

**ARKANSAS SENATE**  
84th General Assembly - Regular Session, 2003  
**Amendment Form**

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**Subtitle of Senate Bill No. 312**

"AN ACT TO REQUIRE INSURERS TO PROVIDE TO THE STATE INSURANCE  
COMMISSIONER CURRENT INFORMATION REGARDING THEIR RATES AND RATING  
CRITERIA AND TO REQUIRE THE COMMISSIONER TO REPORT TO THE GENERAL  
ASSEMBLY."

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**Amendment No. 1 to Senate Bill No. 312.**

Amend Senate Bill No. 312 as originally introduced:

Page 1, line 7, add the following Senators as cosponsors: Madison, Salmon

AND

Page 1, delete lines 11, through 14 and substitute the following:  
"CRITERIA TO THE INSURANCE COMMISSIONER NO LATER THAN JUNE 30, 2004; TO  
REQUIRE THE COMMISSIONER TO REPORT TO THE GOVERNOR AND TO MEMBERS OF THE  
GENERAL ASSEMBLY NO"

AND

Page 1, line 21, delete "STATE"

AND

Delete everything after the enactment clause and substitute the following:  
"SECTION 1. This act may be referred to as "The Insurance Reform Act".

SECTION 2. Definitions.

As used in this act:

(1)(A)(i) "Insurance" means any agreement, contract, or other transaction in which the insurer is obligated to confer benefit of pecuniary value upon an insured or a beneficiary, which is dependent upon the happening of a fortuitous event in which the insured or beneficiary has, or is expected to have at the time of the happening, a material interest that will be adversely affected by the happening of the event.

(ii) A "fortuitous event" means any occurrence or failure to occur which is, or is assumed by the parties to be, to a substantial extent beyond the control of either party.



(B) "Insurance" includes "annuities", which are agreements by insurers to make periodic payments that continue during the survival of the measuring life or lives under the agreements or for a specified period.

(2) "Insurer" means each person engaged as indemnitor, surety, or contractor in the business of entering into contracts of insurance;

(3)(A) "Supplementary rating information" means any manual, rating schedule, plan of rules, rating rules, classification systems, territory codes and descriptions, rating plans, and other similar information used by the insurer to determine the applicable premium for an insured.

(B)(i) "Supplemental rating information" includes factors and relativities, such as increased limits factors, classification relativities, deductible relativities, premium discount; and

(ii) Other similar factors and rating plans such as experience, schedule, and retrospective rating.

### SECTION 3. Prior approval of insurance rates.

(a)(1) No rate shall be approved or remain in effect that is excessive, inadequate, unfairly discriminatory, or otherwise in violation of this act or in violation of the Arkansas Insurance Code.

(b)(1) Each insurer that desires to change any rate shall file a complete rate application with the commissioner.

(2) The commissioner shall determine what information must be contained in the rate application.

(c)(1) The commissioner shall notify the public of any application by an insurer for a rate change and shall hold a hearing to determine whether the rate requested is excessive, inadequate, unfairly discriminatory, or otherwise violates this act or the Arkansas Insurance Code.

(2) The applicant shall have the burden of proving that the requested rate change is justified and meets the requirements as determined by the commissioner.

(3) Any actuarial review or other review deemed necessary by the commissioner shall be at the applicant's expense.

(b)(1) The commissioner shall hold a hearing regarding the rate application and shall enter a written finding no later than sixty (60) days after the date of the application.

(2) If the commissioner does not enter a written finding within sixty (60) days after the date of the rate application, the application shall be deemed to be approved.

### SECTION 4. Authority to require rate information.

(a) Beginning with the annual statement filed by insurers in March 2004, to assist the Arkansas General Assembly in determining the reasonableness of insurance rates in Arkansas, the Insurance Commissioner shall require an insurer to file with its annual statement a report containing:

(1) Reporting of underwriting data.

(A) Each insurer writing in Arkansas homeowners insurance, dwelling fire insurance on one (1) to four (4) family units or individual fire insurance on dwelling, contents or insurance principally used to provide primary insurance on private passenger non-fleet automobiles individually owned and used for personal or family needs, shall annually collect data on these lines by policy form and endorsement, on a zip code basis or other

geographical area as determined by the commissioner, that includes:

- (i) The number of policies in force for homeowners/dwelling fire;
- (ii) The number of covered automobiles;
- (iii) The number of non-renewals;
- (iv) The number of cancellations;
- (v) The number of declinations or refusals to issue;
- (vi) The number of renewals.

(2) Professional liability claims information.

(A) Each insurer writing professional liability insurance in Arkansas shall indicate in its filing, for all claims filed in Arkansas and for all claims filed in the United States:

- (a) The total number of claims filed during the preceding calendar year;
- (b) The total number of unresolved claims filed in the past three (3) years that were carried over to the previous calendar year;
- (c) The total amount paid for claims incurred during the previous calendar year;
- (d) The total amount for claims paid during the previous calendar year due to judgments;
- (e) The total amount for claims paid during the previous calendar year due to settlements; and
- (f) The total number of claims resisted in during the previous calendar year.

SECTION 5. Required rate information.

(a) Beginning March 2004, the Insurance Commissioner shall require an insurer to include in its annual filing the following information:

- (1) Any insurance rate, supplementary rating information, applicable rating manual, and relevant supporting information for risks written in Arkansas;
- (2) Any statistics or other information to support the rates to be used by the insurer;
- (3) The policy fees, service fees, and other fees that are charged under the Arkansas Insurance Code, § 23-60-101, et seq;
- (4)(A) Information regarding the credit scoring formulas and methodologies used by the insurer to determine insurance premiums or underwriting guidelines; and
- (5) Any other information required by the commissioner relating to the insurer's use of credit scoring to determine premiums or underwriting for insurance.

SECTION 6. Use of filed rate information.

Rate information filed with the State Insurance Department under this act may be used as the basis for a rate hearing or any disciplinary action by the department, except for a disciplinary action against an insurer for a violation of a statute that applied to the insurer before the effective date of this act.

SECTION 7. Report by Insurance Commissioner.

- (a) Not later than the June 30, 2004, and not later than June 30 each

year thereafter, the Insurance Commissioner shall submit a report based on the information contained in the filings required under this act to the Governor, the Speaker of the Arkansas House of Representatives, and the President Pro Tempore of the Arkansas Senate.

(b) The report required under this section shall provide an executive summary of the information required under this act, and shall be presented in a manner that is consumer friendly in wording and content.

(c) The purpose of the report is to inform the Arkansas General Assembly and Arkansas insurance consumers as to whether insurance rates are just, adequate, and reasonable and are not excessive or unfairly discriminatory.

SECTION 8. Penalties.

(a) After notice and opportunity for hearing, any insurer that fails to comply with a request for information issued by the Insurance Commissioner under this act is subject to sanctions as provided by § 23-61-110.

(b) Any insurer who fails to comply with this act is deemed to have committed an unfair or deceptive act or practice in the business of insurance, as defined under § 23-66-206.”

The Amendment was read the first time, rules suspended and read the second time and \_\_\_\_\_

By: Senator Brown  
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Secretary