

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 Enrolled: H3/12/01 H3/20/01 H3/27/01

A Bill

HOUSE BILL 2404

5 By: Representative Files
6
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE INSURANCE ASSETS AND
10 LIABILITIES AND RESERVES LAWS IN SUBCHAPTER 6 OF
11 CHAPTER 63 OF TITLE 23 OF SUBTITLE 3, CODIFIED IN
12 ARKANSAS CODE §23-63-601 THROUGH §23-63-613, IN
13 ORDER TO MODERNIZE LAWS ON DOMESTIC INSURER
14 FINANCIAL ACCOUNTING GUIDELINES; AND FOR OTHER
15 PURPOSES.
16

Subtitle

17
18 TO MODERNIZE THE INSURANCE LAWS ON
19 FINANCIAL ASSETS, LIABILITIES, AND
20 RESERVES FOR DOMESTIC INSURERS.
21
22

23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
24

25 SECTION 1. Arkansas Code 23-63-202(1)(B), concerning foreign insurers
26 transacting business in this State, is amended to read as follows:

27 (B) Does not maintain reserves as required by ~~§§ 23-63-601—23-63-613,~~
28 Subchapter 6 of Chapter 63 of Title 23, which ~~refer~~ refers to assets and
29 liabilities applicable to the kinds of insurance transacted by the insurer,
30 wherever transacted in the United States, or which, if a mutual life insurer,
31 issues policies under which the policyholder is subject to contingent
32 liability or assessment; or which transacts insurance on the assessment
33 premium plan, stipulated premium plan, cooperative plan, or any similar plan;
34 except that the commissioner may renew the certificate of authority of any
35 foreign insurer lawfully transacting insurance in Arkansas on any plan under
36 its certificate of authority immediately prior to January 1, 1960, so long as

1 the insurer is otherwise in compliance with the applicable provisions of this
2 code.

3

4 SECTION 2. The subchapter heading to Arkansas Code Title 23, Chapter
5 63, Subchapter 6 is amended to read as follows:

6 Subchapter 6.

7 ~~Assets and Liabilities~~ Financial Reporting Standards.

8

9 SECTION 3. Arkansas Code 23-63-601 is amended to read as follows:
10 23-63-601. Definition.

11 In any determination of the financial condition, including whether an
12 asset is allowable, of ~~a~~ a domestic insurer, domestic title insurer, or
13 other domestic regulated entities reporting to the commissioner, including
14 health maintenance organizations, hospital or medical service corporations,
15 farmers' mutual aid associations or companies, and other licensees, all
16 hereinafter called "reporting entities" for purposes of this subchapter,
17 ~~there shall be allowed as assets only such assets as are owned by the insurer~~
18 ~~and which consist of:~~ the definition of an "asset" contained in the National
19 Association of Insurance Commissioners' publication, as it existed on January
20 1, 2001, entitled the "Accounting Practices and Procedures Manual", with
21 certain additions, will be used in the determination. Additions shall
22 include, but may not be limited to, the following:

23 ~~(1) Cash in the possession of the insurer, or in transit under its~~
24 ~~control, and including the true balance of any deposit in a solvent bank or~~
25 ~~trust company;~~

26 ~~(2) Investments, securities, properties, and loans acquired or held in~~
27 ~~accordance with this code, and in connection therewith the following items:~~

28 ~~(A) Interest due or accrued on any bond or evidence of~~
29 ~~indebtedness which is not in default and which is not valued on a basis~~
30 ~~including accrued interest;~~

31 ~~(B) Declared and unpaid dividends on stock and shares, unless the~~
32 ~~amount has otherwise been allowed as an asset;~~

33 ~~(C) Interest due or accrued upon a collateral loan in an amount~~
34 ~~not to exceed one (1) year's interest thereon;~~

35 ~~(D) Interest due or accrued on deposits in solvent banks and~~
36 ~~trust companies, and interest due or accrued on other assets if the interest~~

1 ~~is in the judgment of the Insurance Commissioner a collectible asset;~~

2 ~~(E) Interest due or accrued on a mortgage loan, in an amount not~~
3 ~~exceeding in any event the amount, if any, of the excess of the value of the~~
4 ~~property less delinquent taxes thereon over the unpaid principal, but in no~~
5 ~~event shall interest accrued for a period in excess of eighteen (18) months~~
6 ~~be allowed as an asset;~~

7 ~~(F) Rent due or accrued on real property if the rent is not in~~
8 ~~arrears for more than three (3) months, and rent more than three (3) months~~
9 ~~in arrears if the payment of the rent is adequately secured by property held~~
10 ~~in the name of the tenant and conveyed to the insurer as collateral;~~

