

HOUSE BILL NO. 372

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Introduced: 3/21/16

Referred: Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to insurance; relating to expenses for insurance examinations; relating
2 to regulations for insurance utilization review, benefits determination, health care
3 insurance grievance resolution procedures, independent review of adverse
4 determinations or final adverse determinations, independent review organizations, and
5 continuing education providers; relating to required provisions for health care
6 insurance contracts and policies, including health care provider choice; establishing civil
7 penalties for insurers for failure to provide requested records; amending the definition
8 of 'wet marine and transportation' insurance; amending provisions on limited licenses to
9 include crop insurance; relating to third-party administrator notification requirements;
10 relating to certification filing by reinsurance intermediary brokers; relating to rate
11 filings, delivery of insurance policies or endorsements; relating to refunds of variable life
12 insurance policies and variable annuities; establishing limitations on issuance of long-

1 term care insurance; relating to requirements for group health insurance policies;
 2 amending the definition of 'group health insurance'; relating to motor vehicle service
 3 contracts; relating to notice requirements for meetings of stockholders or members of a
 4 domestic insurer; establishing a definition of 'bona fide association'; relating to
 5 requirements and penalties for committing a fraudulent or criminal insurance act;
 6 updating criteria for examinations; relating to rate filing deviations; establishing civil
 7 penalties for certain wilful violations; and providing for an effective date."

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

9 * **Section 1.** AS 21.06.120(a) is amended to read:

10 (a) The director may examine the affairs, transactions, accounts, records, and
 11 assets of each authorized and formerly authorized insurer and each licensed and
 12 formerly licensed managing general agent, reinsurance intermediary broker,
 13 reinsurance intermediary manager, surplus lines broker, and surplus lines association
 14 as often as the director considers advisable. In scheduling and determining the nature,
 15 scope, and frequency of examinations, the director may consider any factor or material
 16 that the director determines is appropriate, including the results of financial statement
 17 analysis and ratios, competency of management or change of ownership, actuarial
 18 opinions, reports of independent certified public accountants, number and nature of
 19 consumer complaints, results of prior examinations, frequency of prior violations of
 20 statute and regulation, and criteria set out in the **most recent edition of the Financial**
 21 **Condition Examiners** [EXAMINERS'] Handbook **and the Market Regulation**
 22 **Handbook** [MOST RECENTLY] approved by the National Association of Insurance
 23 Commissioners and in effect when the director conducts an examination. Examination
 24 of an alien insurer may be limited to its insurance transactions and affairs in the United
 25 States. Examination of a reciprocal insurer may also include examination of its
 26 attorney-in-fact to the extent that the transactions of the attorney-in-fact relate to the
 27 insurer.

28 * **Sec. 2.** AS 21.06.140(f) is amended to read:

1 (f) In conducting an examination under this section, the examiner shall
 2 observe at a minimum those guidelines and procedures set out in the **most recent**
 3 **edition of the Financial Condition Examiners** [EXAMINERS'] Handbook **and the**
 4 **Market Regulation Handbook** [CURRENTLY] approved by the National
 5 Association of Insurance Commissioners that are consistent with this title.

6 * **Sec. 3.** AS 21.06.160(a) is amended to read:

7 (a) Each person examined, other than examinations under AS 21.06.130 **and**
 8 **examinations of managing general agents, third-party administrators,**
 9 **reinsurance intermediary managers, motor vehicle service contract providers, or**
 10 **surplus lines brokers,** shall pay a reasonable rate calculated on salary, benefit costs,
 11 and estimated division overhead for time spent directly or indirectly related to the
 12 examination. Each person examined, other than examinations under AS 21.06.130,
 13 shall pay actual out-of-pocket business expenses, including travel expenses, incurred
 14 by division staff examiners and shall pay the compensation of a contract examiner, to
 15 be set at a reasonable customary rate, for conducting the examination upon
 16 presentation of a detailed account of the charges and expenses by the director or under
 17 an order of the director. **The director may waive payment of all or part of the**
 18 **actual out-of-pocket business expenses incurred by division staff examiners, or**
 19 **the compensation of a contract examiner, if the director determines that payment**
 20 **of the expenses or compensation creates a financial hardship for a managing**
 21 **general agent, third-party administrator, reinsurance intermediary manager,**
 22 **motor vehicle service contract provider, or surplus line broker.** The accounting
 23 may either be presented periodically during the course of the examination or at the
 24 termination of the examination. A person may not pay and an examiner may not
 25 accept additional compensation for an examination. A person shall pay examination
 26 expenses to the division under this subsection using an electronic payment method
 27 specified by the director.

28 * **Sec. 4.** AS 21.07 is amended by adding a new section to read:

29 **Sec. 21.07.005. Regulations.** (a) The director shall adopt regulations to
 30 provide standards and criteria for

31 (1) the structure and operation of utilization review and benefit

1 determination processes;

2 (2) the establishment and maintenance of procedures by health care
3 insurers to ensure that a covered individual has the opportunity for appropriate
4 resolution of grievances; and

5 (3) an independent review of an adverse determination or final adverse
6 determination.

7 (b) The regulations under (a) of this section must be at least as restrictive as
8 the Utilization Review and Benefit Determination Model Act adopted by the National
9 Association of Insurance Commissioners on June 22, 2003, the Health Carrier
10 Grievance Procedure Model Act adopted by the National Association of Insurance
11 Commissioners on June 22, 2003, and the Uniform Health Carrier External Review
12 Model Act adopted by the National Association of Insurance Carriers on June 2, 2008.

13 (c) The director may adopt regulations for the registration and regulation of
14 independent review organizations, including the establishment of fees in an amount
15 the director determines to be sufficient to reimburse the state for actual expenses
16 incurred in providing a service.

17 * **Sec. 5.** AS 21.07.010(a) is amended to read:

18 (a) A contract between a participating health care provider and a health care
19 insurer must contain a provision that

20 (1) provides for a reasonable mechanism to identify all medical care
21 services to be provided by the health care insurer;

22 (2) **clearly states that the health care provider will adhere to the**
23 **health care insurer's policies and procedures, including procedures regarding**
24 **referrals, obtaining prior authorization, and providing services under a**
25 **treatment plan approved by the health care insurer;**

26 (3) clearly states or references an attachment that states the health care
27 provider's rate of compensation;

28 (4) [(3)] clearly states all ways in which the contract between the
29 health care provider and health care insurer may be terminated; a provision that
30 provides for discretionary termination by either party must apply equitably to both
31 parties;

1 (5) [(4)] provides that, in the event of a dispute between the parties to
 2 the contract, a fair, prompt, and mutual dispute resolution process must be used; at a
 3 minimum, the process must provide

4 (A) for an initial meeting at which all parties are present or
 5 represented by individuals with authority regarding the matters in dispute; the
 6 meeting shall be held **not later than** [WITHIN] 10 working days after the
 7 health care insurer receives written notice of the dispute or gives written notice
 8 to the provider, unless the parties otherwise agree in writing to a different
 9 schedule;

10 (B) that if, **not later than** [WITHIN] 30 days **after**
 11 [FOLLOWING] the initial meeting, the parties have not resolved the dispute,
 12 the dispute shall be submitted to mediation directed by a mediator who is
 13 mutually agreeable to the parties and who is not regularly under contract to or
 14 employed by either of the parties; each party shall bear its proportionate share
 15 of the cost of mediation, including the mediator fees;

16 (C) that if, after a period of 60 days following commencement
 17 of mediation, the parties are unable to resolve the dispute, either party may
 18 seek other relief allowed by law;

19 (D) that the parties shall agree to negotiate in good faith in the
 20 initial meeting and in mediation;

21 (6) [(5)] states that a health care provider may not be penalized or the
 22 health care provider's contract terminated by the health care insurer because the health
 23 care provider acts as an advocate for a covered person in seeking appropriate,
 24 medically necessary medical care services;

25 (7) [(6)] protects the ability of a health care provider to communicate
 26 openly with a covered person about all appropriate diagnostic testing and treatment
 27 options; and

28 (8) [(7)] defines words in a clear and concise manner.

