

CS FOR HOUSE BILL NO. 403(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:**Referred:****Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE****A BILL****FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Life and Health Insurance Guaranty Association; and**
2 **providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 21.79.010 is amended to read:

5 **Sec. 21.79.010. Purpose.** The purpose of this chapter is to protect, subject to
6 certain limitations, the persons specified in AS 21.79.020(a) against failure in the
7 performance of contractual obligations under life, [INSURANCE AND] health,
8 [INSURANCE POLICIES] and annuity policies, plans, or contracts specified in
9 AS 21.79.020(b) because of the impairment or insolvency of the member insurer that
10 issued the policies, plans, or contracts. To provide this protection, an association of
11 member insurers is created under AS 21.79.040 to pay benefits and continue
12 coverages as limited by this chapter, and members of the association are subject to
13 assessment to provide funds to carry out the purpose of this chapter.

14 * **Sec. 2.** AS 21.79.020(a) is amended to read:

(a) This chapter applies to a policy and contract specified in (b) of this section and to a person who

(1) except for a nonresident certificate holder under a group policy or contract, is the beneficiary, assignee, or payee, including health care providers rendering services covered under health insurance policies or certificates, of a person described in (2) of this subsection; and

(2) except in the case of an unallocated annuity contract or a structured settlement annuity, is the owner of, or a certificate holder or enrollee under, the policy or contract, and who

(A) is a resident; or

(B) is not a resident, if the following conditions are satisfied:

(i) the member insurer that issued the policy or contract is domiciled in this state;

(ii) the state in which the person resides has an association similar to the association created by this chapter; and

(iii) the person is not eligible for coverage by an association in any other state due to the fact that the insurer, hospital or medical service corporation, or health maintenance organization was not licensed at the time specified in the guaranty association

[AS REQUIRED BY] law **of** [IN] that state.

* Sec. 3. AS 21.79.020(b) is amended to read:

(b) This chapter applies to a person specified in (a) of this section for a policy or contract of [AND TO A] direct, nongroup life insurance, health insurance, annuity, and supplemental policy or contract, to a certificate under a direct group life, health, annuity, or supplemental policy or contract, to a subscriber's contract issued by a hospital or medical service corporation under AS 21.87, to a subscriber's contract issued by a health maintenance organization under AS 21.86, and to an unallocated annuity contract issued by a member insurer, except as otherwise limited by this chapter. In this subsection, "annuity policy or contract" or "certificate under a direct group life, health, annuity, or supplemental policy or contract" includes a guaranteed investment contract, a deposit administration contract, an

1 unallocated funding agreement, an allocated funding agreement, a structured
2 settlement annuity, an annuity issued to or in connection with a government
3 lottery, and an immediate or deferred annuity contract.

4 * Sec. 4. AS 21.79.020(c) is amended to read:

5 (c) This chapter does not apply to

6 (1) that part of a policy or contract that is not guaranteed by the
7 member insurer;

8 (2) that part of the risk borne by the policy or contract owner
9 [HOLDER];

10 (3) a policy or contract of reinsurance, unless an assumption certificate
11 has been issued;

12 (4) that part of a policy or contract, except for part of a policy or
13 contract, including a rider, that provides long-term care or other health
14 insurance benefits, to the extent that the rate of interest on which it is based, or the
15 interest rate, crediting rate, or similar factor determined by use of an index or other
16 external reference stated in the policy or contract employed in calculating returns or
17 changes in value,

18 (A) averaged over the period of four years before the date on
19 which the member insurer becomes an impaired or insolvent insurer under this
20 chapter, whichever occurs first, exceeds the rate of interest determined by
21 subtracting two percentage points from the published monthly average for that
22 same four-year period or for a lesser period if the policy or contract was issued
23 less than four years before the member insurer becomes an impaired or
24 insolvent insurer under this chapter, whichever occurs first; and

25 (B) on and after the date on which the member insurer becomes
26 an impaired or insolvent insurer under this chapter, whichever occurs first,
27 exceeds the rate of interest determined by subtracting three percentage points
28 from the most recent published monthly average;

29 (5) a portion of a policy or contract issued to a plan or program of
30 an employer, association, or similar entity to provide life, health, or an annuity benefit
31 to an employee, [OR] member, or other person, to the extent that the plan or program

1 is self-funded or uninsured, including a benefit payable by the employer, association,
2 or similar entity under

3 (A) a multiple employer welfare arrangement as defined in 29

4 U.S.C. 1002 (Employee Retirement Income Security Act of 1974);

5 (B) a minimum premium group insurance plan;

6 (C) a stop-loss group insurance plan; or

7 (D) an administrative services only contract;

8 (6) that part of a policy or contract that provides a dividend or
9 experience rating credit or voting rights, or provides that a fee or allowance be paid to
10 a person, including the policy or contract owner [HOLDER], in connection with the
11 service to or administration of the policy or contract;

12 (7) a policy or contract issued in this state by a member insurer at a
13 time when it was not licensed or did not have a certificate of authority to issue the
14 policy or contract in this state;

15 (8) a person who is a payee or beneficiary of a contract owner
16 [HOLDER] who is a resident of this state if the payee or beneficiary is provided
17 coverage by the association of another state;

18 (9) a person covered under (d) [(e)] of this section if any coverage is
19 provided by the association of another state to that person;

20 (10) an unallocated annuity contract issued to or in connection with a
21 benefit plan protected under the United States Pension Benefit Guaranty Corporation,
22 regardless of whether the United States Pension Benefit Guaranty Corporation has
23 become liable to make any payments with respect to the benefit plan;

24 (11) that part of an unallocated annuity contract that is not issued to or
25 in connection with a specific employee, union, or association of natural persons
26 benefit plan or a government lottery;

27 (12) that part of a policy or contract to the extent that assessments
28 required by AS 21.79.070 with respect to the policy or contract are preempted by law;

29 (13) an obligation that does not arise under the express written terms of
30 the policy or contract issued by the member insurer to the enrollee, certificate
31 holder, contract owner, or policy owner, including, without limitation,

- (A) a claim based on marketing materials;
- (B) a claim based on a side letter or other document that was issued by the **member** insurer without meeting applicable policy **or contract** form filing or approval requirements;

(C) a misrepresentation of or regarding policy or contract benefits;

- (D) an extra contractual claim; or
- (E) a claim for penalties or consequential or incidental damages;

(14) a contractual agreement that establishes the member insurer's obligations to provide a book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets that is owned by the benefit plan or its trustee, which, in each case, is not an affiliate of the member insurer; [OR]

(15) that part of a policy or contract to the extent the part of the policy or contract provides for interest or other changes in value to be determined by the use of an index or other external reference stated in the policy or contract, but that have not been credited to the policy or contract, or as to which the policy or contract owner's rights are subject to forfeiture, as of the date the member insurer becomes an impaired or insolvent insurer under this chapter, whichever is earlier; if a policy's or contract's interest or changes in value are credited less frequently than annually, then, for purposes of determining the values that have been credited and are not subject to forfeiture under this paragraph, the interest or change in value determined by using the procedures defined in the policy or contract shall be credited as if the contractual date of crediting interest or changing values was the date of impairment or insolvency, whichever is earlier, and will not be subject to forfeiture;

(16) a policy or contract providing a hospital, medical, prescription drug, or other health care benefit in accordance with 42 U.S.C. 1395w-21 - 1395w-154 or federal regulations adopted under those sections;

(17) a person who acquires rights to receive payments through a structured settlement factoring transaction as defined in 26 U.S.C. 5891(c)(3)(A),

1 regardless of whether the transaction occurred before, on, or after 26 U.S.C.
2 5891(c)(3)(A) became effective; or

3 (18) structured settlement annuity benefits to which a payee or
4 beneficiary has transferred the payee's or beneficiary's rights in a structured
5 settlement factoring transaction as defined in 26 U.S.C. 5891(c)(3)(A), regardless
6 of whether the transaction occurred before, on, or after 26 U.S.C. 5891(c)(3)(A)
7 became effective.

