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## *A Message for Arkansas Insurance Consumers*

The **Arkansas Insurance Department** is charged with regulating all insurance companies that do business in the State of Arkansas. The Department has adopted as its Mission Statement “**To serve and protect the public interest by the equitable enforcement of the state’s laws and regulations affecting the insurance industry. The primary mission of the State Insurance Department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.**”

If you experience a problem with automobile, homeowners, life or health insurance, the **Arkansas Insurance Department** is the state agency responsible for assisting you with the problem. We are also responsible for making certain insurance companies are financially sound and they treat their policyholders and claimants appropriately.

In this pamphlet we cannot tell you all you need to know about insurance. This material is intended to generate questions that will help you evaluate your policies and ask questions either of your agent, your insurance company or the Arkansas Insurance Department. You can reach us at:

### **Arkansas Insurance Department Consumer Services Division**

1200 West Third Street

Little Rock, AR 72201-1904

Phone: 501-371-2640 or 800-852-5494

Fax: 501-371-2749

E-mail: [insurance.consumers@arkansas.gov](mailto:insurance.consumers@arkansas.gov)

Website: [www.insurance.arkansas.gov/csd.htm](http://www.insurance.arkansas.gov/csd.htm)

## *Check With Your State Insurance Department*

We believe *insurance* is the most *important* product consumers purchase. Unfortunately, most of us know very little about the purchases we make, but we rely on insurance to cover our *life*, our *health*, our *homes* and our *automobiles*. *We cannot afford to make the wrong purchase or not have the right coverage.* Therefore, it is *important* that you, as an insurance consumer, know what you have purchased. If you have any questions or need assistance, please do not hesitate to call our office.

# Arkansas Insurance Department



**Asa Hutchinson**  
Governor

**Allen Kerr**  
Commissioner

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# Insurance Tips For Arkansas Consumers



## Life Insurance

There are four types of life insurance we want to discuss in this pamphlet, Whole Life, Group Term Life, Universal Life and Annuities.

**Whole Life:** Whole Life is the type of insurance most people are familiar with. It is often referred to as straight life insurance. Whole life insurance pays a death benefit to a designated Beneficiary upon the death of the insured. Whole life insurance accumulates "Cash Value" which can be used in the form of a loan or can be used to pay the premiums when the insured is unable to make the payments.

- **If you are in faced with an emergency, your whole life policy may have accumulated some "Cash Value" that could be a valuable resource for you. You will need to contact your insurance company regarding the details.**

**Group Term Life:** Your employer may have provided you with Group Life Insurance. This may be important life insurance if you do not have any other life insurance.

If you have group life insurance, you may be entitled to convert the group life to an individual (whole life) policy .

- **See your human resources person for information on how to convert your group life coverage to individual whole life coverage. You must do so within 30 days of your termination. Make your request in writing.**

**Universal Life:** Universal Life is a very complicated type of life insurance where the proceeds are based on interest accumulation rates, cost of insurance and age of insured, rather than set amounts. Premiums will vary accordingly.

**Annuities:** Annuities pay the annuitant an income every month after the date set for the annuity begins. Premiums may be paid in a lump sum, by making monthly payments, or the premium may vary based on your ability to pay.

- **With Universal Life and Annuities you may have access to a cash value that has accumulated in your policy. There may be surrender charges or**

**other penalties that must be paid when you surrender your policy for cash. Contact your insurance agent or company regarding the details.**

## Group Health Insurance

One of the more important benefits your employer may provide is health care benefits. These health care benefits may be through an insurance policy your employer purchased or through what is referred to as a "self-funded" plan. It is important to know if your employer is offering a self-funded program or a fully insured program, as your personal rights are not the same for each kind of program.

The Arkansas Insurance Department has no regulatory authority over a self-funded plan because it is not an insurance policy. Complaints and grievances over a self-funded health plan would be handled by ERISA. You can contact ERISA at:

**United States Department of Labor  
Pension & Welfare Benefit Administration  
Federal Building, Room 707  
525 Griffin Street, Dallas, TX 75202  
1-214-767-6831; 1-866-444-3272**

A Federal law commonly referred to, as "**COBRA**" requires an **EMPLOYER** of 20 or more employees to permit an employee who is terminated to continue their health benefit plan for up to 18 months. It does not matter whether the plan is self-funded or from an insurance company. The requirement is placed on the **EMPLOYER**. The employee who chooses to have their coverage extended under "**COBRA**" will have to pay the portion of the contribution made by the employer, the portion of the contribution paid by the employee, and a 2% administrative fee (102%). Employees with health problems or no other coverage should give serious consideration to keeping this coverage. Employees have 60 days after termination or date of the "**COBRA**" notice, whichever is latter, to make a decision to continue the coverage under "**COBRA**". If the employer is ceasing all operations, in other words, going out of business, you may not have the benefit of continuing under "**COBRA**".

If you have a fully funded group policy, you may be entitled to continuation and or conversion options under state law regardless of the number of employees.

Arkansas Insurance Department Act 977 (ARKANSAS' HIPAA) states that if you have **Group** coverage that applies to groups of 2 and larger, you are guaranteed health coverage for life as long as you can pay the premiums. It limits preexisting conditions to 6 months look

back and a 12 month look forward (18 months if you are a late enrollee). The **Group** preexisting clause cannot be applied to certain categories of people: pregnancy, newborns, newly adopted. No preexisting conditions or exclusions can be placed upon you if you have prior creditable coverage of up to 12 months with no break in coverage of over 63 days.

## Automobile Insurance

**Arkansas law requires the following as of 8/99:**

**\$25,000 Per Person/\$50,000 Per Accident  
Bodily Injury Liability**

**\$25,000 Property Damage Liability**

Everybody's needs are different, but it is important that you review your policy. If you have what you deem to be commonly referred to as "**full coverage**" you may need to look at your **automobile insurance** policy to determine if you need all of the coverage provided under "**full coverage**". You may only need to carry collision and comprehensive on your car and the **liability insurance** that is required by **Arkansas Law**. Many times consumers carry more automobile insurance than they need.

If you have any questions about the amount of coverage you need, you can talk to your agent, or you can call the Consumer Services Division of the **Arkansas Insurance Department** at our toll free number **1-800-852-5494**. One of our Consumer Services Investigators will be glad to visit with you regarding your coverage questions.

## Homeowners Insurance

Homeowners insurance is another necessity in life. Before you make any changes to your homeowner's policy, you should check with your mortgage company to make certain exactly what coverage you must maintain on your home. Again, before you make any changes, you may want to talk with your insurance agent or you may call the Consumer Services Division at the **Arkansas Insurance Department** at our toll free number **1-800-852-5494** and ask to speak with an Investigator.