

Proposed Amended RULE 31

PRE-LICENSE EDUCATION FOR
INSURANCE PRODUCERS AND ADJUSTERS

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SECTION 1. PURPOSE

The purpose of this Rule ("Rule") is to implement Act 534 of 1983, as amended, and Ark. Code Ann. § 23-64-202(b)(2), as amended by Act 397 of 2021, by establishing curricula for courses of instruction required to be completed by applicants seeking insurance producer and adjuster licenses in Arkansas, to establish criteria for approval of course providers of the courses of instruction, and to establish a mechanism of examination and review of the performance and quality of the instruction.

SECTION 2. AUTHORITY

This Rule is used pursuant to the authority vested in the Commissioner under Ark. Code Ann. Sections 23-61-108, § 23-74-609(a), § 23-75-102(5), § 23-76-120(a), § 25-15-202, Act 534 of 1983, as amended and codified §§ 23-64-201 & 23-64-501 and § 23-64-202(b)(2), as amended by 397 of 2021.

SECTION 3. APPLICABILITY AND SCOPE

I. Applicability.

- A. This Rule shall apply to insurance producers, including original license applicants or currently-licensed applicants seeking an additional line of authority, which for purposes of this Rule shall be deemed to include all who are referred to collectively as insurance producers ("producers") under the Producer License Model Act ("PLMA"), Ark. Code Ann. § 23-64-501.
- B. This Rule shall also apply to:
 1. all applicants seeking a license as an insurance adjuster;
 2. all applicants seeking a license as a health maintenance organization ("HMO") producer, or as a producer for a limited benefit health maintenance organization, except those specifically exempted pursuant to the provisions of Arkansas law. This Rule is intended to complement the provisions of Rule 35, "Agent License for Health Maintenance Organizations", but is not intended to supersede it;
 3. all applicants seeking a license as a fraternal benefit society producer, except those specifically exempted pursuant to the provisions of Arkansas law;

4. all applicants seeking a license as a producer for a hospital or medical service corporation; and
5. all applicants who are producers or adjusters from another state, and who are not licensed as a producer or adjuster under the Producer License Model Act, shall be required to comply with this Rule in order to secure any new resident or non-resident producer or adjuster license.

II. Exemptions. The following are exempt from this Rule:

- A. insurance consultants, pursuant to Ark. Code Ann. §23-64-202(b) (2)(A)(iii)(d);
- B. surplus line brokers licensed pursuant to Ark. Code Ann. § 23-65-301, and Department Rule 24, and exempted pursuant to Ark. Code Ann. §23-64-501(c)
- C. applicants licensed as a producer or adjuster in good standing in another state under the Producer License Model Act, who thereafter move to Arkansas, who establish residency within the period required under Arkansas law, and who thereafter apply for a resident producer or adjuster license.
- D. applicants for an adjuster license holding a current certification issued by a national or state claims association that is a continuing education provider approved by the Commissioner.

SECTION 4. EFFECTIVE DATE

This Rule shall be effective January 1, 2022.

SECTION 5. COURSE REQUIREMENTS

- I. A. All applicants for an Arkansas life line of authority are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following, as applicable:

1.	Introduction to Insurance	1 hour
2.	State Insurance Laws and Rules	5 hours
3.	Life Insurance Basics	5 hours
4.	Life Insurance Policies, Policy Options, and Policy Provisions	5 hours
5.	Annuity Contracts	3 hours
6.	Ethics	1 hour

- B. All applicants for an Arkansas accident and health or sickness (A & H) line of authority are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following, as applicable:

1.	Introduction to Insurance	1 hour
2.	State Insurance Laws and Rules	5 hours
3.	Health Insurance Policy provisions	3 hours
4.	Disability Income Insurance	2 hours
5.	Medical Expense Insurance	1 hour
6.	Medicare Supplement Insurance	1 hour
7.	Long Term Care	2 hours
8.	Social Security and Medicare	2 hours
9.	Group Insurance	1 hour
10.	Health Maintenance Organizations	1 hour
11.	Ethics	1 hour