29 * **Sec. 6.** AS 21.07.020 is amended to read:

30 **Sec. 21.07.020. Required contract provisions for health care insurance**
 31 **policy.** A health care insurance policy must contain **a provision**

1 (1) [A PROVISION] that preauthorization for a covered medical
 2 procedure on the basis of medical necessity may not be retroactively denied unless the
 3 preauthorization is based on materially incomplete or inaccurate information provided
 4 by or on behalf of the provider;

5 (2) [A PROVISION] for emergency [ROOM] services **that meet the**
 6 **requirements under 42 U.S.C. 300gg-19a(b)** if any coverage is provided for
 7 treatment of **an** [A MEDICAL] emergency **medical condition**;

8 (3) [A PROVISION] that covered medical care services be reasonably
 9 available in the community in which a covered person resides or that, if referrals are
 10 required by the policy, adequate referrals outside the community be available if the
 11 medical care service is not available in the community;

12 (4) [A PROVISION THAT ANY UTILIZATION REVIEW
 13 DECISION

14 (A) MUST BE MADE WITHIN 72 HOURS AFTER
 15 RECEIVING THE REQUEST FOR PREAPPROVAL FOR
 16 NONEMERGENCY SITUATIONS; FOR EMERGENCY SITUATIONS,
 17 UTILIZATION REVIEW DECISIONS FOR CARE FOLLOWING
 18 EMERGENCY SERVICES MUST BE MADE AS SOON AS IS
 19 PRACTICABLE BUT IN ANY EVENT NOT LATER THAN 24 HOURS
 20 AFTER RECEIVING THE REQUEST FOR PREAPPROVAL OR FOR
 21 COVERAGE DETERMINATION; AND

22 (B) TO DENY, REDUCE, OR TERMINATE A HEALTH
 23 CARE BENEFIT OR TO DENY PAYMENT FOR A MEDICAL CARE
 24 SERVICE BECAUSE THAT SERVICE IS NOT MEDICALLY
 25 NECESSARY SHALL BE MADE BY AN EMPLOYEE OR AGENT OF
 26 THE HEALTH CARE INSURER WHO IS A LICENSED HEALTH CARE
 27 PROVIDER;

28 (5) A PROVISION THAT PROVIDES FOR AN INTERNAL
 29 APPEAL MECHANISM FOR A COVERED PERSON WHO DISAGREES WITH A
 30 UTILIZATION REVIEW DECISION MADE BY A HEALTH CARE INSURER;
 31 EXCEPT AS PROVIDED UNDER (6) OF THIS SECTION, THIS APPEAL

1 MECHANISM MUST PROVIDE FOR A WRITTEN DECISION

2 (A) FROM THE HEALTH CARE INSURER WITHIN 18
3 WORKING DAYS AFTER THE DATE WRITTEN NOTICE OF AN
4 APPEAL IS RECEIVED; AND

5 (B) ON THE APPEAL BY AN EMPLOYEE OR AGENT OF
6 THE HEALTH CARE INSURER WHO HOLDS THE SAME
7 PROFESSIONAL LICENSE AS THE HEALTH CARE PROVIDER WHO IS
8 TREATING THE COVERED PERSON;

9 (6) A PROVISION THAT PROVIDES FOR AN INTERNAL
10 APPEAL MECHANISM FOR A COVERED PERSON WHO DISAGREES WITH A
11 UTILIZATION REVIEW DECISION MADE BY A HEALTH CARE INSURER IN
12 ANY CASE IN WHICH DELAY WOULD, IN THE WRITTEN OPINION OF THE
13 TREATING PROVIDER, JEOPARDIZE THE COVERED PERSON'S LIFE OR
14 MATERIALLY JEOPARDIZE THE COVERED PERSON'S HEALTH; THE
15 HEALTH CARE INSURER SHALL

16 (A) DECIDE AN APPEAL DESCRIBED IN THIS
17 PARAGRAPH WITHIN 72 HOURS AFTER RECEIVING THE APPEAL;
18 AND

19 (B) PROVIDE FOR A WRITTEN DECISION ON THE
20 APPEAL BY AN EMPLOYEE OR AGENT OF THE HEALTH CARE
21 INSURER WHO HOLDS THE SAME PROFESSIONAL LICENSE AS THE
22 HEALTH CARE PROVIDER WHO IS TREATING THE COVERED
23 PERSON;

24 (7) A PROVISION THAT DISCLOSES THE EXISTENCE OF THE
25 RIGHT TO AN EXTERNAL APPEAL OF A UTILIZATION REVIEW DECISION
26 MADE BY A HEALTH CARE INSURER; THE EXTERNAL APPEAL SHALL BE
27 CONDUCTED IN ACCORDANCE WITH AS 21.07.050;

28 (8) A PROVISION] that discloses covered benefits, optional
29 supplemental benefits, and benefits relating to and restrictions on nonparticipating
30 provider services;

31 (5) [(9) A PROVISION THAT DESCRIBES THE PREAPPROVAL

1 REQUIREMENTS AND WHETHER CLINICAL TRIALS OR EXPERIMENTAL
2 OR INVESTIGATIONAL TREATMENT ARE COVERED;

3 (10) A PROVISION] describing a mechanism for assignment of
4 benefits for health care providers and payment of benefits;

5 (6) [(11) A PROVISION] describing the availability of prescription
6 medications or a formulary guide, and whether medications not listed are excluded; if
7 a formulary guide is made available, the guide must be updated annually; and

8 (7) [(12) A PROVISION] describing available translation or interpreter
9 services, including audiotape or braille information.

10 * **Sec. 7.** AS 21.07.030(d) is amended to read:

11 (d) If a health care insurer that offers a health care insurance policy requires or
12 provides for a designation by a covered person of a participating primary care
13 provider, the health care insurer shall permit the covered person to designate any
14 participating primary care provider, including a pediatrician, that is available to
15 accept the covered person.

16 * **Sec. 8.** AS 21.07.030(e) is amended to read:

17 (e) Except as provided in this subsection and (h) of this section, a health care
18 insurer that offers a health care insurance policy shall permit a covered person to
19 receive medically necessary or appropriate specialty care, subject to appropriate
20 referral procedures, from any qualified participating health care provider that is
21 available to accept the individual for medical care. This subsection does not apply to
22 specialty care if the health care insurer clearly informs covered persons of the
23 limitations on choice of participating health care providers with respect to medical
24 care. In this subsection,

25 (1) "appropriate referral procedures" means procedures for referring
26 patients to other health care providers as set out in the applicable member policy and
27 as described under (a) of this section;

28 (2) "specialty care" means care provided by a health care provider with
29 training and experience in treating a particular injury, illness, or condition.

30 * **Sec. 9.** AS 21.07.030 is amended by adding a new subsection to read:

31 (h) A health care insurer that offers a health care insurance policy that

1 provides coverage for obstetrical and gynecological care and that requires designation
 2 by a covered person of a participating primary care provider may not require
 3 authorization or referral for a female patient to receive obstetrical and gynecological
 4 care from a participating provider and shall treat authorizations by a health care
 5 provider who specializes in obstetrical or gynecological care as the authorization of
 6 the primary care provider. This section may not be construed to

7 (1) waive any exclusions of coverage under the terms and conditions
 8 of the health care insurance policy with respect to coverage of obstetrical and
 9 gynecological care; or

10 (2) preclude a health care insurer from requiring that the health care
 11 provider who specializes in obstetrical or gynecological care to notify the primary care
 12 provider or the health care insurer of treatment decisions.

13 * **Sec. 10.** AS 21.07.250(3) is repealed and reenacted to read:

14 (3) "emergency services" means medical care services or items
 15 furnished or required to evaluate and treat an emergency medical condition;

16 * **Sec. 11.** AS 21.07.250(14) is repealed and reenacted to read:

17 (14) "utilization review" means a set of techniques designed to monitor
 18 the use of, or evaluate the clinical necessity, appropriateness, efficacy, or efficiency of,
 19 health care services, procedures, or settings; techniques may include ambulatory
 20 review, prospective review, second opinion certification, concurrent review, case
 21 management, discharge planning, or retrospective review.

22 * **Sec. 12.** AS 21.07.250 is amended by adding a new paragraph to read:

23 (15) "emergency medical condition" means the sudden and, at the
 24 time, unexpected onset of a medical condition or illness that requires immediate
 25 medical attention and where failure to provide immediate medical attention would
 26 result in

27 (A) the placing of the person's health in serious jeopardy;

28 (B) a serious impairment to bodily functions; or

29 (C) a serious dysfunction of any bodily organ or part.

30 * **Sec. 13.** AS 21.09.320(b) is amended to read:

31 (b) To meet the requirements of (a) of this section, the insurer shall keep the

1 records [AS REQUIRED IN AS 21.69.390(d) OR] as required by the record
 2 maintenance requirements of the insurer's domicile jurisdiction[, WHICHEVER IS
 3 LONGER].

4 * **Sec. 14.** AS 21.09.320 is amended by adding new subsections to read:

5 (c) The director may make a request in writing to review records under (a) of
 6 this section. An insurer shall, not later than 10 business days after the date of the
 7 request, provide the requested records to the director or make the records available for
 8 inspection and copying. All records inspected or examined under this subsection are
 9 confidential, but may be used by the director in a proceeding against the insurer.

10 (d) Failure by an insurer to provide information required in this section may
 11 result in a civil penalty of up to \$1,000 for each violation and an additional civil
 12 penalty of up to \$50 for each day the information requested is not provided.

