

SENATE BILL NO. 316(title am)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE BY REQUEST

Amended: 4/12/96

Introduced: 3/22/96

A BILL

FOR AN ACT ENTITLED

1 "An Act changing the term 'disability' to 'health' in the context of insurance
2 coverage."

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

4 * **Section 1.** AS 18.12.080(c) is amended to read:

5 (c) A physician, health care facility, or other health care provider, and a health
6 care service plan, insurer issuing health [DISABILITY] insurance, self-insured
7 employee welfare benefit plan, or nonprofit hospital plan, may not require a person to
8 execute a declaration, obtain a do not resuscitate order from a physician, or possess
9 DNR identification as a condition for being insured for, or receiving, health care
10 services.

11 * **Sec. 2.** AS 21.06.085(b) is amended to read:

12 (b) In this section,

13 (1) "health care services" has the meaning given in AS 21.86.900;

14 (2) "health insurance" has the meaning given ["DISABILITY

1 INSURANCE"] in AS 21.12.050;

2 (3) "health insurer" means an insurer transacting the business of health
3 insurance, a health maintenance organization under AS 21.86, a hospital service
4 corporation under AS 21.87, a medical service corporation under AS 21.87, or a
5 combined medical service and hospital service corporation under AS 21.87.

6 * **Sec. 3.** AS 21.09.060 is amended to read:

7 Sec. 21.09.060. COMBINATIONS OF INSURING POWERS IN ONE
8 INSURER. An insurer that otherwise qualifies may be authorized to transact any one
9 kind or combination of kinds of insurance as defined in AS 21.12, except that

10 (1) a life insurer may also grant annuities, but is not authorized to
11 transact any other kind of insurance than health [DISABILITY]; except that if the
12 insurer is otherwise qualified, the director shall continue to authorize a life insurer that,
13 immediately before July 1, 1966, was lawfully authorized to transact in this state a
14 kind or kinds of insurance in addition to life and health [DISABILITY];

15 (2) a reciprocal insurer may not transact life insurance;

16 (3) a title insurer must be a stock insurer;

17 (4) a property or casualty insurer may not transact life insurance and
18 may not grant annuities.

19 * **Sec. 4.** AS 21.09.070(a) is amended to read:

20 (a) To qualify for authority to transact any one kind of insurance as defined
21 in AS 21.12, or combination of kinds of insurance as shown below, a foreign insurer,
22 or a domestic insurer applying for its original certificate of authority in this state, after
23 having withdrawn from this state for any cause, shall possess and after that maintain
24 unimpaired basic paid-in capital stock if a stock insurer, or unimpaired basic surplus
25 if a foreign mutual insurer or foreign reciprocal insurer, that is unavailable for
26 dividends of any kind, and shall possess when first so authorized, and maintain after
27 that, additional money in surplus, as follows:

28		Basic Capital	Additional	
29		or Basic	Surplus	Additional
30	Kind or Kinds	Guarantee	When First	Maintained
31	of Insurance	Surplus	Authorized	Surplus

1	Life	\$1,000,000	\$1,000,000	\$ 750,000
2	<u>Health</u> [DISABILITY]	1,000,000	1,000,000	750,000
3	Life and <u>Health</u> [DISABILITY]	1,250,000	1,250,000	1,000,000
4	Property	1,000,000	1,000,000	750,000
5	Casualty excluding			
6	vehicle	1,000,000	1,000,000	750,000
7	Vehicle	1,000,000	1,000,000	750,000
8	Marine &			
9	transportation	1,000,000	1,000,000	750,000
10	Surety	1,000,000	1,000,000	750,000
11	Title	500,000	500,000	250,000
12	Any three or more of the			
13	following kinds of			
14	insurance: property,			
15	marine and transportation,			
16	vehicle, casualty excluding			
17	vehicle, surety, and			
18	<u>health</u> [DISABILITY]	3,000,000	3,000,000	2,250,000
19	Legal expenses	1,000,000	1,000,000	750,000
20	Mortgage Guarantee	1,000,000	1,000,000	750,000.