C. All applicants for a casualty line of authority are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following:

1.	Introduction to Insurance	1 hour
2.	State Insurance Laws and Rules	5 hours
3.	Ocean (Wet Marine) and Inland Marine Insurance	1 hour
4.	General Liability Insurance	2 hours
5.	Automobile Insurance and Assigned Risk Plans, including Personal (“AIPSO”) and Commercial (“CAIP”)	5 hours
6.	Workers' Compensation and Assigned Risk Plan	3 hours
7.	Commercial Crime Insurance and Fidelity Bonds	1 hour
8.	Surety Bonds	1 hour
9.	Ethics	1 hour

D. All applicants for a property line of authority are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following:

1.	Introduction to Insurance	1 hour
2.	State Insurance Laws and Rules	5 hours
3.	Fire and Allied Lines; and Assigned Risk Plans (“ARRUA”) and Arkansas Earthquake Authority (“AEA”)	4 hours
4.	Homeowners Policies and Other Multiple-Line Products	5 hours
5.	National Flood Insurance-Federal	0.5 hour
6.	Commercial Property and Commercial Crime Insurance	3 hours
7.	Crop Insurance - FEDERAL (“FCIC”)	0.5 hour
8.	Ethics	1 hour

E. All applicants for a personal line of authority (non-commercial), called “Personal Lines”, are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following:

1.	Introduction to Insurance	1 hour
2.	State Insurance Laws and Rules	5 hours
3.	Fire and Allied Lines; including Manufactured Houses; and Assigned Risk Plans (“ARRUA”) and Arkansas Earthquake Authority (“AEA”)	2 hours
4.	Homeowners Policies and Other Multiple-Line Products and Assigned Risk Plans (“ARRUA”) and Arkansas Earthquake Authority (“AEA”);	5 hours
5.	Automobile Insurance and Assigned Risk Plans	5 hours
6.	Flood Insurance – Federal	1 hour
7.	Ethics	1 hour

F. All applicants for a property adjuster license are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following:

1.	Insurance Concepts, Risk, Insurable Interest, Loss Valuation, Market Value, Stated Value, Salvage Value, Deductible, Occurrence, Negligence, Comparative Fault	3 hours
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2.	General Adjusting Definitions, Policies, Binders, Subrogation, Value, Appraisal, Duties of the Insured after a Loss, 1 st Party Claimants, 3 rd Party Claimants	2.5 hours
3.	General Property Definitions, Policies, Concurrent Insurance, Actual Cash Value, Replacement Cost, Causation, Proof of Loss	2.5 hours
4.	General Adjusting Practices, Liability, Representation, Investigation, Duties of the Insurance Company	2 hours
5.	Arkansas Property Adjusting, Loss Settlement, Total/Partial Loss, Coinsurance	2 hours
6.	State Insurance Law and Rules	5 hours
7.	Unfair Claims Settlement Practices, Unfair Trade Practices	2 hours
8.	Ethics	1 hour

G. All applicants for a casualty adjuster license are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following:

1.	Insurance Concepts, Risk, Insurable Interest, Loss Valuation, Market Value, Stated Value, Salvage Value, Deductible, Occurrence, Negligence, Comparative Fault	3 hours
2.	General Adjusting Definitions, Policies, Binders, Subrogation, Value, Appraisal, Duties of the Insured after a Loss, Proof of Loss, 1 st Party Claimants, 3 rd Party Claimants	3 hours
3.	General Property Definitions, Policies, Concurrent Insurance, Actual Cash Value, Replacement Cost, Causation	2 hours
4.	General Adjusting Practices, Liability, Representation, Investigation, Duties of the Insurance Company	2 hours
5.	Arkansas Property Adjusting, Loss Settlement, Total/Partial Loss, Coinsurance	2 hours
6.	State Insurance Laws and Rules	5 hours
7.	Unfair Claims Settlement Practices, Unfair Trade Practices	2 hours
8.	Ethics	1 hour

H. All applicants for a worker's compensation insurance adjuster license are hereby required to complete a course of instruction with a minimum of twenty (20) hours of instruction which includes, but is not limited to, all of the following:

1.	Insurance Concepts, Risk, Insurable Interest, Loss Valuation, Market Value, Stated Value, Salvage Value, Deductible, Occurrence, Negligence, Comparative Fault	2 hours
2.	General Adjusting Definitions, Policies, Binders, Subrogation, Duties of the Insured after a Loss, Proof of Loss.	2 hours
3.	General Worker's Compensation Definitions, Causation, Bodily Injury, Prior Injury, Statements, Burden of Proof, Waivers, Employee, Employer, Independent Contractor, Certificate of Non-Insurance, Waiting Period	2 hours
4.	General Adjusting Practices, Liability, Covered Claim, Representation, Investigation, Duties of the Insurance Company	3 hours