13 * **Sec. 15.** AS 21.12.090(b) is amended to read:

14 (b) For the purposes of this title, "wet marine and transportation" insurance is
 15 that part of marine insurance that includes only

16 (1) insurance on [UPON] vessels, crafts, and hulls, and insurance of
 17 interests in or with relation to vessels, crafts, and hulls;

18 (2) insurance of marine builder's risks, marine war risks, and contracts
 19 of marine protection and indemnity insurance;

20 (3) insurance of freights and disbursements pertaining to a subject of
 21 insurance coming within this section; or [AND]

22 (4) insurance of personal property and interests in personal property, in
 23 the course of exportation from or importation into any country, and in the course of
 24 transportation coastwise or on inland waters, including transportation by land, water,
 25 or air from point of origin to final destination, in respect to, appertaining to, or in
 26 connection with, any and all risks or perils of navigation, transit, or transportation, and
 27 while being prepared for and while awaiting shipment, and during delays, storage,
 28 transshipment, or reshipment incident thereto.

29 * **Sec. 16.** AS 21.27.020(c) is amended to read:

30 (c) To qualify for issuance or renewal of a license as a firm insurance
 31 producer, a firm managing general agent, a firm reinsurance intermediary broker, a

1 firm reinsurance intermediary manager, a firm surplus lines broker, or a firm
 2 independent adjuster, an applicant or licensee shall

3 (1) comply with (b)(4) and (5) of this section;

4 (2) maintain a lawfully established place of business in this state,
 5 except when licensed as a nonresident under AS 21.27.270;

6 (3) designate one or more compliance officers for the firm, **except that**
 7 **not more than one compliance officer may be designated for each class of**
 8 **authority**;

9 (4) provide to the director documents necessary to verify the
 10 information contained in or made in connection with the application; and

11 (5) notify the director, in writing, **not later than** [WITHIN] 30 days
 12 **after** [OF] a change in the firm's compliance officer.

13 * **Sec. 17.** AS 21.27.020(f) is amended to read:

14 (f) The director may adopt regulations establishing additional education or
 15 experience requirements for applicants, [OR] licensees, **and continuing education**
 16 **providers** under this chapter upon due consideration of the availability and
 17 accessibility of education and training opportunities in rural areas of the state.
 18 Regulations adopted under this subsection are subject to the following provisions:

19 (1) additional educational or experience requirements may not apply to
 20 a licensee who has been licensed by the division of insurance before January 1, 1980;

21 (2) a licensee shall complete at least 24 credit hours of approved
 22 continuing education courses during each two-year license period;

23 (3) if a licensee has accumulated more credit hours than required under
 24 (2) of this subsection by the end of the license period, a maximum of eight hours may
 25 be carried over to meet the requirements of (2) of this subsection in the next license
 26 period;

27 (4) a program or seminar may not be approved as an acceptable
 28 continuing education program unless it is a formal program of learning that
 29 contributes to the professional competence of the licensee; individual study programs
 30 or correspondence courses may be used to fulfill continuing education requirements if
 31 approved by the director;

1 (5) a nonresident licensee is exempt from the requirements of this
2 subsection.

3 * **Sec. 18.** AS 21.27.025(a) is amended to read:

4 (a) A licensee shall notify the director in writing **not later than** [WITHIN] 30
5 days after a change in residence, place of business, legal name, fictitious name or
6 alias, mailing address, electronic mailing address, [OR] telephone number, **or**
7 **compliance officer**. A licensee shall report to the director in writing any
8 administrative action taken against the licensee by a governmental agency of another
9 state, [OR] by a governmental agency of another jurisdiction, **or by a financial**
10 **industry regulatory authority sanction or arbitration proceeding not later than**
11 [WITHIN] 30 days after the final disposition of the action. A licensee shall submit to
12 the director the final order and other relevant legal documents in the action. A licensee
13 shall report to the director any criminal prosecution of the licensee in this or another
14 state or jurisdiction **not later than** [WITHIN] 30 days after the date of filing of the
15 criminal complaint, indictment, information, or citation in the prosecution. The
16 licensee shall submit to the director a copy of the criminal complaint, calendaring
17 order, and other relevant legal documents in the prosecution.

18 * **Sec. 19.** AS 21.27.150(a) is amended to read:

19 (a) The director may issue a

20 (1) travel insurance limited producer license to a person who is
21 appointed under AS 21.27.100 and who sells travel insurance; in this paragraph,
22 "travel insurance" has the meaning given in AS 21.27.152;

23 (2) title insurance limited producer license to a person whose place of
24 business is located in this state and whose sole purpose is to be appointed by and act
25 on behalf of a title insurer;

26 (3) bail bond limited producer license to a person who is appointed by
27 and acts on behalf of a surety insurer pertaining to bail bonds;

28 (4) motor vehicle rental agency limited producer license to a person
29 and, subject to the approval of the director, to employees of the person licensed that
30 the licensee authorizes to transact the business of insurance on the licensee's behalf if,
31 as to an employee, the licensee complies with (D) of this paragraph and if the licensee

1 (A) rents to others, without operators,

2 (i) private passenger motor vehicles, including
3 passenger vans, minivans, and sport utility vehicles; or

4 (ii) cargo motor vehicles, including cargo vans, pickup
5 trucks, and trucks with a gross vehicle weight of less than 26,000
6 pounds that do not require the operator to possess a commercial driver's
7 license;

8 (B) rents motor vehicles only to persons under rental
9 agreements that do not exceed a term of 90 days;

10 (C) transacts only the following kinds of insurance:

11 (i) motor vehicle liability insurance with respect to
12 liability arising out of the use of a vehicle rented from the licensee
13 during the term of the rental agreement;

14 (ii) uninsured or underinsured motorist coverage, with
15 minimum limits described in AS 21.96.020(c) and (d) arising from the
16 use of a vehicle rented from the licensee during the term of the rental
17 agreement;

18 (iii) insurance against medical, hospital, surgical, and
19 disability benefits to an injured person and funeral and death benefits to
20 dependents, beneficiaries, or personal representatives of a deceased
21 person if the insurance is issued as incidental coverage with or
22 supplemental to liability insurance and arises out of the use of a vehicle
23 rented from the licensee during the term of the rental agreement;

24 (iv) personal effects insurance, including loss of use,
25 with respect to damage to or loss of personal property of a person
26 renting the vehicle and other vehicle occupants while that property is
27 being loaded into, transported by, or unloaded from a vehicle rented
28 from the licensee during the term of the rental agreement;

29 (v) towing and roadside assistance with respect to
30 vehicles rented from the licensee during the term of the rental
31 agreement; and

1 (vi) other insurance as may be authorized by regulation
2 by the director;

3 (D) notifies the director in writing, **not later than** [WITHIN]
4 30 days **after** [OF] employment, of the name, date of birth, social security
5 number, location of employment, and home address of an employee authorized
6 by the licensee to transact insurance on the licensee's behalf; and

7 (E) provides other information as required by the director;

8 (5) nonresident limited producer license to a person; a license that the
9 director issues under this paragraph grants the same scope of authority as a limited
10 lines producer license issued to the person by the person's home state;

11 (6) credit insurance limited producer license to a person who sells
12 limited lines credit insurance;

13 (7) miscellaneous limited producer license to a person who transacts
14 insurance in this state that restricts the person's authority to less than the total authority
15 for a line of authority described in AS 21.27.115(1) - (6) [, (8), AND (9)];

16 (8) portable electronics limited producer license to a vendor that sells
17 or offers portable electronics insurance as defined in AS 21.36.515; the following
18 provisions apply to a license issued under this paragraph:

19 (A) a vendor shall file with the director a sworn application for
20 a license under this paragraph on a form prescribed and furnished by the
21 director; the vendor shall provide the name, residence address, location of the
22 vendor's home office, and other information required by the director for an
23 employee or officer that is designated by the vendor as the person responsible
24 for the vendor's compliance with the requirements of this chapter; however, if
25 the vendor derives more than 50 percent of its revenue from the sale of
26 portable electronics insurance, the vendor shall provide the information
27 required under this subparagraph for all officers, directors, and shareholders of
28 record having beneficial ownership of 10 percent or more of any class of
29 securities registered under the federal securities law;

30 (B) a portable electronics limited producer license issued under
31 this paragraph must authorize the employees or authorized representatives of a

1 vendor to transact portable electronics insurance at each location at which a
2 vendor offers portable electronics to customers in this state; and

3 (C) the employees or authorized representatives of the vendor
4 may transact portable electronics insurance and are not required to obtain a
5 limited producer license if

6 (i) the employees or authorized representatives are not
7 compensated based primarily on the number of customers enrolled for
8 coverage; however, an employee or authorized representative may
9 receive compensation for activities under the license that is incidental
10 to the employee's or authorized representative's overall compensation;

11 (ii) the insurer issuing the portable electronics insurance
12 provides a training program for employees and authorized
13 representatives of the portable electronics limited producer licensee that
14 includes instruction about the portable electronics insurance offered to
15 customers and the disclosures required under AS 21.36.515; and

16 (iii) the vendor maintains a register of each location in
17 the state where the vendor offers portable electronics insurance and
18 submits the register to the director **not later than** [WITHIN] 30 days
19 after the director requests the register;

20 **(9) crop insurance limited producer license to a person who sells or**
21 **offers crop insurance coverage for damage to crops from unfavorable weather**
22 **conditions, fire or lightning, flood, hail, insect infestation, disease, or other yield-**
23 **reducing conditions or perils provided by the private insurance market or that is**
24 **subsidized by the Federal Crop Insurance Corporation, including multi-peril**
25 **crop insurance.**

26 * **Sec. 20.** AS 21.27.380(a) is amended to read:

27 (a) Except as provided in this title, the director may renew a license biennially
28 on a date set by the director if the licensee continues to be qualified under this chapter
29 and, on or before [THE CLOSE OF BUSINESS OF] the **license expiration**
30 [RENEWAL] date, meets all renewal requirements established by regulation, **submits**
31 **a renewal application,** and pays the renewal license fees set under AS 21.06.250 for

1 each license **authority** to the director. A licensee is responsible for knowing the date
 2 that a license **expires** [LAPSES] and for renewing a license before expiration. The
 3 director shall notify the licensee of the license renewal 30 days before the renewal
 4 date.