11 ~~(G) The unaccrued portion of taxes paid prior to the due date on~~
12 ~~real property;~~

13 ~~(3) Premium notes, policy loans, and other policy assets and liens on~~
14 ~~policies and certificates of life insurance and annuity contracts and accrued~~
15 ~~interest thereon, in an amount not exceeding the legal reserve and other~~
16 ~~policy liabilities carried on each individual policy;~~

17 ~~(4) The net amount of uncollected and deferred premiums and annuity~~
18 ~~considerations in the case of a life insurer;~~

19 ~~(5) Premiums in the course of collection, other than for life~~
20 ~~insurance, not more than three (3) months past due, less commissions payable~~
21 ~~thereon. The foregoing limitation shall not apply to premiums payable~~
22 ~~directly or indirectly by the United States Government or by any of its~~
23 ~~instrumentalities;~~

24 ~~(6) Installment premiums other than life insurance premiums to the~~
25 ~~extent of the unearned premium reserve carried on the policy to which~~
26 ~~premiums apply;~~

27 ~~(7) Notes and like written obligations not past due, taken for premiums~~
28 ~~other than life insurance premiums, on policies permitted to be issued on~~
29 ~~such basis, to the extent of the unearned premium reserves carried thereon;~~

30 ~~(8) The full amount of reinsurance recoverable by a ceding insurer from~~
31 ~~a solvent reinsurer and which reinsurance is authorized under §§ 23-62-202,~~
32 ~~23-62-203 [repealed], 23-62-204, and 23-62-205;~~

33 ~~(9) Amounts receivable by an assuming insurer representing funds~~
34 ~~withheld by a solvent ceding insurer under a reinsurance treaty;~~

35 ~~(10) Deposits or equities recoverable from underwriting associations,~~
36 ~~syndicates, and reinsurance funds, or from any suspended banking institution;~~

1 ~~to the extent deemed by the commissioner available for the payment of losses~~
 2 ~~and claims and at values to be determined by him;~~

3 ~~(11) All assets, whether or not consistent with the provisions of this~~
 4 ~~section, as may be allowed pursuant to the annual statement form approved by~~
 5 ~~the commissioner for the kinds of insurance to be reported upon therein;~~

6 ~~(12) Other assets, not inconsistent with the provisions of this~~
 7 ~~section, deemed by the commissioner to be available for the payment of losses~~
 8 ~~and claims, at values to be determined by him;~~

9 ~~(13)(1) Electronic and mechanical machines, data processing equipment,~~
 10 ~~licenses, and operating system software, programs necessary to the operation~~
 11 ~~of the machines, excluding any amount paid to officers and employees of the~~
 12 ~~insurer, reporting entity, constituting, or necessary for installation and~~
 13 ~~use of a data processing and or accounting system, or both, to be used in~~
 14 ~~connection with the business of the insurer or reporting entity ~~if the cost~~~~
 15 ~~of the system is at least fifty thousand dollars (\$50,000) which cost shall~~
 16 ~~be amortized in full over a period not to exceed ten (10) calendar years.~~

17 ~~Commencing on and after January 1, 2001, assets allowed under this section,~~
 18 ~~as well as non-operating system software, shall be accounted for in~~
 19 ~~accordance with the National Association of Insurance Commissioners'~~
 20 ~~publication, as it existed on January 1, 2001, entitled the "Accounting~~
 21 ~~Practices and Procedures Manual". However, assets allowed which consist of~~
 22 ~~such system shall not exceed fifteen percent (15%) of the sum of the~~
 23 ~~insurer's gross paid in and contributed surplus and unassigned surplus funds.~~

24 ~~(2) Other assets as specified by the commissioner in a rule or~~
 25 ~~regulation.~~

26
 27 SECTION 4. Arkansas Code 23-63-602 is amended to read as follows:

28 23-63-602. Assets as deductions from liabilities.

29 Assets may be allowed as deductions from corresponding liabilities, and
 30 liabilities may be charged as deductions from assets. Deductions from assets
 31 may be charged as liabilities in accordance with ~~the form of annual statement~~
 32 ~~applicable to the insurer as prescribed by the commissioner~~ the National
 33 Association of Insurance Commissioners' publication, as it existed on January
 34 1, 2001, entitled the "Accounting Practices and Procedures Manual".

35
 36 SECTION 5. Arkansas Code 23-63-603 is amended to read as follows:

1 23-63-603. Assets not allowed.