8 * **Sec. 5.** AS 21.79.020(d) is amended to read:

9 (d) This chapter, except for (a) of this section, applies to an unallocated
10 annuity contract [SPECIFIED UNDER (b) OF THIS SECTION,] and shall provide
11 coverage to a person who is the owner of

12 (1) the unallocated annuity contract if the contract is issued to or in
13 connection with a specific benefit plan whose plan sponsor has its principal place of
14 business in this state; and

15 (2) an unallocated annuity contract issued to or in connection with a
16 government lottery if the owner is a resident.

17 * **Sec. 6.** AS 21.79.020(e) is amended to read:

18 (e) This chapter, except for (a) of this section, applies to a structured
19 settlement annuity [SPECIFIED UNDER (b) OF THIS SECTION,] and shall provide
20 coverage to a person who is a payee under a structured settlement annuity, or the
21 beneficiary of a payee if the payee is deceased, if the payee is

22 (1) a resident, regardless of where the contract owner resides; or

23 (2) not a resident, but only if both of the following conditions exist

24 [EXISTS]:

25 (A) the contract owner of the structured settlement annuity is

26 (i) a resident; or

27 (ii) not a resident, but the insurer that issued the
28 structured settlement annuity is domiciled in this state, and the state in
29 which the contract owner resides has an association similar to the
30 association created by this chapter; and

31 (B) the payee, or the payee's beneficiary, and the contract

1 owner are not eligible for coverage by the association of the state in which the
2 payee or contract owner resides.

3 * **Sec. 7.** AS 21.79.025(a) is amended to read:

4 (a) The benefits for which the association may become liable may not exceed
5 the lesser of

6 (1) the contractual obligations for which the **member** insurer is liable
7 or would have been liable if it were not an impaired or insolvent insurer;

8 (2) with respect to any one life, regardless of the number of policies or
9 contracts,

10 (A) \$300,000 in life insurance death benefits, but not more than
11 \$100,000 in net cash surrender and net cash withdrawal values for life
12 insurance;

13 (B) **for** [IN] health insurance benefits,

14 (i) \$100,000 for coverage not defined as disability
15 **income** insurance, **health benefit plans, or** long-term care insurance,
16 [OR BASIC HOSPITAL, MEDICAL, AND SURGICAL
17 INSURANCE OR MAJOR MEDICAL INSURANCE,] including any
18 net cash surrender and net cash withdrawal values;

19 (ii) \$300,000 for disability **income** insurance as defined
20 in AS 21.12.052 and **\$300,000 for** long-term care insurance as defined
21 in AS 21.53.200;

22 (iii) \$500,000 for **health benefit plans** [BASIC
23 HOSPITAL, MEDICAL, AND SURGICAL INSURANCE OR
24 MAJOR MEDICAL INSURANCE];

25 (C) \$250,000 in the present value of annuity benefits, including
26 net cash surrender and net cash withdrawal values;

27 (3) with respect to **either** [ANY] one contract **owner provided**
28 **coverage under AS 21.79.020(d)(2)** [HOLDER] or **one** plan sponsor whose plan
29 owns directly or in trust one or more unallocated annuity contracts not included in (4)
30 of this subsection, \$5,000,000 in unallocated annuity contract benefits, irrespective of
31 the number of contracts held by that contract **owner** [HOLDER] or plan sponsor

1 except that, in the case of one or more unallocated annuity contracts that are covered
2 under this chapter and that are owned by a trust or other entity for the benefit of two or
3 more plan sponsors, coverage shall be provided by the association if the largest
4 interest in the trust or entity owning the contract is held by a plan sponsor whose
5 principal place of business is in this state; however, the association is not liable to
6 cover more than \$5,000,000 in benefits, regardless of the number of policies and
7 contracts held by the owner [WITH RESPECT TO AN UNALLOCATED
8 ANNUITY CONTRACT NOT INCLUDED IN (4) OF THIS SUBSECTION];

9 (4) with respect to an individual participating in a governmental
10 retirement benefit plan established under 26 U.S.C. 401, 26 U.S.C. 403(b), or 26
11 U.S.C. 457 and covered by an unallocated annuity contract, or to a beneficiary of the
12 individual if the individual is deceased, in the aggregate, \$250,000 [\$100,000] in
13 present-value annuity benefits, including net cash surrender and net cash withdrawal
14 values; or

15 (5) with respect to each payee of a structured settlement annuity, or
16 beneficiary of the payee if the payee is deceased, \$250,000 [\$100,000] in present-
17 value annuity benefits in the aggregate, including net cash surrender and net cash
18 withdrawal values, if any.

19 * **Sec. 8.** AS 21.79.025(c) is amended to read:

20 (c) In providing coverage required under AS 21.79.060, the association may
21 not be required to guarantee, assume, reissue, reinsure, or perform, or cause to be
22 guaranteed, assumed, reissued, reinsured, or performed, the contractual obligations of
23 an insolvent or impaired insurer under a covered policy or contract when the
24 obligations do not materially affect the economic values or economic benefits of the
25 covered policy or contract.

26 * **Sec. 9.** AS 21.79.025(d) is amended to read:

27 (d) The association may not be required to cover more than
28 (1) an aggregate of \$300,000 in benefits with respect to any one life
29 under (a)(2), (4), and (5) of this section, except that, with respect to benefits for health
30 benefit plans [BASIC HOSPITAL, MEDICAL, AND SURGICAL INSURANCE OR
31 MAJOR MEDICAL INSURANCE] under (a)(2)(B) of this section, the aggregate

1 liability of the association may not exceed \$500,000 for any one individual; or

2 (2) \$5,000,000 in benefits with respect to one owner of [OR] multiple
3 nongroup policies of life insurance, whether the policy or contract owner is an
4 individual, firm, corporation, or other person, and whether the persons insured are
5 officers, managers, employees, or other persons, regardless of the number of policies
6 and contracts held by the owner.

7 * **Sec. 10.** AS 21.79.025 is amended by adding a new subsection to read:

8 (e) For purposes of this chapter, benefits provided by a long-term care rider to
9 a life insurance policy or annuity contract will be considered the same type of benefits
10 as the base life insurance policy or annuity contract to which the rider relates.

11 * **Sec. 11.** AS 21.79.040(a) is amended to read:

12 (a) There is established as a nonprofit legal entity the Alaska Life and Health
13 Insurance Guaranty Association. Each member insurer shall be a member of the
14 association as a condition of the insurer's authority to transact insurance, a hospital or
15 medical service corporation business, or a health maintenance organization
16 business in this state. The association shall perform its functions under a plan of
17 operation established and approved under AS 21.79.080 and shall exercise its powers
18 through the Board of Governors established under AS 21.79.050. For purposes of
19 administration and assessment, the association shall maintain the following accounts:

20 (1) the health [INSURANCE] account; and

21 (2) the life insurance and annuity account, including the following
22 subaccounts:

23 (A) life insurance account;

24 (B) annuity account that must include annuity contracts owned
25 by a governmental retirement benefit plan, or its trustee, qualified under
26 U.S.C. 401, 26 U.S.C. 403(b), or 26 U.S.C. 457 (Internal Revenue Code), but
27 that otherwise excludes unallocated annuities; and

28 (C) unallocated annuity account that must exclude contracts
29 owned by a governmental retirement benefit plan, or its trustee, qualified under
30 26 U.S.C. 401, 26 U.S.C. 403(b), or 26 U.S.C. 457 (Internal Revenue Code).