5.	Arkansas Worker's Compensation Adjusting, Arkansas Worker's Compensation Commission, Wage Determinations, Hearing, Medical Examinations, Settlements and Awards	3 hours
6.	State Insurance Laws and Rule	5 hours
7.	Unfair Claims Settlement Practices, Unfair Trade Practices	2 hours
8.	Ethics	1 hour

II. EXCEPTIONS.

A. Notwithstanding the provisions of Subsection (I) above, an applicant for a new license or additional line of authority shall be exempt from the five (5) hours of State Insurance Laws and Rules portion for:

1. Life
2. Accident/Health/Sickness
3. Casualty
4. Property
5. Personal Lines (non-commercial)
6. Property Adjuster
7. Casualty Adjuster
8. Worker's Compensation Adjuster

If the applicant has successfully completed this portion of the pre-license education within two (2) years of the filing date of his application for a new license or additional line of authority. This exemption or waiver is provided by Ark. Code Ann. § 23-64-202.

B. Notwithstanding the provisions of Subsection (I) above, an applicant for a new license or additional line of authority shall be exempt from the one (1) hour of Ethics course for:

1. Life
2. Accident/Health/Sickness
3. Casualty
4. Property
5. Personal Lines (non-commercial)
6. Property Adjuster
7. Casualty Adjuster
8. Worker's Compensation Adjuster

If the applicant has successfully completed this portion of the pre-license education within two (2) years of the filing date of his/her application for a new license or additional line of authority.

III.

- A. Subsections I and II of Rule Section 5 apply to both classroom and/or electronic courses of study.
- B. Education course providers shall file procedures with the Department to illustrate how the electronic courses may be verified as self-study and shall detail the exact length of time that the license applicant spends on the course.

- C. For classroom courses, the identity of the applicant and the length of time spent in that course must be monitored by the instructor in the classroom.

SECTION 6. INSTRUCTOR AND ELECTRONIC EDUCATION INSTRUCTOR/PROCTOR QUALIFICATIONS

- A.
 - 1. Instructors must have had specific insurance training or educational experience satisfactory to and approved by the State Insurance Commissioner in order to be certified to teach any part of an approved course. Each instructor must have three (3) or more years of specific insurance experience and/or education in each part of the insurance training program in which he/she instructs and must be approved prior to teaching any course, or any part of a course, by the Insurance Commissioner.
 - 2. Individuals who will act as an electronic education instructor/proctor of electronic education courses must have the same credentials as a classroom instructor as provided by this Rule.
 - 3. Proctors or instructors must be a disinterested third party and shall not serve for examinations of: family members or relatives or dependents, employers or supervisors, employees or subordinates, partners or joint ventures or co-owners, current or former teachers or pupils, neighbors or personal friends or significant others, or for anyone in whom the proctor or instructor has an economic or other interest in assuring the successful outcome of the examination.
 - 4. Applicants for approval as a classroom instructor or electronics course instructor/proctor shall complete and submit Appendix 4 to the Arkansas Insurance Department.
- B. No person will be approved as an instructor/proctor who has received disciplinary action by the Arkansas Insurance Department, the Insurance Department of another state, any regulatory or governmental body, or state or federal court. The Commissioner shall have the authority to waive this requirement upon written request by the applicant. The applicant shall have the burden of proving his or her qualifications to the Commissioner to meet eligibility for serving as an instructor or proctor.
- C. This Rule prohibits the provider's officials, owners, instructors, or proctors from taking the licensing exam for the purpose of learning test questions in order to aid the provider's customers or to improve a provider's pass-fail rate. Any such entity or person discovered to have done this will lose Department approval to participate in the pre-licensure education program under this Rule, in addition to any other applicable penalties. An individual who acts as a proctor may take the exam to obtain an individual producer's license for their own benefit.
- D. This Rule authorizes the Department to compare the end-of-course examinations with Department examination results at any time, without prior notice to the course provider, its owners or managers, instructors, or proctors.

