



Arkansas Insurance Department

LEGAL DIVISION

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DIRECTIVE 4-2001

TO: ALL LICENSED AGENTS; LICENSED INSURANCE COMPANIES; TRADE ASSOCIATIONS; SURPLUS LINES INSURERS; NAIC AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: SERVICE STANDARDS

With the increased push from insurers for Insurance Departments to speed up the rate and form filing process, it is timely for the Department to remind insurers that they, too, have a commitment to their customers, both agents and insureds, to provide timely and accurate delivery of their insurance products and services. It is in the very best interests of consumers, agents and insurers for companies to provide such accurate and timely service.

An insured who in good faith pays a premium for an insurance product should not have to wait 60-90 days to receive their insurance policy.

- Timely issuance of a policy should put that form in the hands of the policyholder no later than 30-45 days after receipt by the insurer of the fully completed application. In that same vein, policy change requests should be processed within 30 days and a descriptive billing generated which identifies the need for additional premium or which indicates a return premium is due.

Both insureds and agents have the right to expect the insurance policy to be issued accurately utilizing the information provided.

- Corrections, if any, must be made promptly, and corrected accurately. Having to return a policy multiple times to get errors corrected is unacceptable, as is demanding payment for policies, which have not yet been corrected. Also unacceptable is the practice of submitting insignificant changes or corrections in order to have a current billing delayed. Unless the change or correction submitted will cause a change in the amount of premium currently billed for, the premium should be submitted with the request to change or correct the policy.

Both the insured and the agent have every right to expect timely processing of audits, both those requiring additional premium and those resulting in a return premium.

- If a return premium is due the insured, the insured should be able to expect that return premium within sixty (60) days from completion of the audit triggering the refund.

Insurers are also reminded of the deadlines for prompt payment of claims included in Rule and Regulation 43. As necessary regulatory modernization occurs, Market Conduct examinations will focus more closely on service both to the insured and the agent.

- An example of unnecessary delay in resolving claims involves insurers failing to include reimbursement for sales or other applicable taxes when calculating payment on a totaled vehicle.

Arkansas law permits the exclusion of punitive damages so long as the policy contains an acceptable definition of “punitive damages”.

- Including this exclusion as standard policy language without advance notice to the agent could well put the agent at risk for an E&O claim should the agent not pick up on the exclusion and fail to notify the insured that there was no punitive damage coverage.

If dramatic improvements in service levels are not experienced, the Department may consider adopting formal Performance Standards applicable to all insurers and agents. Failure to meet these standards may be considered a violation of the Arkansas Trade Practices Act.

Insurers are asked to provide a copy of this Directive to their appointed agents.

Questions concerning this Directive should be directed to the Associate Counsel Booth Rand, Legal Division of the Arkansas Insurance Department at 1-501-371-2820.

MIKE PICKENS
INSURANCE COMMISSIONER