



# ALASKA STATE LEGISLATURE

## HOUSE LABOR & COMMERCE COMMITTEE

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### Sponsor Statement

#### **House Bill 164**

The primary focus of the finance section of the Division of Insurance is the financial surveillance and regulation of domestic and foreign insurers for the benefit and protection of Alaska policyholders. Requirements for financial surveillance of insurers licensed in Alaska are imposed by Alaska statutes and regulations. Much of the statutory framework governing this effort comes from model laws passed by the National Association of Insurance Commissioners (NAIC). The financial section is unique in the Division as it is the only section that is accredited by the NAIC. The accreditation program provides a process whereby solvency regulation of multi-state insurance companies can be enhanced and adequately monitored with an emphasis on:

- Adequate solvency laws and regulations in each accredited state to protect consumers and guarantee funds;
- Effective and efficient financial analysis and examination processes;
- Appropriate organizational and personnel practices; and
- Effective and efficient process regarding the review of organization, licensing and change or control of domestic insurance.

Being accredited provides a means whereby other states will accept the examinations of Alaska's multi-state insurers; and that we can accept the examinations of non-domestic insurers licensed to sell in Alaska from other accredited states without having to perform our own examinations.

Alaska has seven domestic insurers and approximately 1,100 foreign insurers.

Finally, the importance of accreditation cannot be understated as respects our commitment to state-based regulation. Title V of the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank), provided for the creation of the Federal Insurance Office (FIO). The FIO's is charged with monitoring the insurance industry (with the exception of the health insurance industry) including identifying activities within a sector that could potentially contribute to a systemic crisis to the broader financial system, the extent to which under-served communities have access to affordable insurance products and the sector's regulation. The FIO is authorized to receive and collect data and information on the insurance industry and can enter into information sharing agreements with state regulators. They also have the authority to require an insurer to submit data to its office.

In 2013, the FIO released a mandated study titled “*How to Modernize and Improve the System of Insurance Regulation in the United States*”. The report acknowledges many of the strengths as well as the successes of state-based insurance regulation. Nonetheless, the framework has been set for federal regulation if state-based regulation were to fail. It is not thought that federal oversight of Alaska, or any other states, will be in the best interest of the states. However, the states are continually monitored for adoption of and compliance of statutes regarding financial solvency and other regulations promoting a sound insurance industry that protects consumers. An accredited state meets the criteria set by the NAIC and accepted by the FIO.