5 * **Sec. 21.** AS 21.27.380(b) is amended to read:

6 (b) If a license is not renewed on or before the renewal date set by the director,
 7 the license **expires** [LAPSES]. A licensee may not act as or represent to be an
 8 insurance producer, managing general agent, reinsurance intermediary broker,
 9 reinsurance intermediary manager, surplus lines broker, or independent adjuster during
 10 the time a license has **expired** [LAPSED]. The director may reinstate **an expired** [A
 11 LAPSED] license if the person continues to qualify for the license **and** [,] pays
 12 renewal license fees [,] and a delayed renewal penalty. Reinstatement does not exempt
 13 a person from a penalty provided by law for transacting business while unlicensed. A
 14 license may not be renewed if it has **expired** [LAPSED] for two years or longer.

15 * **Sec. 22.** AS 21.27.380(d) is amended to read:

16 (d) **The director shall mail a notice** [NOTICE] of **expiration** [LAPSE
 17 FROM THE DIRECTOR] stating the reason for the **expiration** [LAPSE SHALL BE
 18 MAILED] to a licensee at the licensee's last address on record with the director. The
 19 director shall obtain a certificate of mailing from the United States Postal Service.

20 * **Sec. 23.** AS 21.27.640(b) is amended to read:

21 (b) To qualify for issuance or renewal of a registration, an applicant or
 22 registrant shall comply with this title, regulations adopted under AS 21.06.090, and

23 (1) be a trustworthy person;

24 (2) have active working experience in administrative functions that, in
 25 the director's opinion, exhibits the ability to competently perform the administrative
 26 functions of a third-party administrator;

27 (3) not have committed an act that is a cause for denial, nonrenewal,
 28 suspension, or revocation of a registration or license in this state or another
 29 jurisdiction;

30 (4) maintain a lawfully established place of business as described in
 31 AS 21.27.330 in this state, unless licensed as a nonresident under AS 21.27.270;

1 (5) disclose to the director all owners, officers, directors, or partners, if
2 any;

3 (6) designate a compliance officer for the firm;

4 (7) provide in or with its application

5 (A) all basic organizational documents of the third-party
6 administrator, including articles of incorporation, articles of association,
7 partnership agreement, trade name certificate, trust agreement, shareholder
8 agreement, and other applicable documents and all endorsements to the
9 required documents;

10 (B) the bylaws, rules, regulations, or similar documents
11 regulating the internal affairs of the administrator;

12 (C) the names, mailing addresses, physical addresses, official
13 positions, and professional qualifications of persons who are responsible for
14 the conduct of affairs of the third-party administrator, including the members
15 of the board of directors, board of trustees, executive committee, or other
16 governing board or committee; the principal officers in the case of a
17 corporation, or the partners or members in the case of a partnership, limited
18 liability company, limited liability partnership, or association; shareholders
19 holding directly or indirectly 10 percent or more of the voting securities of the
20 third-party administrator; and any other person who exercises control or
21 influence over the affairs of the third-party administrator;

22 (D) certified financial statements for the preceding two years,
23 or for each year and partial year that the applicant has been in business if less
24 than two years, prepared by an independent certified public accountant
25 establishing that the applicant is solvent, that the applicant's system of
26 accounting, internal control, and procedure is operating effectively to provide
27 reasonable assurance that money is promptly accounted for and paid to the
28 person entitled to the money, and any other information that the director may
29 require to review the current financial condition of the applicant; and

30 (E) a statement describing the business plan, including
31 information on staffing levels and activities proposed in this state and in other

1 jurisdictions and providing details establishing the third-party administrator's
 2 capability for providing a sufficient number of experienced and qualified
 3 personnel in the areas of claims handling, underwriting, and record keeping;

4 (8) provide to the director documents necessary to verify the
 5 statements contained in or in connection with the application; and

6 (9) notify the director, in writing, **not later than** [WITHIN] 30 days
 7 **after** [OF]

8 (A) a change in compliance officer, residence, place of
 9 business, mailing address, or phone number;

10 (B) **the final disposition of an administrative action taken**
 11 **against the registrant by a governmental agency of another state, by a**
 12 **governmental agency of another jurisdiction, or by a financial industry**
 13 **regulatory authority sanction or arbitration proceeding; in addition, a**
 14 **registrant shall submit to the director documents relating to the final**
 15 **disposition on, including the final order and other relevant legal**
 16 **documents in the action** [THE SUSPENSION OR REVOCATION OF AN
 17 INSURANCE LICENSE OR REGISTRATION BY ANOTHER STATE OR
 18 JURISDICTION]; or

19 (C) a conviction of a misdemeanor or felony of the third-party
 20 administrator, its officers, directors, partners, owners, or employees.

21 * **Sec. 24.** AS 21.27.650 is amended by adding a new subsection to read:

22 (r) An insurer shall review its books and records quarterly to determine
 23 whether a person or insurance producer has acted as the insurer's third-party
 24 administrator. If an insurer determines that a person or insurance producer has acted as
 25 the insurer's third-party administrator, the insurer shall promptly notify the person or
 26 insurance producer and the director of this determination. The insurer and the person
 27 or insurance producer must fully comply with the provisions of this chapter not later
 28 than 30 days after notification.

29 * **Sec. 25.** AS 21.27.690(b) is amended to read:

30 (b) An insurer may use a nonresident reinsurance intermediary broker who is
 31 not licensed under this chapter if **the reinsurance intermediary broker has filed a**

1 **certification with the director that the reinsurance intermediary broker is**
 2 **operating only for a foreign insurer and** the person is licensed in good standing as a
 3 resident reinsurance intermediary broker by an insurance regulator of another state that
 4 is accredited by the National Association of Insurance Commissioners. Upon written
 5 request, the director may grant written permission for a domestic insurer to use an
 6 alien reinsurance intermediary broker not licensed by and without a place of business
 7 in a jurisdiction subject to accreditation by the National Association of Insurance
 8 Commissioners if the alien reinsurance intermediary broker **has filed a certification**
 9 **with the director that the reinsurance intermediary broker is operating only for a**
 10 **domestic insurer and** is licensed in good standing by its domiciliary insurance
 11 regulator. The domestic insurer and unlicensed reinsurance intermediary broker are
 12 subject to all other requirements of this section.

13 * **Sec. 26.** AS 21.34.035(b) is amended to read:

14 (b) The rates and rating methods for health care insurance placed and written
 15 under this section are subject to **AS 21.51.405 and AS 21.54.015** [AS 21.87.190]. The
 16 surplus lines broker shall make the filings required under **AS 21.51.405 and AS**
 17 **21.54.015** [AS 21.87.190] and maintain the records and accounts as required under AS
 18 21.87.230.

19 * **Sec. 27.** AS 21.34.050(a) is amended to read:

20 (a) In addition to meeting the requirements of AS 21.34.040, a nonadmitted
 21 insurer shall be considered an eligible surplus lines insurer if it [PAYS FEES
 22 REQUIRED BY REGULATION AND] appears on the most recent list of eligible
 23 surplus lines insurers published by the director. The list is to be published at least
 24 semiannually by

25 (1) posting the list on the division's Internet website; and

26 (2) providing a copy of the list to a person on request to the division.

27 * **Sec. 28.** AS 21.34.050(c) is amended to read:

28 (c) A nonadmitted insurer shall be removed from the list of eligible surplus
 29 lines insurers if the nonadmitted insurer [FAILS TO PAY, BEFORE JULY 1 OF
 30 EACH YEAR, THE FEE AUTHORIZED UNDER THIS SECTION OR] fails to meet
 31 the requirement under AS 21.34.040(d). However, the director may reinstate a

1 nonadmitted insurer on the list of eligible surplus lines insurers if

2 [(1) THE NONADMITTED INSURER INADVERTENTLY FAILED
3 TO PAY THE FEE OR MEET THE REQUIREMENT UNDER AS 21.34.040(d);

4 (2)] the nonadmitted insurer has remedied the reason for removal from
5 the list [; AND

6 (3) THE NONADMITTED INSURER PAYS A LATE FEE AS
7 ESTABLISHED BY REGULATION].

