

Arkansas Insurance Department

Mike Beebe
Governor



Jay Bradford
Commissioner

BULLETIN NO. 06-2012

TO: ALL LICENSED INSURERS, HEALTH MAINTENANCE ORGANIZATIONS, FRATERNAL BENEFIT SOCIETIES, FARMERS' MUTUAL AID ASSOCIATIONS OR COMPANIES, HOSPITAL OR MEDICAL SERVICES CORPORATIONS, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, PRODUCER AND INSURANCE COMPANY TRADE ASSOCIATIONS, AND OTHER INTERESTED PARTIES

DATE: JULY 31, 2012

FROM: ARKANSAS INSURANCE DEPARTMENT

SUBJECT: HEALTH INSURANCE PRODUCER COMPENSATION FEES

The purpose of this Bulletin is to provide an interpretation of Ark. Code Ann. § 23-66-310(a) and Ark. Code Ann. § 23-66-310(b)(1) to remind producers of optional methods that allow more flexible fee arrangements for insurance producers selling or servicing health insurance in this State.

The Arkansas Insurance Department ("Department") has been made aware that some health insurance carriers, as a result of recent health insurance law changes at the Federal Level, may reduce or eliminate commissions for insurance producers from the premium charged to group health insurance customers, primarily in the large group market.

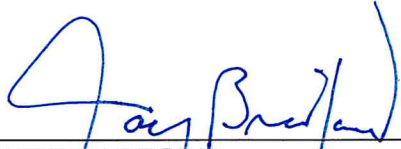
The following regarding "fees" or "charges" shall apply to producers acting under a consultant's license in accident and health insurance for small and large group health insurance.

Currently, under Ark. Code Ann. § 23-66-310, a producer is prohibited from collecting any "charge for insurance" in excess of the premium charge, classification and rates, filed and approved at the Department. The collection or receipt by an "insurance producer" of a compensation fee shall not be deemed to be an excess charge for insurance under Ark. Code Ann. § 23-66-310 but shall be deemed to be a fee charged for consultation of insurance services under Ark. Code Ann. § 23-66-310(b)(2)(E). Therefore, producers desiring to obtain fees pursuant to the interpretation in this Bulletin shall need to obtain a consultant's license under Ark. Code § 23-64-204.

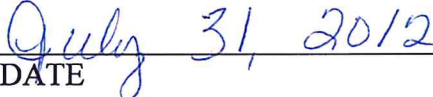
The total of such fees when added to commissions received, if any, that exceeds twenty percent (20%) of the premium charged to the employer shall not be presumed reasonable.

Insurance companies may administer the charging and collection of such fees on behalf of the customer and consultants by written agreement. Failure to pay any compensation fee shall not constitute grounds for the cancellation of the underlying insurance policy by the insurer nor shall the consultant act on behalf of the insured to terminate the policy solely because the compensation fee has not been timely paid..

Questions concerning this Bulletin may be directed to the Legal Division of the Arkansas Insurance Department.



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS



DATE