SECTION 7. COURSE PROVIDER REQUIREMENTS

- A. Application for approval as a course provider shall be submitted to the Arkansas Insurance Department not less than ninety (90) days prior to the expected use of the program. A course provider shall include the following information:
1. Detailed description of the classroom or electronic course instruction program, including a course outline and list of resource materials.
 2. Completion of Appendix 1 for the initial certification; or completion of Appendix 2 upon any change in curriculum or instructor.
 3. Schedule of classes for all locations.
 4. All materials used for electronic education courses must be made available online to the Arkansas Insurance Department.
- B. Changes in class schedules are to be filed with the Insurance Department not later than two (2) weeks before each class begins. Course providers may file in writing or electronically a change or addition to the class schedule with the Department one (1) week in advance for a single course scheduled for an individual.
- C. The Commissioner may consider the type of facility to be used for training, the sufficiency of teaching aids, and the exclusive use of that portion of the facility being used for training, in making a determination to certify the provider.
- D. The course provider shall maintain detailed attendance records for all applicants for all classes for three (3) years following completion of the classes. Rosters, including courses completed and completion dates, shall be maintained for a minimum of two (2) years by course providers. These records may be reviewed by the Commissioner. In this regard, any studying which is not conducted under the direct supervision of the classroom instructor at the facility during scheduled classes may not be credited toward completion of the required twenty (20) hours; and electronic course providers must verify and confirm to the Department the work done by electronics course students for proper crediting of electronic hours.
- E. Forms. The following forms are available via the Department's website at <https://insurance.arkansas.gov/pages/industry-regulation/licensing/forms-instructions/> or by contacting the Licensing Division at 501-371-2750.

Appendix 1	Application for Approval As Course Provider
Appendix 2	Change in Curriculum or Instructor or Proctor
Appendix 3(A)	Life
Appendix 3(B)	Accident and Health or Sickness
Appendix 3(C)	Casualty
Appendix 3(D)	Property
Appendix 3(E)	Personal Lines (Non-Commercial)
Appendix 3(F)	Property Adjuster
Appendix 3(G)	Casualty Adjuster
Appendix 3(H)	Worker's Compensation Adjuster
Appendix 4	Application for Approval as Instructor or Proctor

- F. Alternate Forms. The Commissioner may accept, in lieu of Appendices 1 – 4 to the Rule in Item (E) above the most recent editions of comparable forms published by the National Association of Insurance Commissioners or substantially similar forms as approved by the Commissioner.

SECTION 8. PROGRAM REVIEW

The Department shall have the authority to visit a training facility and review its program at any time, including, but not limited to curriculum records and attendance records.

SECTION 9. LICENSING PROCEDURE OF APPLICANT

- A. The required hours of instruction must be completed prior to the date of the licensing examination.
- B. The instructor or designated official of the course provider shall complete an original and one (1) copy of each individual certification, Appendices 3(A) – 3(H), as found on the Department’s website, <https://insurance.arkansas.gov/pages/industry-regulation/licensing/forms-instructions/>, to give to the course attendee or applicant. The Certificate must include the type and length of study (either by live classroom instruction or by electronic media) selected by the course provider.
- C. Each individual certification must be on the form as shown in Appendices 3(A) – 3(H), as found on the Department’s website. <https://insurance.arkansas.gov/pages/industry-regulation/licensing/forms-instructions/> and must be signed by the applicant and the instructor or designated official of the course provider where more than one instructor is used. An electronic signature may be used.

The individual original certification or electronic copy must be presented by the student to the exam vendor at the time the candidate is scheduled to sit for the exam. If the candidate fails to present the original or electronic copy certification to the exam vendor, the candidate will not be allowed to sit for the exam but must reschedule the exam for another time. The exam vendor will collect all valid certifications and file those with the Department by mail or electronically along with the applications, fees, or other necessary documents.

SECTION 10. COMPLETION OF COURSE REQUIREMENTS

Educational requirements must be completed no more than two (2) years prior to taking the license exam for course certification to be valid.

SECTION 11. VIOLATIONS

Department approval of instructors and course providers of instruction courses may be withdrawn for violations of this Rule.

SECTION 12. SEVERABILITY

Any section or provision of this Rule held by a court to be invalid or unconstitutional will not affect the validity of any other section or provision of this Rule.

ALAN MCCLAIN
INSURANCE COMMISSIONER

DATE