21 * **Sec. 5.** AS 21.09.070(g) is amended to read:

22 (g) Notwithstanding (a) of this section and AS 21.09.080(a), a domestic insurer
23 admitted in this state before May 16, 1990, and that has not had an ownership change
24 after May 15, 1990, shall maintain capital and surplus of at least \$4,000,000 as of
25 January 1, 1992; \$4,250,000 as of January 1, 1993; \$4,500,000 as of January 1, 1994;
26 \$4,750,000 as of January 1, 1995; \$5,000,000 as of January 1, 1996; and \$5,250,000
27 as of January 1, 1997, if the domestic insurer

28 (1) is not affiliated with any other insurer or group of insurers;

29 (2) has capital and surplus of less than \$5,250,000 on December 31,
30 1991;

31 (3) transacts any three or more of the following kinds of insurance:

property, marine and transportation, vehicle; casualty, excluding vehicle; surety; and health [DISABILITY]; and

(4) has obtained the prior written approval of the director.

* **Sec. 6.** AS 21.12.010(f) is amended to read:

(f) This section does not apply to life or health [DISABILITY] insurance, annuities, title insurance, insurance of wet marine and transportation risks, workers' compensation insurance, employer's liability coverages, sprinklered risks, or to a policy or type of coverage in which the maximum possible loss to the insurer is not readily ascertainable on issuance of the policy.

* **Sec. 7.** AS 21.12.050 is amended to read:

Sec. 21.12.050. **HEALTH** [DISABILITY] INSURANCE DEFINED. **Health** [DISABILITY] insurance is insurance of human beings **(1)** against bodily injury, disablement, or death by accident or accidental means; **(2) against** [, OR] the **resulting expenses of the injury, disablement, or death;** **(3)** [EXPENSE THEREOF, OR] against disablement or expense resulting from sickness or childbirth; **(4)** [, OR] against expense incurred in prevention of sickness; **(5) for** [, OR] dental care; and **(6) that applies to injury, disablement, or death** [EVERY INSURANCE APPERTAINING THERETO]. Transaction of health [DISABILITY] insurance **includes disability insurance but** does not include workers' compensation insurance.

* **Sec. 8.** AS 21.12 is amended by adding a new section to read:

Sec. 21.12.052. **DISABILITY INSURANCE DEFINED.** Disability insurance is insurance that provides periodic income payments when income is interrupted or terminated because of disability resulting from sickness, injury, or dismemberment, or a combination of sickness, injury, or dismemberment.

* **Sec. 9.** AS 21.12.070(b) is amended to read:

(b) The provision of medical, hospital, surgical, and funeral benefits, and of coverage against accidental death or injury, as incidental to and part of other insurance defined in (a)(1), (2), (4), and (10) of this section, shall for all purposes be considered to be the same kind of insurance to which it is incidental, and is not subject to provisions of this title applicable to life or health [DISABILITY] insurance.

* **Sec. 10.** AS 21.14.200(9) is amended to read:

1 (9) "life and health insurer"

2 (A) means an insurer who transacts life insurance as defined in

3 AS 21.12.040 or health [DISABILITY] insurance as defined in AS 21.12.050;

4 (B) does not include a benevolent association under AS 21.72,

5 a fraternal benefit society under AS 21.84, a health maintenance organization

6 under AS 21.86, or a hospital or medical service corporation under AS 21.87;

7 * **Sec. 11.** AS 21.14.200(13) is amended to read:

8 (13) "property and casualty insurer" means an insurer who transacts

9 health [DISABILITY] insurance as defined in AS 21.12.050, property insurance as

10 defined in AS 21.12.060, casualty insurance as defined in AS 21.12.070, surety

11 insurance as defined in AS 21.12.080, marine or wet marine and transportation

12 insurance as defined in AS 21.12.090, or mortgage guaranty insurance as defined in

13 AS 21.12.110;

14 * **Sec. 12.** AS 21.18.050 is amended to read:

15 Sec. 21.18.050. LIABILITIES, IN GENERAL. In a determination of the

16 financial condition of an insurer, capital stock and liabilities to be charged against its

17 assets shall include

18 (1) the amount of its capital stock outstanding, if any;

19 (2) the amount, estimated consistent with the provisions of this title,

20 necessary to pay all of its unpaid losses and claims incurred on or before the date of

21 statement, whether reported or unreported, together with the expenses of adjustment

22 or settlement;

23 (3) with reference to life and health [DISABILITY] insurance and

24 annuity contracts,

25 (A) the amount of reserves on life insurance policies and

26 annuity contracts in force, valued according to the tables of mortality, rates of

27 interest, and methods adopted under this title that are applicable;

28 (B) reserves for disability benefits, for both active and disabled

29 lives;

30 (C) reserves for accidental death benefits;

31 (D) additional reserves that may be required by the director,

1 consistent with practice formulated or approved by the National Association of
2 Insurance Commissioners, on account of the insurance;

3 (4) with reference to health [DISABILITY] insurance, the amount of
4 reserves required under AS 21.18.080;

5 (5) with reference to insurance other than specified in (3) and (4) of
6 this section, and other than title insurance, the amount of reserves equal to the
7 unearned portions of the gross premiums charged on policies in force, computed in
8 accordance with this chapter;

9 (6) taxes, expenses, and other obligations due or accrued at the date of
10 the statement.