2 ~~In addition to assets impliedly excluded by the provisions of § 23-63-601,~~
3 ~~the following expressly shall not be allowed as assets in any determination~~
4 ~~of the financial condition of an insurer:-~~

5 ~~(1) Goodwill, trade names, and other like intangible assets;~~

6 ~~(2) Advances to directors other than policy loans, whether secured or~~
7 ~~not, and advances other than policy loans to officers, employees, agents, and~~
8 ~~other persons on personal security only or in other respects not meeting the~~
9 ~~requirements for investment of funds of the insurer under §§ 23-63-801—23-~~
10 ~~63-833 and 23-63-835, exclusive of § 23-63-825 thereof concerning~~
11 ~~miscellaneous investments;~~

12 ~~(3) Stock of the insurer, owned by it, or any equity therein, or loans~~
13 ~~secured thereby, or any proportionate interest in the stock acquired or held~~
14 ~~through the ownership by the insurer of an interest in another firm,~~
15 ~~corporation, or business unit;~~

16 ~~(4) Furniture, fixtures, furnishings, safes, vehicles, libraries,~~
17 ~~stationery, literature, and supplies, except in the case of title insurers,~~
18 ~~such materials and plants as the insurer is expressly authorized to invest in~~
19 ~~under § 23-63-832, and except in the case of any insurer, such personal~~
20 ~~property as the insurer is permitted to hold pursuant to §§ 23-63-801—23-~~
21 ~~63-833 and 23-63-835 concerning investments, or which is acquired through~~
22 ~~foreclosure of chattel mortgages acquired pursuant to § 23-63-827, or which~~
23 ~~is reasonably necessary for the maintenance and operation of real estate~~
24 ~~lawfully acquired and held by the insurer other than real estate used by it~~
25 ~~for home office, branch office, and similar purposes;~~

26 ~~(5) The amount, if any, by which the aggregate book value of~~
27 ~~investments as carried in the ledger assets of the insurer exceeds the~~
28 ~~aggregate value thereof as determined under this code. Assets not allowed~~
29 ~~shall be those so referenced or described as non-admitted in the National~~
30 ~~Association of Insurance Commissioners' publication, as it existed on January~~
31 ~~1, 2001, entitled the "Accounting Practices and Procedures Manual", unless~~
32 ~~otherwise specified in this subchapter.~~

33
34 SECTION 6. Arkansas Code 23-63-604 is amended to read as follows:

35 23-63-604. Liabilities - In general.

36 In any determination of the financial condition of an insurer, a

1 ~~reporting entity, capital stock and liabilities to be charged against its~~
2 ~~assets shall include:-~~

3 ~~(1) The amount, at par or stated value, of its capital stock~~
4 ~~outstanding, if any;~~

5 ~~(2) The amount, estimated consistent with the provisions of this code,~~
6 ~~necessary to pay all of its unpaid losses and claims incurred on or prior to~~
7 ~~the date of statement, whether reported or unreported, together with the~~
8 ~~expenses of adjustment or settlement thereof;~~

9 ~~(3) With reference to life and disability insurance and annuity~~
10 ~~contracts:-~~

11 ~~(A) The amount of reserves on life insurance policies and annuity~~
12 ~~contracts in force, valued according to the tables of mortality, rates of~~
13 ~~interest, and methods adopted pursuant to this code which are applicable~~
14 ~~thereto;~~

15 ~~(B) Reserves for disability benefits, for both active and~~
16 ~~disabled lives;~~

17 ~~(C) Reserves for accidental death benefits;~~

18 ~~(D) Any additional reserves which may be called for under the~~
19 ~~form of financial statement required of the insurer;~~

20 ~~(4) With reference to insurance other than specified in subdivision (3)~~
21 ~~of this section, and other than title insurance, the amount of reserves equal~~
22 ~~to the unearned portions of the gross premiums charged on policies in force,~~
23 ~~computed in accordance with this subchapter;~~

24 ~~(5) Taxes, expenses, and other obligations due or accrued at the date~~
25 ~~of the statement shall include definitions and amounts specified in the~~
26 ~~National Association of Insurance Commissioners' publication, as it existed~~
27 ~~on January 1, 2001, entitled the "Accounting Practices and Procedures~~
28 ~~Manual".~~

29
30 SECTION 7. Arkansas Code 23-63-605 through 23-63-609 are repealed.
31 ~~23-63-605. Unearned premium reserve.~~

32 ~~(a) As to insurance against loss or damage to property, except as~~
33 ~~provided in § 23-63-606, and as to all general casualty insurance and surety~~
34 ~~insurance, every insurer shall maintain an unearned premium reserve on all~~
35 ~~policies in force.~~