31 * **Sec. 12.** AS 21.79.050(a) is amended to read:

(a) The Board of Governors of the association consists of not less than seven [FIVE] nor more than 11 [NINE] representatives of member insurers. The director may appoint two individuals as members of the board to represent the public. Terms of office for board members shall be established in the plan of operation submitted under AS 21.79.080. Member insurers shall select the insurer board members, subject to the approval of the director. A vacancy in a board membership held by an insurer member shall be filled for the unexpired term by a majority vote of the remaining board members, subject to the approval of the director. A vacancy in a board membership held by a representative of the public shall be filled by the director. A board member who represents the public may not be an officer, director, or employee of an insurer, hospital or medical service corporation, or a health maintenance organization and may not be engaged in the business of insurance.

* **Sec. 13.** AS 21.79.060(a) is amended to read:

(a) If a member insurer becomes impaired, the association may, with the approval of the director and subject to any conditions imposed by the association that do not impair the contractual obligations of the impaired insurer,

(1) guarantee, assume, **reissue**, reinsurance, or provide for the guarantee, assumption, **reissuance**, or reinsurance of the policies or contracts of the impaired insurer; **and** [OR]

(2) provide money, pledges, loans, notes, guarantees, or other means that are necessary to act under (1) of this subsection and to assure payment of the contractual obligations of the impaired insurer until those obligations are guaranteed, reinsured, or assumed.

* Sec. 14. AS 21.79.060(d) is amended to read:

(d) If a member insurer becomes insolvent, the association shall, in its discretion and with the approval of the director,

(1) guarantee, assume, reissue, reinsurance, or provide for the guarantee, assumption, reissuance, or reinsurance of the covered policies or contracts of the insolvent insurer, or otherwise assure payment of the contractual obligations of the insolvent insurer; and provide money, pledges, loans, notes, guarantees, or other means that are necessary to discharge the association's duties under this

1 section; or

2 (2) provide benefits and coverage in accordance with the following
3 provisions:

4 (A) with respect to policies and contracts, assure payment
5 of benefits that would have been payable under a policy or contract of the
6 insolvent insurer for claims incurred with respect to

7 (i) a group policy or contract, not later than the
8 earlier of the next renewal date under the policy or contract or 45
9 days, but in no event less than 30 days, after the date on which the
10 association becomes obligated with respect to the policy or
11 contract;

12 (ii) an individual policy, contract, or annuity, not
13 later than the earlier of the next renewal date, if any, under the
14 policy or contract or one year, but in no event less than 30 days,
15 after the date on which the association becomes obligated with
16 respect to the policy or contract;

17 (B) with respect to an individual or group policy or
18 contract, make a diligent effort to provide a known insured, an enrollee,
19 an annuitant, or a group policy owner or group contract owner 30 days'
20 notice of the termination of the benefits provided;

21 (C) with respect to an individual policy or contract, make
22 available to each known insured, enrollee, or annuitant, or owner if other
23 than an insured, enrollee, or annuitant, and with respect to an individual
24 who was formerly an insured, enrollee, or annuitant under a group policy
25 or contract who is not eligible for replacement group coverage, make
26 available substitute coverage on an individual basis under (D) of this
27 paragraph, if the insured, enrollee, or annuitant had a right under law or
28 under the terminated policy or contract to convert coverage to individual
29 coverage or to continue an individual policy or contract in force until a
30 specified age, or for a specific time during which the insurer, hospital or
31 medical service corporation, or health maintenance organization did not

1 have the unilateral right to make changes in any provision of the policy or
2 contract or had a right only to make changes in premium by class;

3 (D) in providing the substitute coverage under (C) of this
4 paragraph, the association

5 (i) shall offer either to reissue the terminated
6 coverage or to issue an alternate policy or contract at actuarially
7 justified rates;

8 (ii) shall offer an alternative or reissued policy or
9 contract without requiring evidence of insurability and may not
10 provide for a waiting period or exclusion that would not have
11 applied under the terminated policy or contract; and

12 (iii) may reinsure an alternative or reissued policy or
13 contract;

14 (E) an alternative policy or contract must

15 (i) if adopted by the association, be subject to the
16 approval of the director; the association may adopt alternative
17 policies or contracts of various types for future issuance without
18 regard to a particular impairment or insolvency;

19 (ii) contain at least the minimum statutory
20 provisions required in the state and provide benefits that may not
21 be unreasonable in relation to the premium charged; the
22 association shall set the premium under a table of rates that it shall
23 adopt; the premium must reflect the amount of insurance to be
24 provided and the age and class of risk of each insured, but may not
25 reflect changes in the health of the insured after the original policy
26 or contract was last underwritten;

27 (iii) if issued by the association, provide coverage of
28 a type similar to that of the policy or contract issued by the
29 impaired or insolvent insurer, as determined by the association;

30 (F) if the association elects to reissue terminated coverage
31 at a premium rate different from that charged under the terminated

1 policy or contract, the premium shall be actuarially justified and set by
2 the association according to the amount of insurance or coverage provided
3 and the age and class of risk;

4 (G) the association's obligations with respect to coverage
5 under a policy or contract of an impaired or insolvent insurer or under a
6 reissued or alternative policy or contract stop on the date the coverage,
7 policy, or contract is replaced by another similar policy or contract by the
8 policy or contract owner, the insured, the enrollee, or the association;

9 (H) when proceeding under this subsection with respect to a
10 policy or contract carrying guaranteed minimum interest rates, the
11 association shall assure the payment or crediting of a rate of interest
12 consistent with AS 21.79.020(c)(4) [HELD BY RESIDENTS;

13 (2) ASSURE PAYMENT TO RESIDENTS OF THE
14 CONTRACTUAL OBLIGATIONS OF THE INSOLVENT INSURER;

15 (3) PROVIDE MONEY, PLEDGES, NOTES, GUARANTEES, OR
16 OTHER MEANS NECESSARY TO DISCHARGE THE ASSOCIATION'S DUTIES
17 UNDER THIS SUBSECTION; OR

18 (4) WITH RESPECT ONLY TO LIFE AND HEALTH INSURANCE
19 POLICIES AND ANNUITIES, PROVIDE BENEFITS AND COVERAGES
20 REQUIRED UNDER (e) OF THIS SECTION].

21 * **Sec. 15.** AS 21.79.060(k) is amended to read:

22 (k) Nonpayment of a premium within 31 days after the date required under the
23 terms of a guaranteed, assumed, alternative or reissued policy or contract or substitute
24 coverage terminates the obligations of the association under the policy, contract, or
25 coverage except with respect to the claims incurred or the net cash surrender value that
26 may be due under the provisions of this chapter.

27 * **Sec. 16.** AS 21.79.060(l) is amended to read:

28 (l) A premium due for coverage after entry of an order of liquidation of an
29 insolvent insurer belongs to and is payable at the direction of the association. Upon
30 request of a liquidator of an insolvent insurer, the association shall provide a
31 report to the liquidator regarding the premium collected by the association. The

1 [, AND THE] association is liable for unearned premiums due to a policy or contract
2 owner arising after the entry of the order.

3 * **Sec. 17.** AS 21.79.060(n) is amended to read:

4 (n) In carrying out its duties under [(a), (c), AND] (d) of this section, the
5 association may impose a permanent policy or contract lien under a guarantee,
6 assumption, or reinsurance agreement if the policy or contract lien is approved by a
7 court and the association finds that

8 (1) the amount that may be assessed under this chapter is less than the
9 amount needed to assure full and prompt performance of the **association's duties**
10 **under this chapter** [INSOLVENT INSURER'S CONTRACTUAL OBLIGATIONS];

11 or

12 (2) the economic or financial condition that affects member insurers is
13 sufficiently adverse that the imposition of a policy or contract lien is in the public
14 interest.