11 * **Sec. 13.** AS 21.18.080 is amended to read:

12 Sec. 21.18.080. RESERVE FOR HEALTH [DISABILITY] INSURANCE.
13 For all health [DISABILITY] insurance policies the insurer shall maintain an active
14 life reserve that shall place a sound value on its liabilities under the policies and be
15 not less than the reserve according to appropriate standards set out in regulations
16 issued by the director and in no event less in the aggregate than the pro rata gross
17 unearned premiums for the policies.

18 * **Sec. 14.** AS 21.21.250(c) is amended to read:

19 (c) A domestic insurer may invest in notes or other evidence of indebtedness
20 of the Alaska Life and Health [DISABILITY] Insurance Guaranty Association
21 established under AS 21.79.040, and the director may consider those notes and other
22 evidence of indebtedness, that are not in default, as admitted assets of the insurer.

23 * **Sec. 15.** AS 21.27.010(c) is amended to read:

24 (c) A person who for a resident of this state, or for a resident of another
25 jurisdiction from a place of business in this state, performs administrative functions,
26 including claims administration and payment, marketing administrative functions,
27 premium accounting, premium billing, coverage verification, underwriting authority,
28 or certificate issuance only in regard to life insurance, health [DISABILITY]
29 insurance, or annuities is not required to be licensed as a managing general agent if
30 the person

31 (1) is registered under this chapter as a third-party administrator; or

1 (2) only investigates and adjusts claims and is licensed under this
2 chapter as an independent adjuster.

3 * **Sec. 16.** AS 21.27.020(g) is amended to read:

4 (g) The director shall establish a continuing education advisory committee.
5 The committee consists of one representative from the division of insurance, one life
6 and health [DISABILITY] insurance representative, one limited lines insurance
7 representative, one property and casualty insurance representative, and one independent
8 insurance adjuster representative. Each committee representative from the insurance
9 industry must possess a valid, current insurance license issued in this state for the field
10 to be represented.

11 * **Sec. 17.** AS 21.27.150 is amended to read:

12 Sec. 21.27.150. LIMITED LICENSES. The director may issue a

13 (1) travel insurance limited producer license to a person whose place
14 of business is located in this state, who sells transportation tickets of a common carrier
15 of persons or property, who is appointed under AS 21.27.100, and whose sole purpose
16 is to be appointed by and to act as an agent for transportation ticket policies of health
17 [DISABILITY] insurance, baggage insurance on personal effects, and trip cancellation
18 or trip interruption insurance;

19 (2) health [DISABILITY] insurance limited producer license to a
20 resident of this state whose sole purpose is to be appointed by and act as an agent for
21 health [DISABILITY] insurance pertaining to sports and recreation;

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

25 (4) bail bond limited producer license to a person whose place of
26 business is located in this state and whose sole purpose is to be appointed by and act
27 on behalf of a surety insurer pertaining to bail bonds;

28 (5) fraternal benefit society limited producer license to a person whose
29 sole purpose is to be appointed by and to act on behalf of a fraternal benefit society
30 licensed under AS 21.84;

31 (6) retired insurance producer license to a resident who is retired or

1 retiring from the business of insurance and surrenders all in-force licenses to allow the
2 person to receive a continuing commission in regard to insurance transacted before
3 retirement; a retired insurance producer licensee may not solicit, induce, negotiate, or
4 effectuate contracts of insurance; the director may renew a retired insurance producer
5 license if the licensee ceases to be a resident of this state;

6 (7) the director may waive the bond required under AS 21.27.530(5)
7 for a person licensed under this section.

8 * **Sec. 18.** AS 21.27.330 is amended to read:

9 Sec. 21.27.330. PLACE OF BUSINESS. A licensed insurance producer,
10 managing general agent, reinsurance intermediary broker, reinsurance intermediary
11 manager, surplus lines broker, and independent adjuster, other than those licensed for
12 life or health [DISABILITY] insurance or annuity only, shall have and maintain a
13 place of business physically accessible to the public where the licensee principally
14 conducts transactions under the license in this state, or if a nonresident licensee, in the
15 state of residence. The address of the place of business must appear on each license,
16 and the licensee shall within 30 days notify the director in writing by certified mail of
17 a change of address or place of business. If the licensee maintains more than one
18 place of business, the licensee shall obtain a separate license for each place of business
19 and pay a license fee for each license.

