

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
ARKANSAS ASSOCIATION OF
CORRECTIONAL EMPLOYEES TRUST**

A.I.D. NO. 2018- 41

CONSENT ORDER

WHEREAS, the Arkansas Insurance Department (“Department”) and the Arkansas Association of Correctional Employees Trust (“AACET”) hereby enter into this Consent Order subject to the review and approval of the Arkansas Insurance Commissioner (“Commissioner”) of the Department:

FINDINGS OF FACT

1. AACET is a non-profit association of members consisting of employees or retirees of the Arkansas Department of Correction, Department of Community Correction, Arkansas Correctional Schools, Riverside Vo-Tech and the Arkansas Parole Board.
2. On or about October 9, 2017, the Legal Division of this Department received a telephone call from Legislative Audit regarding AACET, requesting that the Department review the benefits being offered through this entity.
3. The Department began its review and found that AACET offered Dental and Vision coverages without proper insurance carrier structure and licensing resulting in the improper collection of insurance premium.
4. The Department’s investigation regarding AACET determined that AACET received and relied in good faith upon third-party advice of licensed professionals in offering these coverages.

5. The Department's investigation regarding AACET remains open and active in order to complete moving members to state coverage and auditing all AACET finances in order to properly segregate and apply premium, expenses and claims.

CONCLUSIONS OF LAW

From the Findings of Fact contained herein, the Commissioner concludes as follows:

6. Collecting a premium or other charge for insurance that is not then provided to an insurer authorized by the Arkansas Insurance Code for coverage under an insurance policy is a violation of Ark. Code Ann. §23-66-310(a).

7. The Commissioner has jurisdiction over the parties and the subject matter pursuant to Ark. Code Ann. §§ 23-61-103, 23-65-101, *et seq.*, and other pertinent provisions of the Arkansas Insurance Code.

IT IS THEREFORE ORDERED AND AGREED AS FOLLOWS:

1. Within thirty (30) days of the full execution of this Consent Order, AACET shall submit to the Commissioner a complete listing of its members and a notice to the members, subject to review and prior approval by the Commissioner, which shall clearly explain that:

- a. The coverages for which the members are paying are not backed by an insurance company that is licensed or regulated in Arkansas. These benefits will no longer be offered by AACET.
- b. Because these benefits are not provided by a licensed carrier, there is no protection in the event of a loss of employment or a reduction in funds available to pay claims.
- c. Comparable dental and vision plans are available through the state via the Employee Benefits Division at a similar price, and those plans would be

provided by licensed carriers and, therefore, provide the safeguards afforded insureds under the Arkansas Insurance Code.

d. There will be a special open enrollment period for the members to move their coverages to the state plan with EBD.

2. No later than thirty (30) days from the full execution of this Consent Order, AACET shall identify that portion of its funds that was paid by its members and labeled "premium" or membership fees and provide that information to the Commissioner.

3. AACET shall immediately segregate all funds collected after the execution of this Consent Order as premiums for benefits paid into a separate account.

4. AACET shall coordinate with the Department's Finance Division on all funds and provide weekly reports to the Commissioner with regard to the status of the transition and compliance with this Consent Order.

5. AACET shall run off all claims and expenses until completed and shall provide monthly reports to the Commissioner with respect to such accounting.

6. AACET shall provide a full accounting of all funds collected as premium from the inception of the self-funded plans, including all claims paid, all expenses paid, and all residual funds for the self-funded program. All remaining residual funds shall be forfeited to the Department to be used for the benefit of the current members as determined by the Commissioner.

7. During the course of this transition, AACET shall use its funds collected as premiums only to pay claims and expenses to operate the self-funded plan in the ordinary course of business until the transition is complete.

8. The Commissioner shall have access to AACET's books and records related to benefit programs to assist in the transition of members to a fully-insured program.

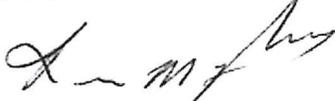
9. AACET may proceed with its philanthropic endeavors and accept charitable, tax-exempt donations; however, it shall not continue to offer any form of insurance to its members.

IT IS SO ORDERED THIS 17th day of APRIL, 2018.



ALLEN KERR
INSURANCE COMMISSIONER
STATE OF ARKANSAS

APPROVED FOR ENTRY:



KEVIN MURPHY
ARKANSAS ASSOCIATION OF CORRECTIONAL
EMPLOYEES TRUST
EXECUTIVE DIRECTOR