15 * **Sec. 18.** AS 21.79.060(o) is amended to read:

16 (o) **In carrying out its duties** [BEFORE TAKING ACTION] under **(d)** [(a) -
17 (e)] of this section, the association may request the superior court to impose an
18 injunction against the payment of a cash value and policy loan, or the exercise of
19 another right to withdraw funds held in connection with a policy or contract, in
20 addition to a contractual provision for deferral of a cash or policy loan value. In
21 addition, if the receivership court imposes an injunction on payment of cash values or
22 policy loans or on any other right to withdraw funds of an impaired or insolvent
23 insurer held in conjunction with a policy or contract, the association may defer
24 payment of cash values, policy loans, or other rights for the period of the injunction,
25 except for claims covered by the association to be paid as required by a hardship
26 procedure established by the liquidator or rehabilitator and approved by the
27 receivership court.

28 * **Sec. 19.** AS 21.79.060(p) is amended to read:

29 (p) If the association fails to take action under **(d)** [(a) - (e)] of this section
30 within a reasonable period of time after a member insurer becomes insolvent, the
31 director shall assume the powers of the association under **(d)** [(a) - (e)] of this section.

1 * **Sec. 20.** AS 21.79.060(s) is amended to read:

2 (s) A person who receives benefits under this chapter is considered to have
3 assigned the rights under, and any cause of action against a person for losses arising
4 under, resulting from, or otherwise relating to, the covered policy to the association to
5 the extent of the benefits received under this chapter, whether the benefits are payment
6 of or on account of contractual obligations, continuations of coverage, or provisions of
7 substitute or alternative **policies, contracts, or coverages** [COVERAGE]. The
8 association may require an assignment to the association of those rights by the
9 **enrollee, payee** [PAYEES], policy or contract owner, beneficiary, insured, or
10 annuitant before a person receives the rights or benefits conferred by this chapter. The
11 priority of the association's subrogation right to the assets of the insolvent insurer is
12 the same as the priority of the person entitled to benefits under this chapter. In addition
13 to the rights described in this subsection, the association has common law rights of
14 subrogation and any other equitable or legal remedy that would have been available to
15 the impaired or insolvent insurer or owner, beneficiary, **enrollee**, or payee of a policy
16 **or contract** with respect to the policy **or contract**. These rights include, in the case of
17 a structured settlement annuity, the rights of the **enrollee**, owner, beneficiary, or payee
18 of the annuity, to the extent of benefits received under this chapter, against a person
19 originally or by succession responsible for the losses arising from the personal injury
20 relating to the annuity or annuity payment, except for a person responsible solely by
21 reason of being an assignee in respect to a qualified assignment under 26 U.S.C. 130
22 (Internal Revenue Code). If the provisions of this subsection are invalid with respect
23 to a person or claim, the amount payable by the association with respect to the related
24 coverage obligation shall be reduced by the amount realized by another person from
25 the person or claim covered by the association. If the association has provided benefits
26 with respect to a covered obligation and a person recovers amounts to which the
27 association has rights as described in this subsection, the person recovering the
28 amounts shall pay to the association the portion of the recovery attributable to the
29 **policies or contracts** [POLICY] covered by the association.

30 * **Sec. 21.** AS 21.79.060(t) is amended to read:

31 (t) In addition to the rights and powers otherwise established in this chapter,

1 the association may

2 (1) enter into contracts that are necessary or proper to carry out the
3 provisions of this chapter;

4 (2) sue or be sued, and take legal action necessary or proper for
5 recovery of an unpaid assessment under AS 21.79.070 or settlement of a claim or
6 potential claim;

7 (3) borrow money to carry out the purposes of this chapter; notes or
8 other evidence of indebtedness of the association not in default are legal investments
9 for domestic **member** insurers and may be carried as admitted assets;

10 (4) employ or retain those persons necessary to handle the financial
11 transactions of the association and other functions under this chapter;

12 (5) negotiate and contract with a liquidator, rehabilitator, conservator,
13 or ancillary receiver to carry out the powers and duties of the association;

14 (6) exercise, for the purposes of this chapter and to the extent approved
15 by the director, the powers of a domestic life **insurer**, [OR] health insurer, **hospital or**
16 **medical service corporation, or health maintenance organization**; however, the
17 association may not issue [INSURANCE] policies or [ANNUITY] contracts other
18 than those issued to perform **its obligations under this chapter** [THE
19 CONTRACTUAL OBLIGATIONS OF AN IMPAIRED OR INSOLVENT
20 INSURER];

21 (7) take legal action to prevent **or recover** the payment of improper
22 claims;

23 (8) join an organization of one or more other state associations with
24 similar purposes;

25 (9) determine, using reasonable business judgment, the means by
26 which the association is to provide the benefits of this chapter in an economical and
27 efficient manner;

28 (10) request information from a person seeking coverage from the
29 association in order to determine the obligations of the association under this chapter;
30 a person receiving a request under this paragraph shall promptly comply with the
31 request;

(11) request information from a member insurer in order to aid in the exercise of a power under this section; a member insurer receiving a request under this paragraph shall promptly comply with the request; [AND]

(12) unless prohibited by law, in accordance with the terms of the policy or contract, file for actuarially justified rates or premium increases for a policy or contract for which it provides coverage under this chapter; and

(13) perform all other acts necessary or proper to implement this chapter.

* **Sec. 22.** AS 21.79.060 is amended by adding a new subsection to read:

(aa) The rights and obligations of the association, reinsurers of an insolvent insurer, and the receiver of an insolvent insurer are governed by the following provisions:

(1) not later than 180 days after the date of the order of liquidation, the association may elect to succeed to the rights and obligations of the ceding member insurer that relate to policies, contracts, or annuities covered, in whole or in part, by the association, in each case under any one or more reinsurance contracts entered into by the insolvent insurer and its reinsurers and selected by the association; an assumption is effective as of the date of the order of liquidation; the election shall be effected by the association or the National Organization of Life and Health Insurance Guaranty Associations on the association's behalf by written notice, return receipt requested, to the affected reinsurers; to facilitate the earliest practicable decision about whether to assume any of the contracts of reinsurance and to protect the financial position of the estate, as soon as possible after commencement of formal delinquency proceedings, the receiver and each reinsurer of the ceding member insurer shall make available, upon request, to the association or the National Organization of Life and Health Insurance Guaranty Associations on the association's behalf

(A) copies of in-force contracts of reinsurance and all related files and records relevant to the determination of whether those contracts should be assumed; and

(B) notices of any defaults under the reinsurance contracts or any known event or condition that, with the passage of time, could become a

1 default under the reinsurance contracts;

2 (2) as to reinsurance contracts assumed by the association under this
3 subsection,

4 (A) the association is responsible for all unpaid premiums due
5 under the reinsurance contracts for periods before, on, and after the date of the
6 order of liquidation and is responsible for the performance of all other
7 obligations to be performed on and after the date of the order of liquidation in
8 each case that relates to policies, contracts, or annuities covered, in whole or in
9 part, by the association; the association may charge policies, contracts, or
10 annuities covered in part by the association, through reasonable allocation
11 methods, the costs for reinsurance in excess of the obligations of the
12 association and shall provide notice and an accounting of those charges to the
13 liquidator;

14 (B) the association is entitled to any amounts payable by the
15 reinsurer under the reinsurance contracts with respect to losses or events that
16 occur in periods on and after the date of the order of liquidation and that relate
17 to policies, contracts, or annuities covered, in whole or in part, by the
18 association, if, upon receiving those amounts, the association is obliged to pay
19 to the beneficiary, under the policy, contract, or annuity for which the amounts
20 were paid, a portion of the amount equal to the lesser of the