36 ~~(b)(1) The commissioner may require that the reserves shall be equal~~

1 ~~to the unearned portions of the gross premiums in force after deducting~~
 2 ~~applicable reinsurance in solvent insurers as computed on each respective~~
 3 ~~risk from the policy's date of issue.~~

4 ~~(2) If the commissioner does not so require, the portion of the~~
 5 ~~gross premium in force, less applicable reinsurance in solvent insurers, to~~
 6 ~~be held as an unearned premium reserve, shall be computed according to the~~
 7 ~~following table:~~

Term for Which Policy	Reserve for Unearned
Was Written	Premium
1 year or less.....	1/2
2 years.....	1st year 3/4
	2nd year 1/4
3 years.....	1st year 5/6
	2nd year 1/2
	3rd year 1/6
4 years.....	1st year 7/8
	2nd year 5/8
	3rd year 3/8
	4th year 1/8
5 years.....	1st year 9/10
	2nd year 7/10
	3rd year 1/2
	4th year 3/10
	5th year 1/10
Over 5 years.....	pro rata

26 ~~(3) If a term premium is payable to the insurer in periodic~~
 27 ~~installments, the unearned premium reserve thereon shall be an amount not~~
 28 ~~less than as computed upon the premium charged by the insurer for the~~
 29 ~~applicable unexpired installment period.~~

30 ~~(c) In lieu of computation according to the foregoing table, the~~
 31 ~~insurer, at its option, may compute all of the reserves on a monthly, or more~~
 32 ~~frequent, pro rata basis.~~

33 ~~(d) After adopting a method for computing the reserve, an insurer~~
 34 ~~shall not change methods without approval of the commissioner.~~

35 ~~(e) This section does not apply to title insurance.~~

36

~~23-63-606. Unearned premium reserve for marine and transportation insurance.~~

~~(a) As to marine and transportation insurance, the entire amount of premiums on trip risks not terminated shall be deemed unearned.~~

~~(b) The commissioner may require the insurer to carry a reserve equal to one hundred percent (100%) of premiums on trip risks written during the month ended as of the date of statement.~~

~~23-63-607. Reserve for disability insurance.~~

~~For all disability insurance policies, the insurer shall maintain an active life reserve which shall place a sound value on its liabilities under such policies and be not less than the reserve according to appropriate standards set forth in regulations issued by the commissioner and, in no event, less in the aggregate than the pro rata gross unearned premiums for disability insurance policies.~~

~~23-63-608. Loss reserves—Liability insurance and workers' compensation.~~

~~If a reserve is required under the form of annual statement required of the insurer, the reserve for outstanding losses under insurance against loss or damage from accident to or injuries suffered by an employee or other person and for which the insured is liable shall be computed as follows:~~

~~(1) For all liability suits being defended under policies written more than:~~

~~(A) Ten (10) years prior to the date as of which the statement is made, one thousand five hundred dollars (\$1,500) for each suit;~~

~~(B) Five (5) or more and less than ten (10) years prior to the date as of which the statement is made, one thousand dollars (\$1,000) for each suit;~~

~~(C) Three (3) or more and less than five (5) years prior to the date as of which the statement is made, eight hundred fifty dollars (\$850) for each suit;~~

~~(2) For all liability policies written during the three (3) years immediately preceding the date as of which the statement is made, the reserve shall be sixty percent (60%) of the earned liability premiums of each of such three (3) years less all losses and expense payments made under liability policies written in the corresponding years. In any event, the~~

1 ~~reserve shall for the first of such three (3) years be not less than seven~~
 2 ~~hundred fifty dollars (\$750) for each outstanding liability suit on that~~
 3 ~~year's policies;~~

4 ~~(3) For all workers' compensation claims under policies written~~
 5 ~~more than three (3) years prior to the date as of which the statement is~~
 6 ~~made, the reserve shall be the present value at four percent (4%) interest of~~
 7 ~~the determined and the estimated future payments;~~

8 ~~(4) For all workers' compensation claims under policies written~~
 9 ~~in the three (3) years immediately preceding the date as of which the~~
 10 ~~statement is made, the reserve shall be sixty five percent (65%) of the~~
 11 ~~earned compensation premiums of each of the three (3) years, less all loss~~
 12 ~~and loss expense payments made in connection with the claims under policies~~
 13 ~~written in the corresponding years. But, in any event, in the case of the~~
 14 ~~first year of any three year period, the reserve shall be not less than the~~
 15 ~~present value at four percent (4%) interest of the determined and the~~
 16 ~~estimated unpaid compensation claims under policies written during the year.~~

17
 18 ~~23-63-609. Increase of inadequate reserves.~~

19 ~~If loss experience shows that an insurer's loss reserves, however~~
 20 ~~computed or estimated, are inadequate, the commissioner shall require the~~
 21 ~~insurer to maintain loss reserves in such increased amount as is needed to~~
 22 ~~make them adequate.~~

23
 24 SECTION 8. Arkansas Code 23-63-610 is amended to read as follows:

25 23-63-610. Title insurance reserves Assets - Conflict of treatment in
 26 subchapters in this code.