20 * **Sec. 19.** AS 21.27.340 is amended to read:

21 Sec. 21.27.340. PUBLIC DISPLAY OF LICENSE. The license of a licensee
22 other than a licensee whose license has a scope of only life or health [DISABILITY]
23 insurance or annuity shall be conspicuously displayed in that part of the place of
24 business that is customarily open to the public.

25 * **Sec. 20.** AS 21.27.540(a) is amended to read:

26 (a) Except for life, health [DISABILITY], and annuity insurance, a person
27 who has not passed the examinations required under AS 21.27.060 but who otherwise
28 meets the requirements of AS 21.27.530, may be employed by a licensed insurance
29 producer as a trainee insurance producer.

30 * **Sec. 21.** AS 21.33.037(b) is amended to read:

31 (b) This section does not apply to

- (1) matters authorized to be done by the director;
- (2) surplus lines insurance effected and written under AS 21.34;
- (3) transactions for which a certificate of authority is not required under this title;
- (4) reinsurance;
- (5) the property and operations of railroads or aircraft engaged in interstate or foreign commerce and wet marine and transportation insurance;
- (6) life insurance, **health** [DISABILITY] insurance, and annuity contracts when solicited solely by mail or when not solicited, negotiated, or procured in this state;
- (7) transactions subsequent to issuance of a policy not covering a subject resident, located, or to be performed in this state at time of issuance and lawfully solicited, written, or delivered outside this state.

* **Sec. 22.** AS 21.33.042 is amended to read:

Sec. 21.33.042. SUITS BY NONADMITTED INSURERS. A nonadmitted insurer may not commence or maintain an action in law or equity in this state to enforce a right arising out of a transaction of insurance in this state except with respect to

- (1) claims under policies lawfully written in this state;
- (2) liquidation of assets and liabilities, other than the collection of new premiums, resulting from its former admitted operations in this state;
- (3) transactions subsequent to issuance of a policy not covering a subject resident, located, or to be performed in this state at time of issuance and lawfully solicited, written, or delivered outside this state;
- (4) surplus lines insurance coverage exported under AS 21.34;
- (5) reinsurance;
- (6) the continuation and servicing of life insurance, **health** [DISABILITY] insurance policies, or annuity contracts remaining in force as to residents of this state where the insurer has withdrawn from the state and is not transacting new insurance;
- (7) servicing of policies written by an admitted insurer in a state to

1 which the insured has moved but in which the insured is not licensed, until the term
2 of the policy expires;

3 (8) claims under policies covering wet marine and transportation
4 insurance, including vessels of 50 displacement tons or less.

5 * **Sec. 23.** AS 21.33.045(d) is amended to read:

6 (d) This section does not apply to life insurance, health [DISABILITY]
7 insurance, or annuity contracts.

8 * **Sec. 24.** AS 21.33.061(g) is amended to read:

9 (g) This section does not apply to insurance of risks of the state, a political
10 subdivision of the state, insurance of aircraft regularly engaged in interstate or foreign
11 commerce, to life insurance, health [DISABILITY] insurance, or annuity contracts.

12 * **Sec. 25.** AS 21.34.020 is amended to read:

13 Sec. 21.34.020. PLACEMENT OF SURPLUS LINES INSURANCE.

14 Insurance other than reinsurance, wet marine and transportation insurance, insurance
15 independently procured, life insurance, health [DISABILITY] insurance, and annuity
16 contracts may be procured through a surplus lines broker licensed under AS 21.27
17 from nonadmitted insurers if

18 (1) the insurer is an eligible surplus lines insurer;

19 (2) the full amount, kind, or class of insurance cannot be obtained from
20 insurers who are admitted to do business in this state;

21 (3) the producing broker has conducted and documented a diligent
22 search among insurers who are admitted to transact business in this state and are
23 actually writing the particular kind or class of insurance required by the client in this
24 state;

25 (4) the director authorizes an exception to (2) of this section by
26 regulation or by written authorization for an individual placement upon written request
27 by the broker; and

28 (5) all other requirements of this chapter are met.

