

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 83rd General Assembly  
3 Regular Session, 2001  
4

*As Engrossed: H3/19/01 H3/29/01*

## A Bill

Act 1811 of 2001  
HOUSE BILL 2208

5 By: Representative Glover  
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### For An Act To Be Entitled

9 AN ACT TO AMEND ARKANSAS CODE 23-73-115 TO  
10 PROVIDE FOR APPROVALS OF MANAGEMENT AGREEMENTS  
11 FOR FARMERS' MUTUAL AID ASSOCIATIONS; AND FOR  
12 OTHER PURPOSES.  
13

### Subtitle

14 AN ACT TO PROVIDE FOR APPROVALS AND  
15 RESTRICTIONS REGARDING THE USE OF  
16 MANAGERS BY FARMERS' MUTUAL AID  
17 ASSOCIATIONS.  
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19  
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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23 *SECTION 1. Arkansas Code 23-73-115 is amended to read as follows:*  
24 *23-73-115. Management and exclusive agency contracts.*

25 *(a)(1) No farmers' mutual aid company or association shall make any*  
26 *contract whereby any person is granted or is to enjoy in fact the management*  
27 *of the company or association ~~to the substantial exclusion of its board of~~*  
28 *~~directors~~ or to have the controlling or preemptive right to produce*  
29 *substantially all insurance business for the company or association unless*  
30 *the contract is filed with and approved by the Insurance Commissioner.*

31 *(2) The contract shall be deemed approved unless disapproved by*  
32 *the commissioner within ~~twenty (20)~~ thirty (30) days after date of filing,*  
33 *subject to such reasonable extension of time as the commissioner may require*  
34 *by notice given within the ~~twenty (20)~~ thirty (30) days.*

35 *(3) Any disapproval shall be delivered to the company or*  
36 *association in writing, stating the grounds therefor.*

1 (b) The commissioner shall disapprove any contract if he finds that  
2 it:

3 (1) Subjects the company or association to excessive charges; or

4 (2) Is to extend for an unreasonable length of time; or

5 (3) Does not contain fair and adequate standards of performance;

6 or

7 (4) Grants the management of the association, to the substantial  
8 exclusion of its board of directors, to any person, corporation, partnership,  
9 joint venture, limited partnership or limited liability company; or

10 (5) Requires the association to guarantee the manager's  
11 obligation or performance to anyone other than the association; or

12 (6) Allows the manager to assign its rights under the agreement  
13 to a third party without the consent of the board of directors and the  
14 commissioner; or

15 ~~(4)(7)~~ Contains other inequitable provisions which impair the  
16 proper interests of the company or association.

17 (c) The commissioner, in his discretion, may require submission of a  
18 contract for review at any time if he believes a review would be in the best  
19 interest of policyholders of the company or association.

20 (d) No association shall indemnify or insure its manager's obligations  
21 to any other person or entity, unless by operation of law. To the extent  
22 allowed by law, any indemnification by the association shall be limited to  
23 the extent of any insurance or reinsurance coverages applicable to the loss  
24 indemnified or insured.

25 (e) The association shall disclose to the commissioner the names of  
26 any member of its board of directors that is also an officer, stockholder,  
27 agent, partner, limited partner, limited liability company member, joint  
28 venturer, or employee of the manager.

29 (f) The acts of the manager may be examined as if it were the  
30 association.

31 (g) The commissioner may adopt reasonable rules and regulations for  
32 the implementation and administration of the provisions of this section.

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35 APPROVED: 4/19/2001

36 /s/ Glover