



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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**MANDATORY REPORTING OF SUSPECTED INSURANCE FRAUD,
FRAUD WARNINGS, ANTIFRAUD INITIATIVES AND
DISQUALIFICATIONS REQUIRED BY ACT 217 OF 1997**

On August 1, 1997, Act 217 of 1997 (A.C.A. §23-66-501, *et seq.*) will go into effect. Act 217 established the Insurance Fraud Investigation Division, strengthened the fraud provisions of the Arkansas Insurance Code, and placed several affirmative responsibilities on all insurers operating in Arkansas.

**MANDATORY REPORTING OF FRAUDULENT
INSURANCE ACTS**

A.C.A §23-66-503 requires that applications for insurance, claim forms, proofs of loss, or any similar documents (except in regard to reinsurance), shall contain a fraud warning substantially similar to the one cited in the statute. All insurers shall have until February 1, 1998, to comply with this requirement.

INSURER ANTIFRAUD INITIATIVES

A.C.A §23-66-510 requires all insurers to have antifraud initiatives reasonably calculated to detect, prosecute and prevent fraudulent insurance acts. In the near future, rules and regulations will be promulgated which will provide guidelines for meeting the antifraud initiatives. An exemption from this provision may be granted if not detrimental to the interests of the public.

**DISQUALIFICATION FROM PARTICIPATING IN THE
BUSINESS OF INSURANCE**

A.C.A. §§23-66-502 and 23-66-512 disqualify persons convicted of a felony involving dishonest, breach of trust or a fraudulent insurance act from participating in the business of insurance. It will also be a felony to knowingly or intentionally permit a person convicted of such an offense to participate in the business of insurance. There are no waivers available under these provisions.

It is strongly recommended that all insurers become thoroughly familiar with Act 217 not only to make sure they are in compliance with its provisions but to more effectively assist in the state's antifraud efforts.

Inquiries concerning Act 217 should be directed to the Insurance Fraud Investigation Division at (501) 371-2790.

Mike Pickens
INSURANCE COMMISSIONER