8 * **Sec. 29.** AS 21.34.180(a) is amended to read:

9 (a) In addition to collecting the full amount of gross premiums written by an
10 insurer for surplus lines insurance, the surplus lines broker shall collect and pay to the
11 director a tax of 2.7 percent on the net premium, which is the total gross premiums
12 written, less any return premiums, for the insurance. Where the **home state of the**
13 **insured is this state and the** insurance covers properties, risks, or exposures located
14 or to be performed both in and out of this state, the tax payable shall be computed
15 based on an amount equal to 2.7 percent on that portion of the net premiums allocated
16 under (f) of this section to this state, plus an amount equal to the portion of the
17 premiums allocated under (f) of this section to other states or territories based on the
18 tax rates and fees applicable to other properties, risks, or exposures located or to be
19 performed outside of this state.

20 * **Sec. 30.** AS 21.36.025 is amended by adding new subsections to read:

21 (b) A person may not sell a membership in an association or labor union for
22 the purpose of qualifying an individual for group insurance.

23 (c) A person that sells a membership in an association may not offer group
24 insurance for purposes of selling membership in an association or labor union.

25 * **Sec. 31.** AS 21.36.185 is amended to read:

26 **Sec. 21.36.185. Maintenance of complaint handling records. Except for**
27 **records subject to health carrier grievance reporting and recordkeeping**
28 **requirements established under AS 21.07.005, an** [AN] insurer shall maintain a
29 complete record of all the complaints received by the insurer since the date of the
30 insurer's last market conduct examination under AS 21.06.120 or for four years,
31 whichever occurs first. This record must indicate the total number of complaints, the

1 classification of each complaint by line of insurance, the nature of each complaint, the
 2 disposition of each complaint, and the time it took to process each complaint. For
 3 purposes of this section, "complaint" means any written communication primarily
 4 expressing a grievance.

5 * **Sec. 32.** AS 21.36.225 is amended to read:

6 **Sec. 21.36.225. Notice of health insurance coverage cancellation, coverage**
 7 **change, or premium change.** (a) Except for a health care insurance policy subject to
 8 AS 21.51.400 or AS 21.54.130, an insurer may not cancel a health insurance policy
 9 unless the insurer provides written notice to a **policyholder** [COVERED
 10 INDIVIDUAL] at least 45 days before the effective date of the cancellation.

11 (b) An insurer shall provide written notice to a **policyholder** [COVERED
 12 INDIVIDUAL] of changes in coverage or premium at least 45 days before the
 13 effective date of the change in coverage or premium.

14 * **Sec. 33.** AS 21.36.360(b) is amended to read:

15 (b) A fraudulent insurance act is committed by a person who, with intent to
 16 injure, defraud, or deceive

17 (1) collects a sum as premium or charge for insurance if the insurance
 18 has not been provided or is not in due course to be provided, subject to acceptance of
 19 the risk by the insurer, by an insurance policy authorized under this title;

20 (2) presents to an insurer a written or oral statement in support of a
 21 claim for payment or other benefit under an insurance policy, knowing that the
 22 statement contains false, incomplete, or misleading information **or omits information**
 23 concerning a matter material to the claim;

24 (3) assists or conspires with another to prepare or make a written or
 25 oral statement that is presented to an insurer in support of a claim for a benefit under
 26 an insurance policy, knowing that the statement contains false, incomplete, or
 27 misleading information **or omits information** concerning a matter material to the
 28 claim;

29 (4) wilfully collects as premium or charge for insurance a sum in
 30 excess of the premium or charge applicable to the insurance as specified in the policy
 31 by the insurer in accordance with the applicable classifications and rates approved by

1 the director, or in cases where classifications and rates are not subject to approval, the
 2 premiums and charges applicable to the insurance as specified in the policy and fixed
 3 by the insurer;

4 (5) fails to make disposition of funds received or held or
 5 misappropriates funds received or held representing premiums or return premiums;
 6 [OR]

7 (6) fails to pay its tax liability under this title when due; **or**

8 **(7) makes a written or oral statement in response to an insurer's**
 9 **inquiries related to another person's claim for payment or other benefit under an**
 10 **insurance policy, knowing that the statement contains false, incomplete, or**
 11 **misleading information or omits information concerning a matter material to the**
 12 **claim.**

13 * **Sec. 34.** AS 21.36.360(q) is amended to read:

14 (q) A fraudulent or criminal insurance act described in

15 (1) (b) of this section that is committed to obtain \$10,000 or more is a
 16 class B felony;

17 (2) (c), (d), or (p)(4) of this section is a class B felony;

18 (3) (b) of this section that is committed to obtain \$500 or more but less
 19 than \$10,000 is a class C felony;

20 (4) (e), (f), [OR] (g), **or (p)(2) or (3)** of this section is a class C felony;

21 (5) (b) of this section that is committed to obtain less than \$500 is a
 22 class A misdemeanor;

23 (6) (i), (j), (k), (l), (m), or (n) of this section is a class A misdemeanor;

24 (7) (o) of this section is a class B misdemeanor; **and**

25 (8) (p)(1) of this section is a class B misdemeanor unless another
 26 specific penalty is provided for the violation of the provision [; AND

27 (9) (p)(2) AND (3) OF THIS SECTION MAY BE PROSECUTED
 28 UNDER AS 11.46].

29 * **Sec. 35.** AS 21.36.390(b) is amended to read:

30 (b) An insurer or licensee that has reason to believe that an insurance producer
 31 with which it is doing business is involved in a defalcation, embezzlement, or

1 violation of the provisions of **AS 21.36.030, 21.36.050, or 21.36.360** [AS 21.36.360]
 2 shall immediately send the director a report disclosing the basis for that belief and any
 3 other information that the director may require.

4 * **Sec. 36.** AS 21.39.040(a) is amended to read:

5 (a) Each insurer shall file with the director, except as to inland marine risks,
 6 which, by general custom of the business, are not written according to manual rates or
 7 rating plans, and except for rates for commercial insurance for which the director, by
 8 regulation authorizes an informational filing as set out in (k) of this section, every
 9 manual, minimum, class rate, rating schedule, loss cost adjustment, or rating plan and
 10 every other rating rule, and each modification of any of them that it proposes to use.

11 Each filing

12 (1) shall be made under the applicable filing procedures in AS
 13 21.39.041, 21.39.210, or 21.39.220;

14 (2) must state the proposed effective date; **the effective date may be**

15 **(A) a specific date;**

16 **(B) the date the filing is approved by the director; or**

17 **(C) a date conditioned on some other event when approved**

18 **by the director;** and

19 (3) must indicate the character and extent of the coverage
 20 contemplated.

21 * **Sec. 37.** AS 21.39.070(a) is repealed and reenacted to read:

22 (a) Each member of or subscriber to a rating organization shall adhere to the
 23 filings made on its behalf by the organization except that an insurer may file with the
 24 director, in accordance with AS 21.39.040(a), a deviation from the class rates,
 25 schedules, rating plans, or rules respecting a kind of insurance, or class of risk within a
 26 kind of insurance, or a combination of them.

27 * **Sec. 38.** AS 21.42.160(d) is amended to read:

28 (d) Each policy and annuity contract issued by an insurer, and the forms
 29 thereof filed with the director, must have printed on them an appropriate designating
 30 letter or figure, or combination of letters or figures, or terms identifying the respective
 31 forms of policies or contracts [, TOGETHER WITH THE YEAR OF ADOPTION OF

1 THE FORM]. When a change is made in the form, the designating letters, figures, or
2 terms [AND YEAR OF ADOPTION] must be correspondingly changed.

3 * **Sec. 39.** AS 21.42.250(c) is amended to read:

4 (c) An insurer may provide an [A PROPERTY AND CASUALTY] insurance
5 policy or endorsement [ENDORSEMENTS] by posting the policy or endorsement on
6 the insurer's Internet website and clearly identifying the posted policy or endorsement
7 [ENDORSEMENTS] purchased by the insured in the declaration page provided to the
8 insured. An [A PROPERTY AND CASUALTY] insurance policy or endorsement
9 posted under this subsection

10 (1) must contain the standard or uniform provisions [FOR PROPERTY
11 AND CASUALTY INSURANCE] required by AS 21.42.140;

12 (2) must be in a form approved by the director under AS 21.42.120;

13 (3) must be posted in a manner that reasonably allows the insured to
14 retrieve and print or save the policy or endorsement from the website without paying a
15 fee;

16 (4) must remain posted on the insurer's Internet website during the
17 time that the policy or endorsement is in effect, be retained by the insurer for not less
18 than three years after the policy or endorsement is no longer in effect, and be made
19 available to the insured on request; and

20 (5) may not include personally identifiable information.

