



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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February 2, 1999

DIRECTIVE NO. 1-99

TO: ALL LICENSED PROPERTY AND CASUALTY INSURERS AND LEGAL/TRADE ASSOCIATIONS

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: DEPARTMENT RULE AND REGULATION 43

The Department has received recent inquiries about an automobile insurer's obligation to pay sales taxes to its insured following a total loss to the insured's vehicle. The Department directs the attention of all property and casualty carriers to Rule 43 § 10(a) which requires that in settlements or adjustments of first party automobile total losses on the basis of actual cash value or replacement cost, "all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the automobile must be paid at no cost to the insured other than the policy deductible." See Rule 43 § 10(a)(1) and § 10(a)(2). The automobile insurer's requirement to pay "all applicable taxes" applies to total losses on the basis of actual cash value, total losses on the basis of replacement cost, as well as to total loss settlements under Rule 43 § 10(a)(3). The phrase "all applicable taxes" includes sales taxes, and it is the Department's position that automobile carriers, when adjusting total loss claims as described above, must pay all sales taxes of its insured incident to transferring ownership to a comparable automobile.

If you have any questions regarding this Directive, please contact the Arkansas Insurance Department Property and Casualty Division at (501) 371-2800.

(signed by Commissioner Pickens)
Mike Pickens
Insurance Commissioner