29 * **Sec. 26.** AS 21.34.025 is amended to read:

30 Sec. 21.34.025. SUBSCRIPTION POLICIES OR JOINT UNDERWRITING
31 IN COMBINATION WITH ADMITTED INSURERS. Subscription policies or joint

underwriting of insurance other than reinsurance, wet marine and transportation insurance, insurance independently procured, life insurance, health [DISABILITY] insurance, and annuity contracts by a combination of authorized insurers and nonadmitted insurers is a surplus lines insurance placement in its entirety, is subject to this chapter, is not subject to AS 21.39 or AS 21.42.120 - 21.42.130, and losses or claims are not covered by AS 21.80 (Alaska Insurance Guaranty Association Act).

* **Sec. 27.** AS 21.36.035 is amended to read:

Sec. 21.36.035. **PROHIBITED ADVERTISEMENTS AND REPRESENTATIONS.** (a) A person may not place before the public an advertisement, announcement, or statement that uses the existence of the Alaska Life and Health [DISABILITY] Insurance Guaranty Association established under AS 21.79.040 to sell, solicit, or induce the public to purchase any form of insurance governed by AS 21.79.

(b) A person having a beneficial interest in any form of insurance governed by AS 21.79 may not represent to a lender or another person that the insurance or form of insurance has value as collateral for a loan because the insurance is covered by the Alaska Life and Health [DISABILITY] Insurance Guaranty Association. This subsection does not apply to the Alaska Life and Health [DISABILITY] Insurance Guaranty Association itself, or to an entity that does not sell or solicit insurance.

* **Sec. 28.** AS 21.36.090(b) is amended to read:

(b) A person may not make or permit unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees, or rates charged for a policy or contract of health [DISABILITY] insurance or in the benefits payable, or in any of the terms or conditions of the contract, or in any other manner whatever.

* **Sec. 29.** AS 21.36.090(d) is amended to read:

(d) Except to the extent necessary to comply with AS 21.42.365 and AS 21.56, a person may not practice or permit unfair discrimination against a person who provides a service covered under a group health insurance [DISABILITY] policy that extends coverage on an expense incurred basis, or under a group service or indemnity type contract issued by a nonprofit corporation, if the service is within the scope of the

1 provider's occupational license. In this subsection, "provider" means a state licensed
2 physician, dentist, osteopath, optometrist, chiropractor, nurse midwife, advanced nurse
3 practitioner, naturopath, physical therapist, occupational therapist, psychologist,
4 psychological associate, or licensed clinical social worker, or certified direct-entry
5 midwife.

6 * **Sec. 30.** AS 21.36.095(a) is amended to read:

7 (a) An insurer may not deny enrollment of a child under the health [CARE]
8 insurance of the child's parent on the ground that the child

9 (1) was born out of wedlock;

10 (2) is not claimed as a dependent on the parent's federal income tax
11 return;

12 (3) does not reside with the parent; or

13 (4) does not reside in the insurer's service area.

14 * **Sec. 31.** AS 21.36.100 is amended to read:

15 Sec. 21.36.100. REBATES. Except as otherwise expressly provided by law,
16 a person may not knowingly permit or offer to make or make a contract of life
17 insurance, life annuity or health [DISABILITY] insurance, or agreement under the
18 contract other than as plainly expressed in the contract [ISSUED THEREON], or pay,
19 allow, give or offer to pay, allow, or give, directly or indirectly, as inducement to the
20 insurance, or annuity, a rebate of premiums payable on the contract, or a special favor
21 or advantage in the dividends or other benefits, or paid employment or contract for
22 services of any kind, or any valuable consideration or inducement whatever not
23 specified in the contract; or directly or indirectly give, sell, purchase or offer to agree
24 to give, sell, purchase, or allow as inducement to the insurance or annuity or in
25 connection therewith, whether or not to be specified in the policy or contract, an
26 agreement of any form or nature promising returns, profits, stocks, bonds, or other
27 securities, or interest present or contingent in the contract [THEREIN] or as measured
28 by the contract [THEREBY], of an insurance company or other corporation,
29 association, or partnership, or dividends or profits accrued or to accrue under the
30 contract [THEREON]; or offer, promise, or give anything of value that is not
31 specified in the contract.

