

1 State of Arkansas
2 80th General Assembly
3 Regular Session, 1995

A Bill

HOUSE BILL 1771

4 By: Representatives Miller and Calhoun

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For An Act To Be Entitled

8 "AN ACT TO ESTABLISH THE PROCEDURE FOR CALCULATING THE
9 PREMIUM FOR CONVERSION INSURANCE POLICIES; AND FOR OTHER
10 PURPOSES."

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Subtitle

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13 "AN ACT TO ESTABLISH THE PROCEDURE FOR
14 CALCULATING THE PREMIUM FOR CONVERSION
15 INSURANCE POLICIES."

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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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19 SECTION 1. Arkansas Code 23-86-115 is hereby amended by adding a new
20 subsection (e) to read as follows:

21 "(e)(1) The initial premium for the conversion policy for the first
22 twelve (12) months and subsequent renewal premiums shall be determined in
23 accordance with premium rates applicable to individually underwritten
24 standard risks, for the age and class of risk of each person to be covered
25 under the conversion policy and for the type and amount of insurance
26 provided. The experience under conversion policies shall not be an
27 acceptable basis for establishing rates for conversion policies.

28 (2) For purposes of subsection (1) the phrase premium rate
29 applicable to individually underwritten standard risk means the premium
30 charged to individuals who qualify for coverage without modification,
31 determined from a rate table based on aggregate individually underwritten
32 policy experience. Aggregate individually underwritten policy experience
33 means the policy experience is drawn from a mature combination of newly
34 selected insureds and insureds for whom selection effects no longer exist.
35 Class means any actuarially determined characteristic except health status

1 or individual claims experience.

2 (3) If an insurer experiences incurred losses which exceed
3 earned premiums, for a period of two (2) successive years, on conversion
4 policies which have been in force for at least one (1) year, the insurer may
5 file with the Commissioner amended renewal rates for the subsequent year
6 which will produce a loss ratio of not less than one hundred percent (100%).

7 (4) Even though a renewal premium is established in accordance
8 with subsection (3), a holder of the conversion policy shall not be required
9 to pay the full renewal premium until the beginning of the policy_s fourth
10 year. The premium for the second policy year shall be the initial premium
11 plus thirty-three and one-third percent (33 1/3%) of the difference between
12 the initial premium and the renewal premium in effect on the policy_s first
13 anniversary date. The premium for the third policy year shall be the initial
14 premium plus sixty-six and two-thirds (66 2/3%) of the difference between the
15 initial premium and the renewal premium in effect on the policy_s second
16 anniversary date. The premium for the fourth year shall be one hundred
17 percent (100%) of the renewal premium in effect on the policy_s third
18 anniversary date.

19 (5) This section (e) shall be applicable to any conversion
20 policy issued after the effective date of this Act."

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22 SECTION 2. All provisions of this act of a general and permanent
23 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
24 Code Revision Commission shall incorporate the same in the Code.

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26 SECTION 3. If any provision of this act or the application thereof to
27 any person or circumstance is held invalid, such invalidity shall not affect
28 other provisions or applications of the act which can be given effect without
29 the invalid provision or application, and to this end the provisions of this
30 act are declared to be severable.

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32 SECTION 4. All laws and parts of laws in conflict with this act are
33 hereby repealed.

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35 SECTION 5. EMERGENCY. It is hereby found and determined by the

1 General Assembly that citizens who are required to purchase conversion
2 policies are subject to extremely high premiums, and that there is an
3 immediate need to provide for a reasonable level of premiums for conversion
4 policies. Therefore, an emergency is hereby declared to exist and this act
5 being necessary for the immediate preservation of the public peace, health
6 and safety shall be in full force and effect from and after its passage and
7 approval.

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