further review or investigation, the insurer discovers additional information that would have been reportable to the commissioner in accordance with subsection (a) of this section had the insurer then known of its existence.
- (d) **Copy of Notification to be Provided to Producer.**
 - (1) Within fifteen (15) days after making the notification required by subsections (a)-(c) of this section, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in § 23-64-512, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.
 - (2) Within thirty (30) days after the producer has received the original or additional notification, the producer may file written comments concerning the substance of the notification with the commissioner. The producer shall, by the same means, simultaneously send a copy of the comments to the reporting insurer, and the comments shall become a part of the commissioner's file and accompany every copy of a report distributed or disclosed for any reason about the producer as permitted under subsection (f) of this section.
- (e) **Immunities.**
 - (1) In the absence of actual malice, an insurer, the authorized representative of the

- insurer, a producer, the commissioner, or an organization of which the commissioner is a member and that compiles the information and makes it available to other insurance commissioners or regulatory or law enforcement agencies shall not be subject to civil liability, and a civil cause of action of any nature shall not arise against these entities or their respective agents or employees, as a result of any statement or information required by or provided pursuant to this section or any information relating to any statement that may be requested in writing by the commissioner, from an insurer or producer; or a statement by a terminating insurer or producer to an insurer or producer limited solely and exclusively to whether a termination for cause under subsection (a) of this section was reported to the commissioner, provided that the propriety of any termination for cause under subsection (a) of this section is certified in writing by an officer or authorized representative of the insurer or producer terminating the relationship.
- (2) In any action brought against a person that may have immunity under subdivision (e)(1) of this section for making any statement required by this section or providing any information relating to any statement that may be requested by the commissioner, the party bringing the action shall plead specifically in any allegation that subdivision (e)(1) of this section does not apply because the person making the statement or providing the information did so with actual malice.
 - (3) Subdivisions (e)(1) or (2) of this section shall not abrogate or modify any existing statutory or common law privileges or immunities.

(f) Confidentiality.

- (1) Any documents, materials, or other information in the control or possession of the State Insurance Department that is furnished by an insurer, producer, or an employee or agent thereof acting on behalf of the insurer or producer, or obtained by the Insurance Commissioner in an investigation pursuant to this section shall be confidential by law and privileged, shall not be subject to the Freedom of Information Act of 1967, § 25-19-101 et seq., shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. However, the commissioner is authorized to use the documents, materials, or other information in the furtherance of any regulatory or legal action brought as a part of the commissioner's duties.
- (2) Neither the commissioner nor any person who received documents, materials, or other information while acting under the authority of the commissioner shall be permitted or required to testify in any private civil action concerning any confidential documents, materials, or information subject to subdivision (f)(1) of this section.
- (3) In order to assist in the performance of the commissioner's duties under this subchapter, the commissioner:
 - (A) May share documents, materials, or other information, including the confidential and privileged documents, materials, or information subject to subdivision (f)(1) of this section, with other state, federal, and international regulatory agencies, with the National Association of Insurance Commissioners, its affiliates or subsidiaries, and with state, federal, and international law enforcement authorities, provided that the recipient agrees to maintain the confidentiality and privileged status of the document, material, or

other information;

- (B) May receive documents, materials, or information, including otherwise confidential and privileged documents, materials, or information, from the National Association of Insurance Commissioners, its affiliates or subsidiaries, and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material, or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or information; and
 - (C) May enter into agreements governing sharing and use of information consistent with this subsection.
- (4) No waiver of any applicable privilege or claim of confidentiality in the documents, materials, or information shall occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in subdivision (f)(3) of this section.
 - (5) Nothing in this subchapter shall prohibit the commissioner from releasing final, adjudicated actions including for cause terminations that are open to public inspection to a database or other clearinghouse service maintained by the National Association of Insurance Commissioners, its affiliates, or subsidiaries of the National Association of Insurance Commissioners.
 - (6) The commissioner shall release information required by § 23-61-103.
- (g) **Penalties for Failing to Report.** An insurer, the authorized representative of the insurer, or producer that fails to report as required under the provisions of this section or that is found to have reported with actual malice by a court of competent jurisdiction may, after notice and hearing, have its license or certificate of authority suspended or revoked and may be fined in accordance with the Arkansas Insurance Code.

23-64-516. Reciprocity. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner shall waive any requirements for a nonresident license applicant with a valid license from his or her home state, except the requirements imposed by § 23-64-508, if the applicant's home state awards nonresident licenses to residents of this state on the same basis.
- (b) A nonresident producer's satisfaction of his or her home state's continuing education requirements for licensed insurance producers shall constitute satisfaction of this state's continuing education requirements if the nonresident producer's home state recognizes the satisfaction of its continuing education requirements imposed upon producers from this state on the same basis.

23-64-517. Reporting of actions. [Effective July 1, 2002 - provisional date.]

- (a) A producer shall report to the Insurance Commissioner any administrative action taken against the producer in another jurisdiction or by another governmental agency in this state within thirty (30) days after the final disposition of the matter. This report shall include a copy of the order, consent to order, or other relevant legal documents.
- (b) Within thirty (30) days after the initial pretrial hearing date, a producer shall report to

the commissioner any criminal prosecution of the producer taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents.

23-64-518. Regulations. [Effective July 1, 2002 - provisional date.]

The Insurance Commissioner may, in accordance with § 23-61-108, promulgate reasonable regulations as are necessary or proper to carry out the purposes of this subchapter.

23-64-519. Centralized producer licensing registry. [Effective July 1, 2002 - provisional date.]

- (a) The Insurance Commissioner may participate, in whole or in part, with the National Association of Insurance Commissioners, or any of its affiliates or subsidiaries, in a centralized producer license registry where insurance producer licenses and appointments may be centrally or simultaneously effected for all states that require an insurance producer license and participate in such centralized producer license registry.
- (b) If the commissioner finds that participation in such a centralized producer license registry is in the public interest, the commissioner may adopt by rule any uniform standards and procedures as are necessary to participate in the registry. This includes the central collection of all fees for licenses or appointments that are processed through the registry.