21 (i) amount received by the association; and

22 (ii) amount by which the amount received by the
23 association exceeds the amount equal to the benefits paid by the
24 association under the policy, contract, or annuity, less the amount
25 retained by the insurer applicable to the loss or event;

26 (C) not later than 30 days after the association's election, the
27 association and each reinsurer under contracts assumed by the association shall
28 calculate the net balance due to or from the association under each reinsurance
29 contract as of the election date with respect to policies, contracts, or annuities
30 covered, in whole or in part, by the association; in making the calculation, the
31 association and reinsurer shall give full credit to all items paid by either the

1 member insurer or its receiver or the reinsurer before the election date; the
2 reinsurer shall pay the receiver any amounts due for losses or events before the
3 date of the order of liquidation, subject to any set-off for premiums unpaid for
4 periods before the date, and the association or reinsurer shall pay any
5 remaining balance due the other, in each case, not later than five days after the
6 completion of the calculation; a dispute over the amount due to the association
7 or reinsurer shall be resolved by arbitration under the terms of the affected
8 reinsurance contract or, if the contract does not contain an arbitration clause, as
9 otherwise provided by law; if the receiver has received an amount due to the
10 association under (B) of this paragraph, the receiver shall remit the amount to
11 the association as promptly as practicable;

12 (D) if the association or receiver on the association's behalf, not
13 later than 60 days after the election date, pays the unpaid premiums due for
14 periods both before and after the election date that relate to policies, contracts,
15 or annuities covered, in whole or in part, by the association, the reinsurer may
16 not terminate the reinsurance contracts for failure to pay premium insofar as
17 the reinsurance contracts relate to policies, contracts, or annuities covered, in
18 whole or in part, by the association, and may not set off an unpaid amount due
19 under another contract or an unpaid amount due from a party other than the
20 association against amounts due to the association;

21 (3) during the period from the date of the order of liquidation until the
22 election date, or, if the election date does not occur, until 180 days after the date of the
23 order of liquidation,

24 (A) neither the association nor the reinsurer shall have any
25 rights or obligations under reinsurance contracts that the association has the
26 right to assume, whether for periods before, on, or after the date of the order of
27 liquidation; and

28 (B) the reinsurer, the receiver, and the association shall, to the
29 extent practicable, provide to each other data and records reasonably requested,
30 if, once the association has elected to assume a reinsurance contract, the
31 parties' rights and obligations are governed by this subsection;

(4) if the association does not elect to assume a reinsurance contract by the election date, the association does not have rights or obligations, in each case for periods before, on, and after the date of the order of liquidation, with respect to the reinsurance contract;

(5) when policies, contracts, annuities, or covered obligations with respect to policies or annuities are transferred to an assuming insurer, the association may also transfer reinsurance on the policies, contracts, or annuities, in the case of contracts assumed by the association, subject to the following:

(A) unless the reinsurer and the assuming insurer agree otherwise, the reinsurance contract transferred may not cover any new policies or insurance, contracts, or annuities in addition to those transferred;

(B) the obligations described in (1) of this subsection do not apply with respect to matters arising on and after the effective date of the transfer; and

(C) notice shall be given in writing, return receipt requested, by the transferring party to the affected reinsurer not less than 30 days before the effective date of the transfer;

(6) the provisions of this subsection supersede the provisions of any state law or of any affected reinsurance contract that provides for or requires any payment of reinsurance proceeds, on account of losses or events that occur in periods on and after the date of the order of liquidation, to the receiver of the insolvent insurer or another person; the receiver shall remain entitled to any amounts payable by the reinsurer under the reinsurance contracts with respect to losses or events that occur in periods before the date of the liquidation, subject to applicable set-off provisions;

(7) except as otherwise provided in this section, nothing in this subsection

(A) alters or modifies the terms and conditions of a reinsurance contract;

(B) abrogates or limits the right of a reinsurer to claim that the reinsurer is entitled to rescind a reinsurance contract;

(C) gives a policy or contract owner, enrollee, certificate

holder, or beneficiary an independent cause of action against a reinsurer that is not otherwise set out in the reinsurance contract;

(D) limits or affects the association's rights as a creditor of the estate against the assets of the estate; and

(E) applies to a reinsurance agreement covering property or casualty risks.

* **Sec. 23.** AS 21.79.070(a) is amended to read:

(a) For the purpose of providing funds necessary to carry out the powers and duties of the association, the Board of Governors shall **by resolution** assess the member insurers, separately for each account, at a time and for an amount that the board finds necessary. Assessments are **authorized when a resolution is passed and are** due not less than 30 days after prior written notice to the member insurers and accrue interest at 10 percent a year from the date payment is due. **Authorized assessments become called when notice is mailed by the association to member insurers.**

* **Sec. 24.** AS 21.79.070(c) is amended to read:

(c) The amount of a class A assessment shall be determined by the board and may be made on a pro rata or non pro rata basis. If a pro rata assessment is made, the board may provide that it be credited against future class B assessments. [A NON PRO RATA ASSESSMENT MAY NOT EXCEED \$250 PER MEMBER INSURER IN A CALENDAR YEAR.] The amount of a class B assessment, **except for assessments related to long-term care insurance**, shall be allocated for assessment purposes **between** [AMONG] the accounts **and among the subaccounts of the life insurance and annuity account** under an allocation formula that may be based on the premiums or reserves of the impaired or insolvent insurer or by another standard determined by the board in its sole discretion as being fair and reasonable under the circumstances. **The amount of the class B assessment for long-term care insurance written by the impaired or insolvent insurer shall be allocated according to a methodology included in the association's plan of operation approved by the director. The methodology must provide for 50 percent of the assessment to be allocated to accident and health member insurers and 50 percent allocated to life**

1 and annuity member insurers.

2 * **Sec. 25.** AS 21.79.070(f) is amended to read:

3 (f) Except as provided in this subsection, the total of all assessments on a
4 member insurer for each subaccount of the life and annuity account and for the health
5 account may not in any one calendar year exceed two percent of the member insurer's
6 average annual premiums received in this state on policies or contracts covered by the
7 account or subaccount during the three calendar years preceding the year in which the
8 member insurer became an impaired or insolvent insurer. If two or more assessments
9 are authorized in one calendar year with respect to member insurers that become
10 impaired or insolvent in different calendar years, the average annual premiums for
11 purposes of the aggregate assessment percentage limitation imposed under this
12 subsection shall be limited to the highest of the average annual premiums during the
13 preceding three calendar years for the applicable subaccount or account as calculated
14 under this section. If the maximum assessment, together with the other assets of the
15 association in an account, does not provide in any one year in either account an
16 amount sufficient to carry out the responsibilities of the association, the necessary
17 additional funds shall be assessed as soon as permitted by this chapter.

18 * **Sec. 26.** AS 21.79.070(j) is amended to read:

19 (j) The board may, by an equitable method as established in the plan of
20 operation, refund to member insurers, in proportion to the contribution of each
21 member insurer to that account, the amount by which the assets of the account exceed
22 the amount the board finds is necessary to carry out during the coming year the
23 obligations of the association with regard to that account, including assets accruing
24 from assignment, subrogation, net realized gains, and income from investments. A
25 reasonable amount may be retained in any account to provide funds for the continuing
26 expenses of the association and for future losses claims.

27 * **Sec. 27.** AS 21.79.070(k) is amended to read:

28 (k) A member insurer may, in determining its premium rates and policy owner
29 dividends as to any kind of insurance, hospital or medical service corporation
30 business, or health maintenance organization business within the scope of this
31 chapter, consider the amount reasonably necessary to meet its assessment obligations

1 under this chapter.