21 * **Sec. 40.** AS 21.45.020(d) is amended to read:

22 (d) For a variable life insurance policy or variable annuity contract, the refund
23 under (c) of this section must equal the sum of

24 (1) the difference between the premiums paid, including any policy or
25 contract fees or other charges and the amounts allocated to any separate accounts
26 under the policy or contract; and

27 (2) the value of amounts allocated to any separate accounts [UNDER
28 THE POLICY OR CONTRACT] on the date the returned policy is received by the
29 insurer or its insurance producer.

30 * **Sec. 41.** AS 21.48.010(a) is amended to read:

31 (a) A group life insurance policy may not be issued for delivery

1 [DELIVERED] in this state [INSURING THE LIVES OF MORE THAN ONE
 2 INDIVIDUAL] unless **the group is a bona fide association as defined in AS**
 3 **21.97.900 or**

4 [(1)] the **group** [POLICYHOLDER] was formed for purposes other
 5 than obtaining insurance or is a trust established, **adopted, or participated in** by one
 6 or more employers or labor unions or by one or more employers and labor unions, **and**

7 **(1)** [; (2)] the policy covers at least two individuals at the date of issue;

8 **(2)** [(3)] an individual eligible for coverage is subject to uniformly
 9 applied standards of insurability as may be imposed by the insurer;

10 **(3)** [(4)] amounts of group life insurance are determined based on
 11 some plan that will preclude individual selection;

12 **(4)** [AND (5)] the group life insurance **policy** [CONTRACT] is in
 13 compliance with the other applicable provisions of this chapter; **and**

14 **(5) the group meets other requirements established by the director**
 15 **in regulation.**

16 * **Sec. 42.** AS 21.48.010(b) is amended to read:

17 (b) **This** [THE PROVISIONS OF (a) OF THIS] section **does** [DO] not apply
 18 to life insurance policies

19 (1) insuring only individuals related by blood, marriage, or legal
 20 adoption;

21 (2) insuring only individuals having a common interest through
 22 ownership of a business enterprise, or a substantial legal interest or equity in a
 23 business enterprise, and who are actively engaged in its management; or

24 (3) insuring only individuals otherwise having an insurable interest in
 25 each other's lives.

26 * **Sec. 43.** AS 21.48.010 is amended by adding new subsections to read:

27 (e) A group life insurance policy may be issued to a group that does not meet
 28 one or more of the requirements under (a) of this section only if the director finds that
 29 issuance

30 (1) is in the best interests of the public;

31 (2) results in economies of acquisition or administration; and

1 (3) meets other requirements established by the director in regulation.

2 (f) An insurer shall submit to the director information satisfactory to the
3 director that the group meets the requirements of (a) or (e) of this section, and the
4 director must affirmatively approve of the group before an insurer may issue a group
5 life policy to a group under (a) or (e) of this section.

6 * **Sec. 44.** AS 21.51.020 is amended to read:

7 **Sec. 21.51.020. Scope, format of policy.** A policy of health insurance may not
8 be delivered or issued for delivery to a person in this state unless it otherwise complies
9 with this title, and complies with the following:

10 (1) the entire money and other considerations must be expressed in the
11 policy;

12 (2) the time the insurance takes effect and terminates must be
13 expressed in the policy;

14 (3) it must insure only one person, except that a policy may insure,
15 originally or by subsequent amendment, upon the application of an adult member of a
16 family, who shall be considered the policyholder, any two or more eligible members
17 of that family, including husband, wife, dependent children, or any children under a
18 specified age, which may [SHALL] not exceed 25 [23] years, and any other person
19 dependent on [UPON] the policyholder;

20 (4) the style, arrangement, and over-all appearance of the policy must
21 give no undue prominence to any portion of the text, and every printed portion of the
22 text of the policy and of endorsements or attached papers must be plainly printed in
23 light-faced type of a style in general use, the size of which must be uniform and not
24 less than 10 point with a lower case unspaced alphabet length not less than 120 point;
25 in this paragraph, text includes all printed matter except the name and address of the
26 insurer, name or title of the policy, the brief description, if any, and captions and
27 subcaptions;

28 (5) the exceptions and reductions of indemnity must be set out in the
29 policy and, other than those contained in AS 21.51.040 - 21.51.260, must be printed, at
30 the insurer's option, either included with the benefit provision to which they apply, or
31 under an appropriate caption such as "Exceptions," or "Exceptions and Reductions,"

1 except that if an exception or reduction specifically applies only to a particular benefit
 2 of the policy, a statement of the exception or reduction must be included with the
 3 benefit provision to which it applies;

4 (6) each form, including riders and endorsements, must be identified
 5 by a form number in the lower left-hand corner of the first page;

6 (7) the policy may not contain a provision making a portion of the
 7 charter, rules, constitution, or bylaws of the insurer a part of the policy unless the
 8 portion is set out in full in the policy; this paragraph does not apply to the
 9 incorporation of, or reference to, a statement of rates or classification of risks, or short-
 10 rate table filed with the director.

11 * **Sec. 45.** AS 21.51.070(a) is amended to read:

12 (a) **Except for a policy offered or renewed in this state on a health care**
 13 **exchange and subject to federal regulations on reinstatement, there** [THERE]
 14 shall be a provision as follows:

15 "Reinstatement: If (1) a renewal premium is not paid within the time
 16 granted the insured for payment, (2) a subsequent acceptance of premium by
 17 the insurer or by an agent authorized by the insurer to accept the premium
 18 occurs, without requiring in connection therewith an application for
 19 reinstatement, and (3) the insurer issues a conditional receipt for the premium
 20 tendered, the policy will be reinstated upon approval of the application by the
 21 insurer or, lacking approval, upon the 45th day following the date of the
 22 conditional receipt unless the insurer has previously notified the insured in
 23 writing of its disapproval of the application. The reinstated policy shall cover
 24 only loss resulting from the accidental injury that may be sustained after the
 25 date of reinstatement and loss due to the sickness that may begin more than 10
 26 days after that date. In all other respects, the insured and insurer shall have the
 27 same rights thereunder as they had under the policy immediately before the
 28 due date of the defaulted premium, subject to any provisions endorsed hereon
 29 or attached hereto in connection with the reinstatement. A premium accepted
 30 in connection with a reinstatement shall be applied to a period for which
 31 premium has not been previously paid, but not to a period more than 60 days

1 before the date of reinstatement."

2 * **Sec. 46.** AS 21.51.405(b) is amended to read:

3 (b) An insurer shall file with the director the premium rates charged for an
4 individual health care insurance plan before using them. A premium rate or premium
5 rate change must be on file with the director for a waiting period of at least **90** [45]
6 days before the effective date of the premium rate. That period may be extended by
7 the director or the insurer for an additional 15 days if, during the initial **90-day** [45-
8 DAY] waiting period, notice is given stating that additional time for consideration of
9 the filing is needed. A filing may become effective at the end of the waiting period
10 unless disapproved by the director during the waiting period. If an insurer fails to
11 provide information requested by the director during the waiting period, the filing is
12 considered withdrawn by the insurer, and the premium rate does not become effective.

13 * **Sec. 47.** AS 21.51.500 is amended by adding a new paragraph to read:

14 (4) "health care exchange" means an American Health Benefit
15 Exchange established under 42 U.S.C. 18031.

16 * **Sec. 48.** AS 21.53.068 is amended to read:

17 **Sec. 21.53.068. Limitations related to producers and third-party**
18 **administrators.** An insurer that authorizes issuance of a long-term care insurance
19 policy by a producer or a third-party administrator under the underwriting authority of
20 the insurer granted to the producer or [A] third-party administrator using the insurer's
21 underwriting guidelines may issue a long-term care insurance policy through the
22 producer or [A] third-party administrator only if the insurer **does not compensate**
23 [COMPENSATES] the issuer based on the number of policies issued.

24 * **Sec. 49.** AS 21.54.015(b) is amended to read:

25 (b) A health care insurer may decline to cover or may restrict the coverage
26 offered to a self-employed individual under an association plan authorized under **AS**
27 **21.54.060(6)** [AS 21.54.060(7)].

28 * **Sec. 50.** AS 21.54.015(c) is amended to read:

29 (c) Except for large employer health care insurance plan premium rates
30 exempted by the director by regulation under (d) of this section, an insurer shall file
31 with the director the premium rates charged for each health care insurance plan before

1 using them. A premium rate or premium rate change must be on file with the director
 2 for a waiting period of at least **90** [45] days before the effective date of the premium
 3 rate. That period may be extended by the director or the insurer for an additional 15
 4 days if, during the initial **90-day** [45-DAY] waiting period, notice is given stating that
 5 additional time for consideration of the filing is needed. A filing may become effective
 6 at the end of the waiting period unless disapproved by the director during the waiting
 7 period. If an insurer fails to provide information requested by the director during the
 8 waiting period, the filing is considered withdrawn by the insurer, and the premium rate
 9 does not become effective.

