

Arkansas Insurance Department

Mike Huckabee
Governor



Julie Benafield Bowman
Commissioner

February 16, 2006

BULLETIN NO. 2 – 2006

TO: ALL LICENSED INSURERS, HEALTH MAINTENANCE ORGANIZATIONS, HOSPITAL AND MEDICAL SERVICE CORPORATIONS, TRADE ASSOCIATIONS, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: 2006 UPDATE TO DEPARTMENT BULLETIN 6-2005 ON SECURITY DEPOSITS OF INSURERS

The Arkansas Insurance Department ("Department") is issuing this 2006 Bulletin in order to update Bulletin 6-2005, which informed licensees about changes affecting statutory deposits under Arkansas Act 506 of 2005 in the captioned areas.

CHANGES IN DEPOSIT REQUIREMENTS – Ark. Code Ann. §23-63-206 (Supp. 2005) grants permission for foreign or alien insurers to obtain release of Arkansas statutory deposits. Release is to allow the Arkansas deposit to be retained by the company, if the deposit for Arkansas policyholders and creditors is sufficient in the foreign or alien company's state of domicile, Canada, Mexico, or its port-of-entry state. Release is dependent upon verification of a deposit held in the state or country of domicile in an amount adequate to cover Arkansas policyholders and creditors, i.e., sufficient to cover the statutory amount under Ark. Code Ann. §23-63-206 (Supp. 2005) for the lines of insurance/authority the company transacts in Arkansas.

The Department also has to verify that the foreign company's domiciliary state, Canada, Mexico, or port-of-entry state deposit agreement covers both policyholders and creditors. The Department will retain foreign company deposits for insurers with domiciliary states, Canada, Mexico, or port-of-entry states whose insurer deposit laws do not protect creditors.

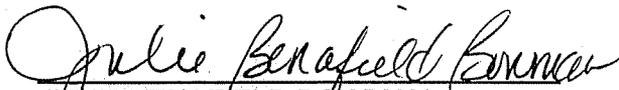
RELEASE PROCEDURES - FOREIGN AND ALIEN INSURERS:

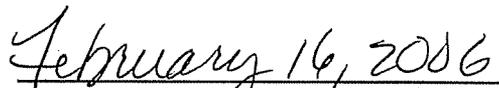
1. Request to release the deposit must be on company letterhead;
2. A current domiciliary state, Canada, Mexico, or home port-of-entry Certificate of Deposit, certified and detailing information on the adequacy of that foreign deposit and taken/updated from information filed in the Company's most recent Annual Statement, must accompany the request. The Certificate or state deposit code must state that the deposit there is held for the benefit of **ALL POLICYHOLDERS AND CREDITORS:**
3. A check for \$75.00 per company, payable to the State Insurance Department Trust Fund, must accompany the request;

4. A notarized affidavit must be presented from a company official, legally authorized and empowered to bind the company, stating that the deposit posted in the Company's state of domicile, or Canada, Mexico, or port-of-entry state: (a) is held for the benefit of **ALL POLICYHOLDERS AND CREDITORS**; (b) will specifically cover the State of Arkansas' policyholders and creditors; and (c) **shall at all times be adequate and sufficient to cover Arkansas deposit obligations**. Under §23-63-206 (Supp. 2005), the Department will then review the adequacy of the filing, and make a decision to retain or release the deposit to the insurance company. **Please file one (1) affidavit per company**;
5. The 2005 law on releases added deposits in the state or country of domicile must track Certificate of Authority lines of insurance in Arkansas, as reflected on the Uniform Certificate of Authority application (UCAA). The applicant must file with the Department an updated Certificate of Deposit issued by the insurance regulator in the state of domicile, Canada, Mexico, or port-of-entry state;
6. The 2005 Act changes to Ark. Code Ann. §23-63-909(b) (Supp. 2005) state that the Commissioner, under procedures she shall prescribe, may release to the insurer any part of the special additional four percent (4%) accident and health deposit formerly required under §23-63-206 (Supp. 2005);
7. Under the 2005 Act, and for good cause, the Commissioner may in writing exempt insurers from filing replacement deposits for any line of insurance, including, but not limited to, statutory deposits for discontinued lines of insurance; and
8. Requests for release may be mailed or delivered to this Department to the address listed (**no electronic mail or faxes**). No deposit will be considered for release until all fees owed from previous deposit transactions have been paid to the Securities Administrator in full. The releases will be processed in the order received, as reflected on the document by the Department's "received date" stamp. Overdue company fees or filings due other Divisions of this Department may be collected before the final deposit release.

Questions concerning this Bulletin should be directed to the Securities Administrator, Finance Division, at (501) 371-2679; or (501) 371-2665.

This Bulletin is intended to and shall revise and replace former deposit Bulletin 6-2005, signed August 19, 2005.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER


DATE