2 * **Sec. 28.** AS 21.79.070(l) is amended to read:

3 (l) A member insurer that wishes to protest all or part of an assessment shall
4 pay when due the full amount of the assessment as set out in the notice provided by
5 the association. The payment shall be available to meet association obligations during
6 the pendency of the protest or any subsequent appeal. If a payment is made under
7 protest, payment must be accompanied by a statement in writing that the payment is
8 made under protest and setting out a brief statement of the grounds for the protest.
9 Within 60 days following the payment of an assessment under protest by a member
10 insurer, the association shall notify the member insurer in writing of its determination
11 with respect to the protest unless the association notifies the member insurer that
12 additional time is required to resolve the issues raised by the protest. Within 30 days
13 after a final decision has been made, the association shall notify the protesting member
14 insurer in writing of that final decision. Within 60 days after [OF] receipt of notice of
15 the final decision, the protesting member insurer may appeal that final action to the
16 director. In the alternative to rendering a final decision with respect to a protest based
17 on a question regarding the assessment base, the association may refer protests to the
18 director for a final decision with or without recommendation from the association. If a
19 protest or appeal on an assessment is upheld, the amount paid in error or excess shall
20 be returned to the member insurer [COMPANY]. Interest on a refund due a protesting
21 member insurer shall be paid at the rate actually earned by the association.

22 * **Sec. 29.** AS 21.79.080(c) is amended to read:

23 (c) A member insurer shall comply with the plan of operation. The plan of
24 operation must

25 (1) establish procedures for handling assets of the association;
26 (2) establish the amount and method of reimbursing members of the
27 board under AS 21.79.050(c);
28 (3) establish regular places and times for meetings of the board in the
29 state; the board may conduct meetings telephonically;
30 (4) establish procedures for keeping records of all financial
31 transactions of the association, its agents, and the board;

(5) establish terms of office for members of the board, and establish procedures for the selection of the members of the board and for the director's approval of the members selected;

(6) establish additional procedures for assessments under AS 21.79.070; [AND]

(7) establish procedures for removing a member of the board for cause, including procedures for removing a member of the board who becomes an impaired or insolvent insurer;

(8) establish policy and procedures for addressing conflicts of interest; and

(9) contain additional provisions necessary or proper for the association to exercise its powers and duties.

* **Sec. 30.** AS 21.79.090(b) is amended to read:

(b) The director may

(1) after notice and hearing as provided in AS 21.06.180 - 21.06.230, suspend or revoke the certificate of authority to transact **business** [INSURANCE] in this state of a member insurer that fails to pay an assessment when due or fails to comply with the plan of operation;

(2) levy a penalty on a member insurer that fails to comply with the plan of operation; or

(3) levy a penalty on a member insurer that fails to pay an assessment when due; if the unpaid assessment is more than \$2,000, the penalty may not exceed five percent of the unpaid assessment **a** [PER] month or be less than \$100 **a** [PER] month; if the unpaid assessment is \$2,000 or less, the penalty is \$100 **a** [PER] month.

* **Sec. 31.** AS 21.79.090(c) is amended to read:

(c) **A final** [AN] action of the board or the association may be appealed to the director by a member insurer if the appeal is taken **not later than 60** [WITHIN 30] days after the date the notice of the action is mailed. Final action or order of the director may be reviewed by the superior court.

* **Sec. 32.** AS 21.79.090(d) is amended to read:

(d) The liquidator, rehabilitator, or conservator of an impaired **or insolvent**

insurer may notify all interested persons of the effect of this chapter.

* **Sec. 33.** AS 21.79.100(a) is amended to read:

(a) The director shall notify, by mail, the commissioner, director, or superintendent of insurance of the other states, territories of the United States, and the District of Columbia within 30 days after the date on which the following actions are taken against a member insurer:

(1) revocation of a license;

(2) suspension of a license; or

(3) a formal order that a member insurer restrict its premium writing, obtain additional contributions to surplus, withdraw from the state, reinsurance all or any part of its business, or increase capital, surplus, or any other account for the security of policyholders, **contract owners, certificate holders**, or creditors.

* **Sec. 34.** AS 21.79.100(e) is amended to read:

(e) The director may seek the board's advice and recommendations concerning the financial condition of member insurers, [AND] insurers, hospital and medical service corporations, and health maintenance organizations who apply for admission to transact insurance business in the state.

* **Sec. 35.** AS 21.79.100(f) is amended to read:

(f) The board may

(1) make reports and recommendations to the director relating to the solvency, liquidation, rehabilitation, or conservation of a member insurer or the solvency of **an insurer, hospital or medical service corporation, or health maintenance organization that applies** [INSURERS WHO APPLY] to transact insurance business in the state; the director and the board shall keep the reports and recommendations confidential;

(2) notify the director of any information that indicates that a member insurer may be impaired or insolvent.

* **Sec. 36.** AS 21.79.100(h) is amended to read:

(h) The board may make recommendations to the director for detecting and preventing **member** insurer insolvencies.

* **Sec. 37.** AS 21.79.110(c) is amended to read:

(c) The association is considered to be a creditor of the impaired or insolvent insurer to the extent of assets attributable to covered policies that are reduced by an amount to which the association is entitled under AS 21.79.060(s). Assets of the impaired or insolvent insurer that are attributable to covered policies shall be used to continue all covered policies and pay all contractual obligations of the impaired or insolvent insurer as required by this chapter. Assets attributable to covered policies **or contracts** include those assets that should have been established as reserves for the covered policies **or contracts**. These assets are determined by multiplying the total assets of the impaired or insolvent insurer by a fraction, the numerator of which is the amount that should have been established as reserves for the covered policies **or contracts** of the impaired or insolvent insurer, and the denominator of which is the amount that should have been established as reserves for all policies **or contracts** of insurance issued in all states by that insurer. As a creditor of the impaired or insolvent insurer, the association and other similar entities in other states are entitled to receive a disbursement of assets out of the marshaled assets as a credit against contractual obligations under this chapter from time to time as the assets become available. If the liquidator has not, within 120 days **after** [OF] the date of a final determination of insolvency of **a member** [AN] insurer by the court, made an application to the court for the approval of a proposal to disburse assets, the association may make application to the court for the approval of the association's proposal to disburse assets.

* **Sec. 38.** AS 21.79.110(d) is amended to read:

(d) Before the termination of a liquidation, rehabilitation, or conservation proceeding, the court may consider the contributions of the respective parties, including the association, [THE] shareholders, **contract owners, certificate holders, enrollees**, and policyholders of the impaired or insolvent insurer, and any other party with a bona fide interest, in distributing the ownership rights of the impaired or insolvent insurer. The court shall consider the welfare of policyholders, **contract owners, certificate holders, and enrollees** of the continuing or successor **member insurer** [INSURERS]. A distribution to stockholders of an impaired or insolvent insurer may not be made until the total amount of valid claims of the association for money spent in carrying out its powers and duties under AS 21.79.060, with respect to

1 the impaired or insolvent insurer, has been fully recovered by the association.

