

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas  
2 82nd General Assembly  
3 Regular Session, 1999

# A Bill

Act 327 of 1999  
SENATE BILL 152

4  
5 By: Senator Critcher  
6  
7

## For An Act To Be Entitled

9 "AN ACT TO AMEND ARKANSAS CODE 23-63-105 TO ADD A NEW  
10 FILING EXEMPTION FOR DOMESTIC SERVICE CONTRACTS  
11 REVIEWED UNDER THE INSURANCE HOLDING COMPANY  
12 REGULATORY ACT, THE MANAGING GENERAL AGENTS ACT, AND  
13 OTHERS; TO AMEND ARKANSAS CODE 23-69-137 TO ADD A NEW  
14 FILING EXEMPTION FOR SERVICE CONTRACTS REVIEWED UNDER  
15 THE INSURANCE HOLDING COMPANY REGULATORY ACT, THE  
16 MANAGING GENERAL AGENTS ACT, AND OTHERS; AND FOR OTHER  
17 PURPOSES. "

## Subtitle

18  
19 "TO ADD NEW FILING EXEMPTIONS TO THE  
20 INSURANCE CODE FOR SERVICE CONTRACTS  
21 REVIEWED UNDER THE HOLDING COMPANY LAWS,  
22 THE MANAGING GENERAL AGENTS LAW, AND  
23 OTHER LAWS. "  
24

25  
26  
27 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
28

29 SECTION 1. Arkansas Code § 23-63-105 is amended to read as follows:

30 "23-63-105. Service contracts to perform administrative functions.

31 (a) No domestic insurer shall make any contract with any insurance  
32 company or holding company or any other type of company whereby the company is  
33 to perform substantially all of the administrative functions for the insurer  
34 until that contract is filed with and has received prior written approval by  
35 the Insurance Commissioner. Administrative functions of an insurer include,  
36 but are not limited to, underwriting, policy issue, accounting, premium notice

1 preparation, agents' commission statements, other periodical accounting  
 2 reports, preparation of annual convention statements, and managerial  
 3 consulting services.

4 (b) Any disapproval by the commissioner shall be delivered to the  
 5 insurer in writing, stating the grounds therefor.

6 (c) The commissioner shall disapprove any contract if he finds that it:

7 (1) Subjects the insurer to excessive charges; or

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

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

10 or

11 (4) Contains other inequitable provisions which impair the proper  
 12 interests of stockholders or policyholders of the insurer.

13 (d)(1) All service contracts approved under this section shall be  
 14 submitted annually to the commissioner for review and approval on the  
 15 anniversary date of first approval.

16 (2) The commissioner, in his discretion, may require submission  
 17 of a contract for review at any time if he feels a review would be in the best  
 18 interest of stockholders or policyholders of the insurer.

19 (3) Any contract not submitted in accordance with this act shall  
 20 be deemed disapproved as of the day following the day that contract should  
 21 have been submitted.

22 (e) The provisions of this section shall not apply to contracts of  
 23 domestic licensees governed by the provisions of 23-63-514 and 23-63-515, in  
 24 the Insurance Holding Company Regulatory Act, by the provisions of 23-64-401 -  
 25 23-64-408, in the Managing General Agents Act, and by the provisions of 23-69-  
 26 137, concerning contracts for management and exclusive agents."

27  
 28 SECTION 2. Arkansas Code § 23-69-137 is amended to read as follows:

29 "23-69-137. Management and exclusive agency contracts.

30 (a) No domestic insurer shall make any contract whereby any person is  
 31 granted or is to enjoy in fact the management of the insurer to the  
 32 substantial exclusion of its board of directors or to have the controlling or  
 33 preemptive right to produce substantially all insurance business for the  
 34 insurer unless the contract is filed with and approved by the commissioner.

35 (1) The contract shall be deemed approved unless disapproved by  
 36 the commissioner within twenty (20) days after the date of filing, subject to

1 such reasonable extension of time as the commissioner may require by notice  
2 given within the twenty (20) days.

3 (2) Any disapproval shall be delivered to the insurer in writing,  
4 stating the grounds therefor.

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

6 (1) Subjects the insurer to excessive charges; or

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

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

9 or

10 (4) Contains other inequitable provisions which impair the proper  
11 interests of stockholders or members of the insurer.

12 (c) The provisions of this section shall not apply to contracts of  
13 domestic licensees governed by the provisions of 23-63-514 and 23-63-515, in  
14 the Insurance Holding Company Regulatory Act, by the provisions of 23-64-401 -  
15 23-64-408, in the Managing General Agents Act, and by the provisions of 23-63-  
16 105, concerning service contracts to perform administrative functions."

17  
18 SECTION 3. All provisions of this act of a general and permanent nature  
19 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
20 Revision Commission shall incorporate the same in the Code.

21  
22 SECTION 4. If any provision of this act or the application thereof to  
23 any person or circumstance is held invalid, such invalidity shall not affect  
24 other provisions or applications of the act which can be given effect without  
25 the invalid provision or application, and to this end the provisions of this  
26 act are declared to be severable.

27  
28 SECTION 5. All laws and parts of laws in conflict with this act are  
29 hereby repealed.

30  
31  
32 APPROVED: 2/26/1999