27 ~~In addition to an adequate reserve as to outstanding losses as required~~
 28 ~~under § 23-63-604, a domestic title insurer shall maintain a own guaranty~~
 29 ~~fund or unearned premium reserve of not less than an amount computed as~~
 30 ~~follows:~~

31 ~~(1) Ten percent (10%) of the total amount of the risk premiums~~
 32 ~~hereafter written in the calendar year for title insurance contracts shall be~~
 33 ~~assigned originally to the reserve;~~

34 ~~(2) During each of the twenty (20) years next following the year in~~
 35 ~~which the title insurance contract was issued, the reserve applicable to the~~
 36 ~~contract may be reduced by five percent (5%) of the original amount of the~~

1 ~~reserve.~~

2 In the event of a conflict as to treatment of assets between Subchapter
3 6 of Chapter 63 of Title 23 and Subchapter 8 of Chapter 63 of Title 23,
4 Subchapter 6 of Chapter 63 of Title 23 shall govern.

5
6 SECTION 9. Arkansas Code 23-63-611 is amended to read as follows:

7 23-63-611. Asset valuation of bonds and other securities.

8 ~~(a)(1) All bonds or other evidence of debt having a fixed term and rate~~
9 ~~of interest held by an insurer may, if amply secured and not in default as to~~
10 ~~principal or interest, be valued as follows:-~~

11 ~~(A) If purchased at par, at the par value;~~

12 ~~(B) If purchased above or below par, on the basis of the~~
13 ~~purchase price adjusted so as to bring the value to par at maturity and so as~~
14 ~~to yield in the meantime the effective rate of interest at which the purchase~~
15 ~~was made, or in lieu of such method, according to such accepted method of~~
16 ~~valuation as is approved by the Insurance Commissioner;~~

17 ~~(C) Purchase price shall in no case be taken at a higher~~
18 ~~figure than the actual market value at the time of purchase, plus actual~~
19 ~~brokerage, transfer, postage, or express charges paid in the acquisition of~~
20 ~~the securities;~~

21 ~~(D) Unless otherwise provided by valuation established or~~
22 ~~approved by the commissioner, no security shall be carried at above the call~~
23 ~~price for the entire issue during any period within which the security may be~~
24 ~~so called;~~

25 ~~(2) The commissioner shall have discretion in determining the~~
26 ~~method of calculating values according to the rules set forth in this section~~
27 ~~but not inconsistent with any method then currently formulated or approved by~~
28 ~~the National Association of Insurance Commissioners or its successor~~
29 ~~organization.~~

30 ~~(b)(1) Securities other than those referred to in subsection (a) of~~
31 ~~this section held by an insurer shall be valued, in the discretion of the~~
32 ~~commissioner, at their market value, or at their appraised value, or at~~
33 ~~prices determined by the commissioner as representing their fair market~~
34 ~~value.~~

35 ~~(2) Preferred or guaranteed stocks or shares while paying full~~
36 ~~dividends may be carried at a fixed value in lieu of market value, at the~~

~~discretion of the commissioner and in accordance with such method of computation as he may approve.~~

~~(3) If any valuation method stated in this section shall be inconsistent with any applicable valuation or method then currently approved or formulated by the Securities Valuation Office Guidelines of the National Association of Insurance Commissioners or its successor organization, then the valuation or method currently approved or formulated by the Securities Valuation Office Guidelines of the National Association of Insurance Commissioners or its successor organization shall govern. Assets of reporting entities shall be valued in accordance with the following:~~

~~(1) Bonds and securities shall be valued in accordance with the methods specified in the National Association of Insurance Commissioners' publication, as it existed on January 1, 2001, entitled the "Valuation of Securities Manual" prepared by the Securities Valuation Office; or~~

~~(2) Shares of stock shall be valued in accordance with the methods specified in the National Association of Insurance Commissioners' publication, as it existed on January 1, 2001, entitled the "Accounting Practices and Procedures Manual"; or~~

~~(3) Other assets shall be valued as specified by the Insurance Commissioner in a rule and regulation, in accordance with the provisions of § 23-63-601(2), and which method of valuation is not inconsistent with the National Association of Insurance Commissioners' publication, as it existed on January 1, 2001, entitled the "Valuation of Securities Manual" prepared by the Securities Valuation Office.~~

SECTION 10. Arkansas Code 23-63-612 is amended to read as follows:

23-63-612. ~~Valuation of property~~ Purpose - Compliance date.