2 * **Sec. 39.** AS 21.79.110(e) is amended to read:

3 (e) The receiver appointed under an order for liquidation or rehabilitation of a
4 domestic member insurer may recover the amount distributed, other than stock
5 dividends paid by the member insurer on its capital stock, to a controlling affiliate, as
6 defined in AS 21.22.200, during the five years preceding the petition for liquidation or
7 rehabilitation. However, if the member insurer shows that, when paid, the distribution
8 was lawful and reasonable, and that the distribution might adversely affect the ability
9 of the member insurer to fulfill the member insurer's contractual obligations, the
10 receiver may not recover the amount distributed to the controlling affiliate. The
11 following provisions apply to recovery of amounts distributed:

12 (1) a controlling affiliate of the member insurer at the time the
13 distribution was paid is liable for a distribution received; a controlling affiliate at the
14 time the distribution was declared is liable for a distribution that would have been
15 received if the distribution had been paid at that time; if two or more persons are liable
16 with respect to the same distribution, they are jointly and severally liable;

17 (2) if an affiliate liable under (1) of this subsection is insolvent, all its
18 controlling affiliates at the time the dividend was paid are jointly and severally liable
19 for any amount that is not recovered from the insolvent affiliate;

20 (3) the amount needed to pay the contractual obligations of the
21 insolvent insurer that exceeds the available assets of the insolvent insurer is the
22 greatest amount that may be recovered under this subsection.

23 * **Sec. 40.** AS 21.79.110(f) is amended to read:

24 (f) A deposit in this state, held by law or required by the director for the
25 benefit of creditors, including policy or contract owners, not turned over to the
26 domiciliary liquidator upon the entry of a final order of liquidation or order approving
27 a rehabilitation plan of a member [AN] insurer domiciled in this state or in a
28 reciprocal state shall be promptly paid to the association. The association

29 (1) is entitled to retain a portion of any amount paid to it equal to the
30 percentage determined by dividing the aggregate amount of policy or contract
31 owners' claims related to that insolvency for which the association has provided

1 statutory benefits by the aggregate amount of all policy or contract owners' claims in
2 this state related to that insolvency; and

3 (2) shall remit to the domiciliary receiver the amount paid to the
4 association and retained under (1) of this subsection; any amount paid to the
5 association not retained by it under (1) of this subsection shall be treated as a
6 distribution of state assets under AS 21.78.294 or a similar provision of the state of
7 domicile of the impaired or insolvent insurer.

8 * **Sec. 41.** AS 21.79.140 is amended to read:

9 **Sec. 21.79.140. Civil immunity.** The association and its agents and
10 employees, members of the Board of Governors, member insurers, and agents and
11 employees of member insurers, and the director and the director's representatives are
12 not civilly liable, and a cause of action of any nature may not arise, for an action or
13 omission in performing duties under this chapter. The immunity extends to the
14 participation in an organization of one or more other state associations of similar
15 purposes and to that organization and its agents or employees [IN THIS
16 SECTION, "DUTIES" INCLUDES PARTICIPATION IN AN ORGANIZATION OF
17 ONE OR MORE STATE ASSOCIATIONS OF LIFE OR HEALTH INSURERS].

18 * **Sec. 42.** AS 21.79.150 is amended to read:

19 **Sec. 21.79.150. Stay of proceedings; default judgment.** Proceedings
20 involving an insolvent insurer shall be stayed at least 180 [60] days after the date of a
21 final order of liquidation, rehabilitation, or conservation in order to allow the
22 association to exercise a power or duty authorized under this chapter. If a default
23 judgment is entered against an insolvent insurer, the association may apply to have the
24 judgment set aside or may defend against the action on its merits.

25 * **Sec. 43.** AS 21.79.160(a) is amended to read:

26 (a) A person, including a member [AN] insurer, agent, or affiliate of a
27 member [AN] insurer, may not make, publish, disseminate, circulate, or place before
28 the public, or cause, directly or indirectly, to be made, published, disseminated,
29 circulated, or placed before the public, in any newspaper, magazine, or other
30 publication, or in the form of a notice, circular, pamphlet, letter, or poster, or over any
31 radio station or television station, or in any other way, an advertisement,

1 announcement, or statement, written or oral, that uses the existence of the association
2 for the purpose of sales, solicitation, or inducement to purchase any form of insurance
3 or other coverage covered by the association. However, this section does not apply to
4 the association or any other entity that does not sell or solicit insurance, coverage by a
5 hospital or medical service corporation, or coverage by a health maintenance
6 organization.

7 * **Sec. 44.** AS 21.79.160(b) is amended to read:

8 (b) The association shall prepare a summary document describing the general
9 purposes and current limitations of this chapter and complying with (c) of this section.
10 This document shall be submitted to the director for approval. Beginning 60 days after
11 the date on which the director approves the document, a member [AN] insurer may
12 not deliver a policy or contract to a policy or contract owner, certificate holder, or
13 enrollee [POLICY OR CONTRACT OWNER] unless the summary document is
14 delivered to the policy or contract owner, certificate holder, or enrollee [POLICY
15 OR CONTRACT OWNER] at the time of delivery of the policy or contract. The
16 document shall also be available upon request by a policy or contract owner,
17 certificate holder, or enrollee [OWNER]. The distribution, delivery, contents, or
18 interpretation of this document does not guarantee that either the policy or the
19 contract, or the policy or contract owner, certificate holder, or enrollee [OWNER
20 OF THE POLICY OR CONTRACT,] is covered in the event of the impairment or
21 insolvency of a member insurer. The description document shall be revised by the
22 association as amendments to this chapter may require. Failure to receive this
23 document does not give the policy or [OWNER,] contract owner, certificate holder,
24 enrollee, or insured any greater rights than those stated in this chapter.

25 * **Sec. 45.** AS 21.79.160(c) is amended to read:

26 (c) The document prepared under (b) of this section must contain a clear and
27 conspicuous disclaimer on its face. The director shall establish the form and content of
28 the disclaimer. The disclaimer must

29 (1) state the name and address of the association and the division of
30 insurance;

31 (2) prominently warn the policy or contract owner, certificate holder,

1 or enrollee that the association may not cover the policy or, if coverage is available,
2 that the policy will be subject to substantial limitations and exclusions and conditioned
3 on continued residence in this state;

4 (3) state the types of policies or contracts for which guaranty funds
5 will provide coverage;

6 (4) state that the member insurer and its agents are prohibited by law
7 from using the existence of the association for the purpose of sales, solicitation, or
8 inducement to purchase any form of insurance, hospital or medical service
9 corporation coverage, or health maintenance organization coverage;

10 (5) state that the policy or contract owner, certificate holder, or
11 enrollee should not rely on coverage under the association when selecting and insurer;

12 (6) explain rights available and procedures for filing a complaint to
13 allege a violation of a provision of this chapter; and

14 (7) provide other information as required by the director, including
15 sources for information about the financial condition of insurers if the information is
16 not proprietary and is subject by law to disclosure.

17 * **Sec. 46.** AS 21.79.900(5) is amended to read:

18 (5) "called" means that a notice has been mailed [ISSUED] by the
19 association to member insurers requiring that an authorized assessment be paid within
20 the time set out in the notice;

21 * **Sec. 47.** AS 21.79.900(6) is amended to read:

22 (6) "contractual obligation" means an obligation under a policy,
23 contract, or certificate under a group policy or contract, or a portion of one for which
24 coverage is provided under AS 21.79.020(a), (b), (d), or (e);

25 * **Sec. 48.** AS 21.79.900(7) is amended to read:

26 (7) "covered contract" or "covered policy" means a policy or
27 contract or a portion of a policy or contract for which coverage is provided under
28 [DESCRIBED IN] AS 21.79.020(a), [AND] (b), (d), or (e);

29 * **Sec. 49.** AS 21.79.900(10) is amended to read:

30 (10) "member insurer" means an insurer licensed to transact insurance
31 in the state, a hospital or medical service corporation licensed under AS 21.87, or