10 * **Sec. 51.** AS 21.54.060 is amended to read:

11 **Sec. 21.54.060. Group health insurance defined.** Group health insurance is
 12 that form of health insurance covering groups of persons as defined below, with or
 13 without one or more members of their families or one or more of their dependents, or
 14 covering one or more members of the families or one or more dependents of the
 15 groups of persons and issued **on** [UPON] the following basis:

16 (1) under a policy issued to an employer or trustees of a fund
 17 established by an employer, who shall be considered the policyholder, insuring
 18 employees of the employer for the benefit of persons other than the employer; in this
 19 paragraph the term "employees" includes the officers, managers, and employees of the
 20 employer, the individual proprietor or partner if the employer is an individual
 21 proprietor or partnership, the officers, managers, and employees of subsidiary or
 22 affiliated corporations, the individual proprietors, partners, and employees of
 23 individuals and firms if the business of the employer and the individual or firm is
 24 under common control through stock ownership, contract, or otherwise; in this
 25 paragraph, "employees" may include retired employees; a policy issued to insure
 26 employees of a public body may provide that the term "employees" includes elected or
 27 appointed officials; the policy may provide that the term "employees" includes the
 28 trustees or their employees, or both, if their duties are principally connected with the
 29 trusteeship; a policy issued to insure employees of a corporation may provide that the
 30 term "employees" includes directors of the corporation, whether or not the directors
 31 receive compensation;

1 (2) under a policy issued to an association, including a labor union,
 2 that **is a bona fide association that** has a constitution and bylaws and that **insures**
 3 **[HAS BEEN ORGANIZED AND IS MAINTAINED IN GOOD FAITH FOR**
 4 **PURPOSES OTHER THAN THAT OF OBTAINING INSURANCE, INSURING]**
 5 members, employees, or employees of members of the association for the benefit of
 6 persons other than the association or its officers or trustees; in this paragraph, the term
 7 "employees" may include retired employees;

8 (3) under a policy issued to the trustees of a fund established, **adopted,**
 9 **or participated in** by two or more employers **[IN THE SAME OR RELATED**
 10 **INDUSTRY]** or by one or more labor unions or by one or more employers and one or
 11 more labor unions or by an association as defined in (2) of this section, which trustees
 12 shall be considered the policyholder, to insure employees of the employers or
 13 members of the unions or of the association, or employees of members of the
 14 association, for the benefit of persons other than the employers or the unions or the
 15 association; in this paragraph, the term "employees" may include the officers,
 16 managers, and employees of the employer, and the individual proprietor or partners if
 17 the employer is an individual proprietor or partnership; in this paragraph, the term
 18 "employees" may include retired employees; the policy may provide that the term
 19 "employees" includes the trustees or their employees, or both, if their duties are
 20 principally connected with the trusteeship;

21 (4) under a policy issued to a person or organization to which a policy
 22 of group life insurance may be issued or delivered in this state to insure a class or
 23 classes of individuals that could be insured under the group life policy;

24 (5) **[UNDER A POLICY ISSUED TO COVER ANY OTHER**
 25 **SUBSTANTIALLY SIMILAR GROUP THAT, IN THE DISCRETION OF THE**
 26 **DIRECTOR, MAY BE SUBJECT TO THE ISSUANCE OF A GROUP HEALTH**
 27 **INSURANCE POLICY OR CONTRACT;**

28 (6) a group health insurance policy that contains provisions for the
 29 payment by the insurer of benefits for expenses incurred on account of hospital,
 30 nursing, medical, or surgical services for members of the family or dependents of a
 31 person in the insured group may provide for the continuation of the benefit provisions,

1 or a part or parts of them, after the death of the person in the insured group;

2 (6) [(7)] under a policy issued to an association of employers covering
3 the employees and dependents of the employees, or issued to an association of self-
4 employed individuals covering self-employed individuals and dependents of the self-
5 employed individuals, or issued to an association that includes a combination of
6 employers and self-employed individuals; for purposes of this paragraph,

7 (A) an association described under this paragraph shall comply
8 with the following requirements:

9 (i) the association shall have a constitution and bylaws;

10 (ii) the association shall be maintained in good faith for
11 the benefit of persons other than the association or its officers or
12 trustees;

13 (iii) membership in the association shall be restricted to
14 large or small employers, or self-employed individuals, who are
15 residents of the state; however, an employer domiciled in another state
16 may become a member of the association for purposes of obtaining
17 coverage through the association only for the employees and
18 dependents of the employees of that employer who are residents of this
19 state;

20 (iv) except as provided under AS 21.54.015, the
21 association may not condition membership in the association or
22 coverage under a health insurance policy issued to the association on
23 any of the factors listed under AS 21.54.100(a);

24 (B) "self-employed individual" means an individual who
25 derives a substantial portion of the individual's income from a trade or business
26 through which the individual has attempted to earn taxable income and for
27 which the individual has filed the appropriate Internal Revenue Service form
28 and schedule for the previous taxable year.

29 * **Sec. 52.** AS 21.54.060 is amended by adding new subsections to read:

30 (b) An insurer may issue a group health insurance policy to a group that does
31 not meet one or more of the requirements under (a)(1) - (4) and (6) of this section on a

1 finding by the director that issuance of a group policy to the group

2 (1) is in the best interests of the public;

3 (2) results in economies of acquisition or administration; and

4 (3) meets other requirements adopted by the director by regulation.

5 (c) An insurer must submit to the director information satisfactory to the
6 director that the group meets the requirements of (b) of this section and the director
7 must affirmatively approve of the group before an insurer may issue a group health
8 insurance policy under (b) of this section.

9 * **Sec. 53.** AS 21.54.500(4) is repealed and reenacted to read:

10 (4) "bona fide association" has the meaning given in AS 21.97.900;

11 * **Sec. 54.** AS 21.56.110(a) is amended to read:

12 (a) A health care insurance plan offered, issued for delivery, delivered, or
13 renewed to small employers in this state is subject to the provisions of this chapter,
14 **except as prohibited under federal law.**

15 * **Sec. 55.** AS 21.56.120(e) is amended to read:

16 (e) In determining the premium rates for a small employer covered under an
17 association health insurance policy authorized under **AS 21.54.060(6)** [AS
18 21.54.060(7)], a small employer insurer may not use the claims experience of the
19 small employer while the employer was covered under another health insurance policy
20 and may use only that underwriting information obtained through the insurer's normal
21 application process for new small employer groups that are not written under the
22 association plan.

23 * **Sec. 56.** AS 21.56.250(6) is amended to read:

24 (6) "bona fide association" has the meaning given in **AS 21.97.900**
25 [AS 21.54.500];

26 * **Sec. 57.** AS 21.59.150 is amended to read:

27 **Sec. 21.59.150. Provider license renewal, expiration [LAPSE],**
28 **reinstatement.** (a) A provider may renew a license issued under AS 21.59.110 -
29 21.59.290 biennially on a date set by the director if the licensee continues to be
30 qualified under AS 21.59.110 - 21.59.290 and, on or before the close of business of
31 the renewal date, meets all renewal requirements established by regulation, and pays

1 the renewal license fees set by the director. A licensee is responsible for knowing the
 2 date that a license will **expire** [LAPSE] and for renewing a license on or before that
 3 date. The director shall notify the licensee of the impending **expiration** [LAPSE] 30
 4 days before the **expiration** [LAPSE] date. The director may not renew a license
 5 except in compliance with AS 21.59.110 - 21.59.290 and may not renew the license of
 6 a person, or to be exercised by a person, found by the director to be untrustworthy,
 7 incompetent, or financially irresponsible, or who has not established to the satisfaction
 8 of the director that the person is qualified under AS 21.59.110 - 21.59.290.

9 (b) If a provider's license is not renewed on or before the **expiration** [LAPSE]
 10 date set by the director, the license **expires** [LAPSES]. A licensee may not act as or
 11 represent to be a provider during the time a license has **expired** [LAPSED]. The
 12 director may reinstate **an expired** [A LAPSED] license if the person continues to
 13 qualify for the license and pays license renewal fees and a delayed renewal penalty.
 14 Reinstatement does not exempt a person from a penalty provided by law for
 15 transacting business while unlicensed. A license that has **expired** [LAPSED] for two
 16 years or longer may not be renewed.