~~(a) Real property acquired under a mortgaged loan or pursuant to a contract of sale shall be valued according to the accounting procedures and practices prescribed by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual.~~

~~(b) Other real property held by an insurer shall be valued according to the accounting procedures and practices prescribed by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual.~~

~~(c) Personal property acquired under a chattel mortgage made in~~

1 ~~accordance with § 23-63-827 shall be valued according to the accounting~~
2 ~~procedures and practices prescribed by the National Association of Insurance~~
3 ~~Commissioners' Accounting Practices and Procedures Manual.~~

4 (a) It is the intention of this act of 2001 to allow the Insurance
5 Commissioner to adopt rules to modernize and harmonize the financial
6 accounting laws of this state governing assets and liabilities of domestic
7 reporting entities as defined. This act of 2001 requires domestic health
8 maintenance organizations and domestic title insurers, and other type
9 domestic licensees to modernize financial accounting methods in order to
10 comply with laws and rules of the state applicable to domestic insurance
11 companies and reporting entities. The provisions of this act of 2001 are
12 designed to allow domestic licensees to compete in the financial and
13 insurance markets with changing federal and state laws, particularly those
14 dealing with the treatment of assets, liabilities, and financial accounting.

15 (b) The provisions of this act of 2001 are intended to and shall govern
16 the financial reports for the year 2001 of domestic reporting entities, and
17 shall govern the annual report for the year 2001 of domestic reporting
18 entities due at the State Insurance Department on and after March 1, 2002 and
19 supported by 2001 quarterly reports for the first three quarters, and the
20 provisions of this act of 2001 shall govern as to all quarterly and annual
21 financial reports due in subsequent reporting periods thereafter.

22 (c) This act of 2001 shall govern domestic stock and mutual insurers,
23 domestic reciprocal and stipulated premium plan insurers, domestic mutual
24 assessment life and disability insurers, domestic farmers' mutual aid
25 associations or companies, domestic title insurers, domestic health
26 maintenance organizations, domestic hospital or medical service
27 organizations, domestic licensed casualty insurers transacting business as a
28 risk retention group, or other domestic "reporting entities" as used in this
29 act of 2001.

30 (d) Provided however, if the immediate application of this act of 2001
31 would have the effect of reducing any domestic reporting entity's statutory
32 surplus, whether due to the non-admission or reduction in admissible value of
33 any then existing asset or an increase in its then existing liabilities or
34 other changes, the domestic reporting entity may continue to reflect such
35 assets and liabilities on its statutory financial statements, as they could
36 have been reflected but for the enactment of this act of 2001, until the

1 annual statement filing for the year ended December 31, 2004.

2
3 SECTION 11. Arkansas Code 23-63-613 is amended to read as follows:

4 ~~23-63-613. Valuation of purchase money mortgages~~ Use of new and revised
5 manuals - Rule-making authority.

6 ~~Purchase money mortgages on real property referred to in § 23-63-612~~
7 ~~shall be valued in accordance with the accounting procedures and practices~~
8 ~~prescribed by the National Association of Insurance Commissioners' Accounting~~
9 ~~Practices and Procedures Manual.~~

10 (a)(1) The commissioner is authorized to employ the standards and
11 requirements set forth in publications recited in this subchapter and adopted
12 and published by the National Association of Insurance Commissioners,
13 including, but not limited to those listed in this subchapter.

14 (2) The publications identified in subdivision (a)(1) of this section
15 are hereby adopted in their present form as of the effective date of this act
16 of 2001.

17 (3) The commissioner is authorized and empowered to promulgate
18 regulations for the purposes of adopting all or part of other financial
19 standards publications of the National Association of Insurance Commissioners
20 or publications by other authors if the commissioner determines that such
21 action is in the best interest of the public.

22 (4) Upon mailing of written notice by the commissioner to all
23 domestic reporting entities of the promulgation and publication by the
24 National Association of Insurance Commissioners or other authors of
25 amendments, revisions or modifications to any publication previously adopted
26 by the commissioner in this subchapter, such published amendments, revisions
27 or modifications shall become effective on the date designated by the
28 commissioner in the written notice which date shall not be earlier than eight
29 (8) months after the date of mailing of the notice.

30 (b) The commissioner is authorized and empowered to adopt financial
31 standards regulations for the purpose of modifying, amending or revising any
32 publication promulgated by the National Association of Insurance
33 Commissioners or other authors, or any published amendments, modifications or
34 revisions to any such publications if the commissioner determines that such
35 action is in the best interest of the public. In such event the effective
36 date of any modification, amendment or revision shall be the effective date

1 of the regulation.