1 a health maintenance organization licensed under AS 21.86, for which coverage is
2 provided in AS 21.79.020 [, OR A SUBSCRIBER CONTRACT PROVIDING
3 BENEFITS DESCRIBED IN AS 21.87.120(a)(2) - (4) OR 21.87.130(a)(2) AND (3),]
4 and includes an insurer, a hospital or medical service corporation licensed under
5 AS 21.87, or a health maintenance organization licensed under AS 21.86, whose
6 license or certificate of authority in this state may have been suspended, revoked, not
7 renewed, or voluntarily withdrawn; "member insurer" does not include

8 (A) [A HEALTH MAINTENANCE ORGANIZATION
9 LICENSED UNDER AS 21.86;

10 (B)] a fraternal benefit society licensed under AS 21.84;

11 (B) [(C)] a mandatory state pooling plan;

12 (C) [(D)] a mutual assessment company or an entity that
13 operates on an assessment basis;

14 (D) [(E)] an insurance exchange licensed under AS 21.75;

15 (E) [(F) A HOSPITAL OR MEDICAL SERVICE
16 ORGANIZATION LICENSED UNDER AS 21.87;

17 (G)] an organization that has a license or certificate limited to
18 the issuance of charitable gift annuities; or

19 (F) [(H)] an entity similar to one described under (A) - (E) [(A)
20 - (G)] of this paragraph;

21 * **Sec. 50.** AS 21.79.900(12) is amended to read:

22 (12) "owner," when used with respect to [IN RELATION TO] a
23 policy or contract, "policyholder," "policy owner," and "contract owner"

24 (A) mean [MEANS] the person who is identified as the legal
25 owner under the terms of the policy or contract, or who is otherwise vested
26 with legal title to the policy or contract through a valid assignment completed
27 under the terms of the policy or contract and who is properly recorded as the
28 owner on the records of the member insurer;

29 (B) do [DOES] not include a person with a mere beneficial
30 interest in a policy or contract;

31 * **Sec. 51.** AS 21.79.900(13) is amended to read:

(13) "plan sponsor" means, in the case of a benefit plan established or maintained by

(A) a single employer, the employer;

(B) an employee organization, the employee organization; or

(C) two or more employers or jointly by one or more employers and one or more employee organizations, the association, committee, joint board of trustees, or other similar group of representatives of the parties who establish or maintain the benefit plan;

* **Sec. 52.** AS 21.79.900(14) is amended to read:

(14) "premium" means the amounts or considerations, by whichever name called, [AMOUNT] received on a covered policy or contract less a premium, consideration, and deposit returned, and less a dividend and experience credit; "premium" does not include amounts or considerations [AN AMOUNT] charged for an assessment or an amount received for a policy or contract or for the portions of a policy or contract for which coverage is not provided under AS 21.79.020(b) and (c), except that assessable premium may not be reduced on account of AS 21.79.020(c)(4) relating to interest limitations and AS 21.79.025(a)(2) - (5), (b), and (d) relating to limitations with respect to one individual, one participant, and one policy or contract owner; "premium" does not include

(A) premiums in excess of \$5,000,000 on an unallocated annuity contract not issued under a governmental retirement benefit plan or its trustee established under 26 U.S.C. 401, 26 U.S.C. 403(b), or 26 U.S.C. 457; or

(B) with respect to multiple nongroup policies of life insurance owned by one owner, whether the policy or contract owner is an individual, firm, corporation, or other person, and whether the persons insured are officers, managers, employees, or other persons, premiums in excess of \$5,000,000 with respect to those policies or contracts, regardless of the number of policies or contracts held by the owner;

* **Sec. 53.** AS 21.79.900(15) is amended to read:

(15) "receivership court" means the court in the insolvent or impaired

insurer's state having jurisdiction over the conservation, rehabilitation, or liquidation of the **member** insurer;

* Sec. 54. AS 21.79.900(16) is amended to read:

(16) "resident" means a person to whom a contractual obligation is owed under this chapter and who resides in this state on the date of entry of a court order that determines a member insurer to be an impaired or insolvent insurer [, WHICHEVER OCCURS FIRST]; a person may be a resident of only one state, which, in the case of a person other than a natural person, shall be the principal place of business;

* **Sec. 55.** AS 21.79.900(19) is amended to read:

(19) "supplemental contract" means a written [AN] agreement entered into for the distribution of proceeds under life, health, or annuity policy or contract benefits;

* **Sec. 56.** AS 21.79.900 is amended by adding new paragraphs to read:

(21) "benefit plan" means a specific employee, union, or association of natural persons benefit plan;

(22) "election date" means the date of the association's election under AS 21.79.060(aa);

(23) "extra contractual claim" includes a claim related to bad faith in payment of a claim, punitive or exemplary damages, and attorney fees and costs;

(24) "health benefit plan" means a hospital or medical expense policy or certificate, a hospital or medical service corporation subscriber contract, or health maintenance organization subscriber contract or any other similar health contract; "health benefit plan" does not include

(A) accident only insurance;

(B) credit insurance;

(C) dental only insurance;

(D) vision only insurance;

(E) Medicare supplement insurance;

(F) benefits for long-term care, home health care, community-any combination thereof;

(G) disability income insurance;

(H) coverage for on-site medical clinics; or

(I) specified disease, hospital confinement indemnity, or limited

benefit health insurance if the types of coverage do not provide coordination of benefits and are provided under separate policies or certificates;

(25) "published monthly average" means the monthly average of corporate bond yields, as published by Moody's Investors Service, Inc., or its successor or, if Moody's average of corporate bond yields is not published, a substantially similar average established by regulation adopted by the director.

* **Sec. 57.** AS 21.86.260(a) is amended to read:

(a) Except as provided in AS 21.36, AS 21.42, AS 21.54, AS 21.56, AS 21.79, and in this chapter, this title does not apply to a health maintenance organization that obtains a certificate of authority under this chapter. This subsection does not apply to an insurer licensed under AS 21.09 or a hospital or medical service corporation licensed under AS 21.87 except with respect to its health maintenance organization activities authorized by and regulated under this chapter.

* **Sec. 58.** AS 21.87.340 is amended to read:

Sec. 21.87.340. Other provisions applicable. In addition to the provisions contained or referred to previously in this chapter, the following chapters and provisions of this title also apply with respect to service corporations to the extent applicable and not in conflict with the express provisions of this chapter and the reasonable implications of the express provisions, and, for the purposes of the application, the corporations shall be considered to be mutual "insurers":

(1) AS 21.03;

(2) AS 21.06;

(3) AS 21.07;

(4) AS 21.09, except AS 21.09.090;

(5) AS 21.18.010;

(6) AS 21.18.030;

(7) AS 21.18.040;

(8) AS 21.18.080 - 21.18.086;

- (9) AS 21.36;
- (10) AS 21.42.110, 21.42.345 - 21.42.395;
- (11) AS 21.51.120 and 21.51.400;
- (12) AS 21.51.405;
- (13) AS 21.53;
- (14) AS 21.54;
- (15) AS 21.56;
- (16) AS 21.69.400;
- (17) AS 21.69.520;
- (18) AS 21.69.600, 21.69.620, and 21.69.630;
- (19) AS 21.78;
- (20) **AS 21.79;**
- (21)** AS 21.96.060;
- (22)** [(21)] AS 21.97.

* **Sec. 59.** AS 21.79.020(f), 21.79.060(c), 21.79.060(e), 21.79.060(f), 21.79.060(g), 21.79.060(h), 21.79.060(i), 21.79.060(j), 21.79.060(u), 21.79.060(v), 21.79.060(w), 21.79.060(x), 21.79.110(b)(2), and 21.79.110(e) are repealed.

* **Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The director of the division of insurance may adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by the regulation.

* **Sec. 61.** Section 60 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 62.** Except as provided in sec. 61 of this Act, this Act takes effect July 1, 2018.