

Stricken language would be deleted from present law. Underlined language would be added to present law.

1 State of Arkansas
2 81st General Assembly
3 Regular Session, 1997

As Engrossed: H2/13/97 H2/20/97 S3/6/97

A Bill

HOUSE BILL 1565

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5 By: Representative McKissack
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For An Act To Be Entitled

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9 "AN ACT TO LIMIT THE AUTHORITY OF FIRE AND CASUALTY
10 INSURANCE COMPANIES TO TERMINATE AGENTS APPOINTED BY SUCH
11 COMPANIES; AND FOR OTHER PURPOSES."
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Subtitle

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14 "TO LIMIT THE AUTHORITY OF FIRE AND
15 CASUALTY INSURANCE COMPANIES TO
16 TERMINATE AGENTS APPOINTED BY SUCH
17 COMPANIES."
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. (a) Any insurance company authorized to transact fire or
22 casualty business in this state shall, upon termination of an agent s
23 appointment by said company, permit the renewal of all contracts of insurance
24 written by such agent for a period of twelve (12) months from the date of such
25 termination, as determined by the individual underwriting requirements of said
26 company, unless such insurance company is deemed by the Insurance Commissioner
27 to be in a hazardous, impaired or insolvent condition. Provided, in the case
28 of a contract not meeting such underwriting requirements, the company shall
29 give the agent sixty (60) days notice of its intention not to renew said
30 contract. Provided further that such periods of time may be reduced as the
31 commissioner may deem necessary to adequately protect the insured or to secure
32 the solvency of such company.

33 (b) No insurance agency contract entered into in this state by a
34 licensed insurer with an insurance agent licensed under 23-64-101 et seq.
35 shall be terminated by the licensed insurer unless the agent is given at least
36 ninety (90) days advance written notice of the intent to terminate the

1 contract. Provided, if the contract is cancelled for failure of the agent to
2 pay over moneys due the insurer after written demand therefor or for breach of
3 contract, the advance notice shall not be required. Provided further, during
4 the ninety-day period after any such notice, the licensed insurance agent
5 shall not write or bind any new business on behalf of the licensed insurer
6 without the specific written approval of such business by the insurer.

7 (c) Any insurance company renewing contracts of insurance in accordance
8 with this section shall pay commissions for such renewals to the terminated
9 agent in the same amount as had been paid to him on similar policies during
10 the twelve (12) months immediately preceding the notice of termination.

11 (d) The provisions of this section shall not apply to any contract with
12 an agent for the sale of life or accident and health insurance.

13 (e) The provisions of this section shall not be applicable to any
14 insurer which writes insurance only for members of a specific organization or
15 to any agent of such insurer.

16 (f) This section shall not apply to agents or brokers of a company or
17 group of companies which agents or brokers by contractual agreement represent
18 only that company or group of companies and the book of business is owned by
19 the company or group of companies. The cancellation of any agents or brokers
20 contractual agreement shall not result in the cancellation or refusal to renew
21 any policy of insurance.

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

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

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

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

1 Assembly that the present laws relating to the termination of agent contracts
2 by insurance companies and relating to the protection of insureds covered by
3 policies of insurance issued by the company through the particular agent whose
4 contract is to be terminated are inadequate to protect the insureds and the
5 agents and that fairness and equity demand that the laws on this matter be
6 adequate to protect both agents and insureds from unnecessary hardships which
7 may otherwise occur as a result of such termination and that this act is
8 designed to provide such protection and should be given effect immediately.
9 Therefore, an emergency is declared to exist and this act being immediately
10 necessary for the preservation of the public peace, health and safety shall
11 become effective on the date of its approval by the Governor. If the bill is
12 neither approved nor vetoed by the Governor, it shall become effective on the
13 expiration of the period of time during which the Governor may veto the bill.
14 If the bill is vetoed by the Governor and the veto is overridden, it shall
15 become effective on the date the last house overrides the veto.

16 /s/Rep. McKissack

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