2

3 SECTION 12. Arkansas Code 23-64-405(g)(2), concerning managing general
4 agent duties, is amended to read as follows:

5 (2) This subsection shall not apply to relationships governed by ~~§ 23-~~
6 ~~63-601 et seq.~~ Subchapter 6 of Chapter 63 of Title 23.

7

8 SECTION 13. Arkansas Code 23-71-103(5), as to related insurance laws
9 applicable to stipulated premium plan insurers, is amended to read as
10 follows:

11 (5) ~~Sections 23-63-601, "assets" defined; 23-63-602, assets as~~
12 ~~deductions from liabilities; 23-63-603, assets not allowed; 23-63-611,~~
13 ~~valuation of bonds; 23-63-611, valuation of other securities; 23-63-612,~~
14 ~~valuation of property; and 23-63-613, valuation of purchase money mortgages~~
15 Provisions of Subchapter 6 of Chapter 63 of Title 23 as to assets and
16 valuation of assets;

17

18 SECTION 14. Arkansas Code 23-71-105(a)(2), as to insurance asset laws
19 applicable to domestic stipulated premium plan insurers, is amended to read
20 as follows:

21 (a)(2) Reserves on all stipulated premium ~~disability~~ accident and
22 health insurance policies shall be established and maintained in accordance
23 with ~~§ 23-63-607.~~ the provisions of Subchapter 6 of Chapter 63 of Title 23 as
24 to required insurance reserves;

25

26 SECTION 15. Arkansas Code 23-72-103 is amended to read as follows:

27 23-72-103. Other provisions applicable.

28 In addition to the provisions contained in this chapter, other chapters
29 and provisions of this code shall apply to mutual assessment life and
30 disability insurers, to the extent so applicable, as follows:

31 (1) Sections 23-60-101 - 23-60-108 and 23-60-110, scope of code;

32 (2) Subchapters 1-3 of chapter 61 of this title, the Insurance
33 Commissioner;

34 (3) Sections ~~23-63-101~~ 23-63-102 - 23-63-104, 23-63-201 - 23-63-216,
35 23-63-301, and 23-63-302, and ~~23-63-401 - 23-63-404 [repealed],~~ authorization
36 of insurers and general requirements, with the exception of the following

1 sections:

2 (A) Section 23-63-205, capital funds required;

3 (B) Section 23-63-207, special surplus requirement; and

4 (C) Section 23-63-206, bond or deposit requirement;

5 ~~(4) Sections 23-63-401 and 23-63-402, fees and taxes [repealed]~~

6 ~~(5)(4) Sections 23-63-601, "assets" defined; 23-63-602, assets as~~

7 ~~deductions from liabilities; 23-63-603, assets not allowed; 23-63-611,~~

8 ~~valuation of bonds; 23-63-611, valuation of other securities; 23-63-612,~~

9 ~~valuation of property; and 23-63-613, valuation of purchase money mortgages~~

10 Applicable provisions of Subchapter 6 of Chapter 63 of Title 23 on assets and

11 liabilities;

12 ~~(6)(5) Sections 23-63-801 - 23-63-833 and 23-63-835, investments~~

13 Applicable provisions of Subchapter 8 of Chapter 63 of Title 23 on

14 investments;

15 ~~(7)(6) Chapter 64 of this title, agents, brokers and producers;~~

16 ~~(8)(7) Chapter 65 of this title, unauthorized insurers;~~

17 ~~(9)(8) Sections 23-66-201 - 23-66-214, 23-66-301 - 23-66-306, 23-66-~~

18 ~~308 - 23-66-311, 23-66-313, and 23-66-314, trade practice and frauds;~~

19 ~~(10)(9) Sections 23-79-101 - 23-79-107, 23-79-109 - 23-79-128, 23-79-~~

20 ~~131 - 23-79-134, and 23-79-202 - 23-79-210, the insurance contract, except §§~~

21 ~~23-79-131 - 23-79-134, exemption of proceeds; 23-79-204, venue; and 23-79-~~

22 ~~205, registered agents for service of process;~~

23 ~~(11)(10) The following provisions of §§ 23-69-101 - 23-69-103, 23-69-~~

24 ~~105 - 23-69-141, 23-69-143, and 23-69-149 - 23-69-156, organization and~~

25 ~~corporate procedures of domestic stock and mutual insurers:~~

26 (A) Section 23-69-103, inapplicability of general corporation

27 statutes;

28 (B) Section 23-69-107, amendment of articles of incorporation;

