



# ARKANSAS INSURANCE DEPARTMENT

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Insurance Commissioner

September 1, 1982

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BULLETIN NO. 8-82

TO: All Property & Casualty Insurers Licensed in The State of Arkansas

FROM: Insurance Commissioner of the State of Arkansas

RE: Participating Plans or Dividend Plans for  
Workers' Compensation Insurance

The Insurance Department has received numerous inquiries regarding the use of dividend plans or participating plans for workers' compensation insurance.

Ark. Stat. Ann. §66-3119 (Repl. 1980) states in part "A plan for payment of dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers shall not be deemed a rating plan or system." As participating or dividend plans are not considered rating plans or systems, the rules for such plans need not be filed with or approved by the Insurance Department. However, an amendment or endorsement to the policy form is required to effectuate a participating or dividend plan. The amendment or endorsement to the policy form must be filed with and approved by the Insurance Department.

The amendment or endorsement used with a participating or dividend plan must contain the following provisions:

- (1) Dividends must be declared by the Board of Directors and paid from surplus.
- (2) Dividends are not guaranteed.

Although the rules for participating or dividend plans need not be filed with the Department, the following guidelines should be observed by insurers using such plans in the State of Arkansas.

- (1) The allowable credit or dividend should be based upon the size of the premium and the loss experience of the risk, utilizing Arkansas experience where such experience is credible.
- (2) Any classification of policies to be issued as participating or non-participating and any determination of the rights and extent of participation shall be reasonable and shall not unfairly discriminate as between policyholders within the same classification.

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- (3) No dividend, otherwise earned, shall be made contingent upon the payment of a renewal premium on any policy.

Special care should be taken in solicitation of participating workers' compensation policies. It has come to the Department's attention that representations have been made to prospective insureds that dividends are guaranteed and that a stated amount will be paid as a dividend on the policy. Dividends are not guaranteed and solicitation to the effect that they are guaranteed is a violation of Ark. Stat. Ann. §66-3005(1)[Repl. 1980].

  
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Insurance Commissioner for the  
State of Arkansas