17 * **Sec. 58.** AS 21.59.170(a) is amended to read:

18 (a) A motor vehicle service contract must allow the service contract holder to
 19 cancel the motor vehicle service contract **not later than** [WITHIN] 30 days after the
 20 date that the motor vehicle service contract was delivered to the service contract
 21 holder, **not later than** [WITHIN] 10 days after the date of delivery if the motor
 22 vehicle service contract is delivered to the service contract holder at the time of sale,
 23 or within a longer period, as set out in the motor vehicle service contract. If the service
 24 contract holder returns the motor vehicle service contract to the provider within the
 25 applicable time period and a claim has not been made under the motor vehicle service
 26 contract before the contract is returned to the provider, the motor vehicle service
 27 contract is void, and the provider shall refund the full amount of the provider fee to the
 28 service contract holder or credit the account of the service contract holder **not later**
 29 **than** [WITHIN] 45 days after the return of the contract to the provider. If the provider
 30 does not pay or credit a refund owed under this subsection **not later than** [WITHIN]
 31 45 days after a service contract holder returns a motor vehicle service contract, a

1 penalty in the amount of 10 percent of the [UNEARNED] provider fee paid by the
 2 service contract holder for each month the refund remains unpaid shall be added to the
 3 refund. The right to void the motor vehicle service contract provided in this subsection
 4 is not transferable and applies only to the original service contract holder for a contract
 5 under which a claim is not made before the contract is returned to the provider.

6 * **Sec. 59.** AS 21.59.170(b) is amended to read:

7 (b) After the time specified in (a) of this section, or if a claim has been made
 8 under the motor vehicle service contract within that time, a service contract holder
 9 may cancel the motor vehicle service contract, and the provider shall refund to or
 10 credit the account of the contract holder the prorated amount of the unearned provider
 11 fee, less any claims paid, **not later than** [WITHIN] 45 days after the return of the
 12 service contract to the provider. If the provider does not pay or credit a refund owed
 13 under this subsection **not later than** [WITHIN] 45 days after a service contract holder
 14 returns a motor vehicle service contract, a penalty in the amount of 10 percent of the
 15 unearned provider fee paid by the service contract holder for each month the refund
 16 remains unpaid shall be added to the refund. A provider may charge a reasonable
 17 cancellation fee not to exceed 7.5 percent of the **unearned** provider fee paid by the
 18 service contract holder.

19 * **Sec. 60.** AS 21.59.180(a) is amended to read:

20 (a) To ensure the faithful performance of a provider's obligations to its service
 21 contract holders, a provider shall either

22 (1) obtain from an insurer or risk retention group authorized to transact
 23 the business of insurance in the state insurance that either reimburses the provider for
 24 obligations arising from a provider's motor vehicle service contract issued in the state
 25 or, if the provider fails to perform its obligations under a motor vehicle service
 26 contract issued in the state, pays to the service contract holder the provider's covered
 27 contractual obligations under the terms of the service contract on behalf of the
 28 provider; **an** [A PROVIDER] insurer issuing a policy under this paragraph must
 29 satisfy one of the following:

30 (A) maintain surplus as to policyholders and paid-in capital of
 31 at least \$15,000,000 and annually file with the director copies of the provider's

1 financial statements, its annual statement to the National Association of
 2 Insurance Commissioners, and the statement of actuarial opinion and opinion
 3 summary required by and filed in the provider's state of domicile; or

4 (B) maintain surplus as to policyholders and paid-in capital at
 5 least equal to \$10,000,000, but not more than \$15,000,000, and demonstrate to
 6 the satisfaction of the director that the company maintains a ratio of net written
 7 premiums, wherever written, to surplus as to policyholders and paid-in capital
 8 of not greater than 3 to 1 and annually files with the director copies of the
 9 provider's audited financial statements, its annual statement to the National
 10 Association of Insurance Commissioners, and the statement of actuarial
 11 opinion and opinion summary required by and filed in the provider's state of
 12 domicile; or

13 (2) maintain, solely or together with the parent company, a net worth
 14 or stockholders' equity of \$100,000,000 and, upon request by the director, provide the
 15 director with a copy of the provider's or the parent company's most recent annual
 16 report filed with the United States Securities and Exchange Commission within the
 17 last calendar year or, if the company does not file with the United States Securities and
 18 Exchange Commission, a copy of the company's audited financial statements, which
 19 show a net worth of the provider or its parent company of at least \$100,000,000; if the
 20 parent company's annual report or financial statements are filed to meet the provider's
 21 financial stability requirement, then the parent company shall agree to guarantee the
 22 obligations of the provider relating to motor vehicle service contracts sold by the
 23 provider in this state.

24 * **Sec. 61.** AS 21.69.310(a) is amended to read:

25 (a) Meetings of stockholders or members of a domestic insurer shall be held in
 26 the city or town of its principal office or place of business [IN THIS STATE]. The
 27 meetings may be held, for good cause, in another location [WITHIN THE STATE]
 28 upon approval of the director.

29 * **Sec. 62.** AS 21.69.310(c) is amended to read:

30 (c) Each insurer shall, during the first six months of each calendar year, hold
 31 the annual meeting of its stockholders or members to fill vacancies existing or

1 occurring in the board of directors, receive and consider reports of the insurer's
 2 officers as to its affairs, and transact other business which may properly be brought
 3 before it. **The director may approve a later date for the annual meeting upon**
 4 **written request by the insurer and with good cause shown. The request for a later**
 5 **annual meeting date shall be made in writing to the director at least 30 days**
 6 **before the end of the six-month requirement. Not** [NO] less than 20 days' notice
 7 shall be given of the meeting in the manner provided in the bylaws, except where
 8 notice of the annual meeting of a mutual insurer is contained in its policies.

9 * **Sec. 63.** AS 21.69.390(b) is amended to read:

10 (b) A person determined by the director, following an appropriate hearing as
 11 provided in AS 21.06.170 - 21.06.230, to have removed or attempted to remove any
 12 records from the place where they are required to be kept under (a) [OR (d)] of this
 13 section with the intent to wrongfully remove them, or to have concealed or attempted
 14 to conceal them from the director, is subject to a civil penalty of not more than
 15 \$25,000. If a domestic insurer violates a provision of this section the director may
 16 institute delinquency proceedings against the insurer under the provisions of AS 21.78.

17 * **Sec. 64.** AS 21.85.500(5) is amended to read:

18 (5) "multiple employer welfare arrangement" has the meaning given in
 19 29 U.S.C. 1002; ["MULTIPLE EMPLOYER WELFARE ARRANGEMENT" DOES
 20 NOT INCLUDE A GROUP THAT THE DIRECTOR DESIGNATES UNDER AS
 21 21.54.060(5) AS SUBJECT TO ISSUANCE OF A GROUP HEALTH INSURANCE
 22 POLICY;]

23 * **Sec. 65.** AS 21.97.020 is amended to read:

24 **Sec. 21.97.020. General penalty.** A person determined by the director,
 25 following an appropriate hearing as provided in AS 21.06.170 - 21.06.230, to have
 26 **wilfully** violated a provision of this title or a regulation adopted under it [, FOR
 27 WHICH VIOLATION A GREATER PENALTY IS NOT PROVIDED IN THIS
 28 TITLE,] is subject to a civil penalty of not more than **\$25,000** [\$2,500].

29 * **Sec. 66.** AS 21.97.900 is amended by adding a new paragraph to read:

30 (47) "bona fide association" means an association

31 (A) that has actively been in existence for five years;

1 (B) that has been formed and maintained in good faith for
2 purposes other than obtaining insurance;

3 (C) for which insurance is not required to become a member of
4 the association;

5 (D) in which members of the association share a common
6 enterprise or economic social affinity or relationship;

7 (E) that does not condition membership in the association on a
8 health status factor relating to an individual;

9 (F) that makes insurance available to all members and
10 dependents of members regardless of a health status factor in relation to the
11 member or dependent;

12 (G) in which an individual eligible for coverage is subject to
13 uniformly applied standards of insurability as may be imposed by the insurer;

14 (H) in which premiums for the group insurance policy are
15 actuarially sound;

16 (I) that does not offer an insurance policy to an individual other
17 than in connection with a member of the association; and

18 (J) that meets other requirements established by the director in
19 regulations.

20 * **Sec. 67.** AS 21.06.087; AS 21.07.250(9); AS 21.54.500(4); and AS 21.69.390(d) are
21 repealed.

22 * **Sec. 68.** AS 21.07.050, 21.07.060, 21.07.070, 21.07.250(1), 21.07.250(2), and
23 21.07.250(7) are repealed.

24 * **Sec. 69.** AS 21.27.115(8) and 21.27.115(9) are repealed.

25 * **Sec. 70.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 **TRANSITION: REGULATIONS.** The Department of Commerce, Community, and
28 Economic Development may adopt regulations necessary to implement this Act, except that
29 the effective date of the regulations may not be earlier than the effective date of the statutes
30 being implemented.

31 * **Sec. 71.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 REVISOR'S INSTRUCTION. The revisor of statutes is requested to change the catch
3 line of AS 21.27.380 from "License renewal, lapse, and reinstatement" to "License renewal,
4 expiration, and reinstatement."

5 * **Sec. 72.** Section 70 of this Act takes effect immediately under AS 01.10.070(c).

6 * **Sec. 73.** Section 68 of this Act takes effect January 1, 2017.

7 * **Sec. 74.** AS 21.27.150(a)(9), enacted by sec. 19 of this Act, and sec. 69 of this Act take
8 effect March 1, 2017.