29 (C) Section 23-69-111, corporate powers in general;

30 (D) Section 23-69-111, contributions;

31 (E) Section 23-69-120, meetings of stockholders or members;

32 (F) Section 23-69-123, corrupt practices - penalty;

33 (G) Section 23-69-110, removal of director - vacancies;

34 (H) Section 23-69-108, officers;

35 (I) Section 23-69-109, prohibited pecuniary interest of

36 officials;

1 (J) Section 23-69-134, home office and records; penalty for
2 unlawful removal of records;

3 (K) Section 23-69-135, voucher for expenditures;

4 (L) Section 23-69-136, situs of personal property for taxation;

5 (M) Section 23-69-137, management and exclusive agency contracts;

6 (N) Sections 23-69-151 - 23-69-154, voluntary dissolution;

7 (O) Section 23-69-155, mutual member's share of assets on
8 liquidation; and

9 (P) Section 23-69-156, extinguishment of unused corporate
10 charters;

11 ~~(12)(11) Sections 23-68-101 - 23-68-113 and 23-68-115 - 23-68-132,~~
12 ~~rehabilitation and liquidation~~ Applicable provisions of chapter 68 of title
13 23 as to rehabilitation and liquidation;

14 ~~(13)(12) Section 23-62-205, reinsurance.~~

15
16 SECTION 16. Arkansas Code 23-72-104(a)(1)(B), concerning reserves
17 required for accident and health policies of mutual assessment life and
18 disability insurers, is amended to read as follows:

19 (B) Reserves on all ~~disability~~ accident and health insurance policies
20 shall be established and maintained in accordance with ~~§ 23-63-607~~ the
21 provisions of Subchapter 6 of Chapter 63 of Title 23;

22
23 SECTION 17. Arkansas Code 23-73-104 (7), as to assets and required
24 reserves of farmers' mutual aid associations and companies, is amended to
25 read as follows:

26 (7) ~~Sections 23-63-601 - 23-63-613, assets and liabilities of insurance~~
27 ~~companies, except that § 23-63-605 in regard to unearned premium reserve~~
28 ~~shall not apply~~ Provisions of Subchapter 6 of Chapter 63 of Title 23 as to
29 assets and reserves and valuation of assets;

30
31 SECTION 18. Arkansas Code 23-81-130(a), concerning securities for
32 registered life insurance policies and annuity contracts, is amended to read
33 as follows:

34 (a) A domestic life insurer existing on January 1, 1960, may deposit
35 and shall thereafter maintain on deposit with the Insurance Commissioner
36 securities and assets equal to the legal reserve on its registered life

1 insurance policies and annuity contracts in force under the provisions of
2 Subchapter 6 of Chapter 63 of Title 23. The securities and assets shall be
3 held on deposit in trust for the common benefit of all the holders of the
4 policies and contracts.

5
6 SECTION 19. Arkansas Code 23-81-134(a), concerning maintenance of
7 securities for registered life policies and annuity contracts, is amended to
8 read as follows:

9 (a) Each insurer which has made the deposit provided for under § 23-81-
10 130 shall make additional deposits from time to time in amounts not less than
11 five thousand dollars (\$5,000) and of such securities as are permitted by §§
12 23-63-901 - 23-63-912 to be deposited so that the value of the securities
13 deposited, when valued as provided in ~~§§ 23-63-601 — 23-63-613~~ Subchapter 6
14 of Chapter 63 of Title 23, and 23-84-101 - 23-84-111, shall always be equal
15 to the current net value of the currently outstanding registered policies and
16 annuity bonds and contracts issued by the insurer, less such liens as the
17 insurer may have against them, not exceeding the net value. So long as the
18 insurer maintains its deposits at an amount equal to or in excess of the net
19 value of its registered policies, bonds, and contracts, the Insurance
20 Commissioner shall sign and affix his seal to the certificates on every
21 policy, annuity bond, or contract presented to him for that purpose by the
22 insurer as provided in § 23-81-131.

23
24 SECTION 20. Arkansas Code 23-91-216, concerning legal insurance
25 policy, is amended to read as follows:

26 23-91-216. Reserves required.

27 ~~(a)~~ An insurer must maintain the reserves necessary for the sound
28 operation of the business including unearned premium reserves and the amount
29 and manner of calculating these reserves shall be determined by the
30 provisions of Subchapter 6 of Chapter 63 of Title 23.

31 ~~(b)~~ ~~The amount and manner of calculating these reserves shall be~~
32 ~~determined by rule or regulation by the commissioner in accordance with § 23-~~
33 ~~91-224.~~

34
35
36 /s/ Files