1 * **Sec. 32.** AS 21.36.110 is amended to read:

2 Sec. 21.36.110. EXCEPTIONS TO DISCRIMINATION AND REBATES.

3 Nothing in AS 21.36.090 and 21.36.100 may be construed as including within the
4 definition of discrimination or rebates any of the following practices:

5 (1) in the case of a contract of life insurance or life annuity, paying
6 bonuses to policyholders or otherwise abating their premiums in whole or in part out
7 of surplus accumulated from nonparticipating insurance, if the bonuses, or abatement
8 of premiums are fair and equitable to policyholders and for the best interests of the
9 insurer;

10 (2) in the case of life insurance policies issued on the industrial debit,
11 preauthorized check, bank draft, or similar plans, making allowance to policyholders
12 who have continuously for a specified period made premium payments directly to an
13 office of the insurer or by preauthorized check, bank draft, or similar plan, in an
14 amount that fairly represents the saving in collection expense;

15 (3) readjustment of the rate of premium for a group insurance policy
16 based on the loss or expense experience thereunder, at the end of the first or a
17 subsequent policy year of insurance thereunder, which may be made retroactive only
18 for that policy year;

19 (4) issuance of life or health [DISABILITY] insurance policies or
20 annuity contracts at rates less than the usual rates of premiums for the policies or
21 contracts, or modification of premium or rate based on amount of insurance; but the
22 issuance or modification shall not result in reduction in premium or rate in excess of
23 savings in administration and issuance expenses reasonably attributable to the policies
24 or contracts.

25 * **Sec. 33.** AS 21.36.190(c) is amended to read:

26 (c) This section does not apply to mortgage guaranty insurance, life insurance,
27 health [DISABILITY] insurance, or annuity contracts.

28 * **Sec. 34.** AS 21.36.310 is amended to read:

29 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 - 21.36.310,

30 (1) "business or commercial insurance" means insurance other than
31 personal insurance, reinsurance, life insurance, health [DISABILITY] insurance,

1 fidelity and surety insurance, title insurance, or an annuity contract;

2 (2) "nonpayment of premium" means failure of the named insured to
3 discharge when due any obligations of the named insured in connection with the
4 payment of premium on a policy, or any installment of the premium, whether the
5 premium is payable directly to the insurer or its agent or indirectly under any premium
6 finance plan or extension of credit;

7 (3) "personal automobile insurance" means insurance not related to
8 business or commercial activities, covering automobile liability, uninsured or
9 underinsured motorists, automobile medical payments, or automobile physical damage,
10 that is delivered or issued for delivery in this state, and under which the insured
11 vehicles are of the following types only:

12 (A) a motor vehicle of the private passenger or station wagon
13 type that is not used as a public or livery conveyance, nor rented to others; or

14 (B) any other four-wheel motor vehicle with a load capacity of
15 1,500 pounds or less that is not used in the occupation, profession, or business
16 of the insured, nor used as a public or livery conveyance, nor rented to others;

17 (4) "personal insurance"

18 (A) means personal automobile insurance, or insurance covering

19 (i) loss of or damage to real property that is used
20 predominantly for residential purposes and that does not consist of more
21 than four dwelling units;

22 (ii) loss of or damage to personal property, including
23 personal effects, household furniture, fixtures, and equipment located in
24 not more than four dwelling units; or

25 (iii) legal liability of natural persons for loss of, damage
26 to, or injury to persons or property if the insurance does not cover
27 liability arising from or in connection with business or commercial
28 activities;

29 (B) does not include an annuity contract or a policy of life
30 insurance, health [DISABILITY] insurance, or title insurance;

31 (5) "renewal" or "renew" means

1 (A) the issuance and delivery of an insurance policy at the end
2 of the policy period, that replaces a policy previously issued and delivered by
3 the same insurer;

4 (B) the issuance and delivery of a certificate or notice extending
5 the term of a policy beyond its policy period or term; or

6 (C) the extension of the term of a policy beyond its policy
7 period or term under a provision for extending the policy by payment of a
8 continuation premium.

9 * **Sec. 35.** AS 21.39.020(b) is amended to read:

10 (b) This chapter does not apply to

11 (1) reinsurance, other than joint reinsurance to the extent stated in
12 AS 21.39.110;

13 (2) **health** [DISABILITY] insurance;

14 (3) insurance of vessels or craft, their cargoes, marine builders' risks,
15 marine protection and indemnity, or other risks commonly insured under marine, as
16 distinguished from inland marine insurance policies;

17 (4) insurance against loss of or damage to aircraft or against liability,
18 other than workers' compensation and employer's liability, arising out of the
19 ownership, maintenance, or use of aircraft; or, to insurance of hulls of aircraft,
20 including their accessories and equipment.

21 * **Sec. 36.** AS 21.42.020(c) is amended to read:

22 (c) Notwithstanding the other provisions of this section, a charitable
23 organization may obtain, by procurement, assignment, or otherwise, life or **health**
24 [DISABILITY] insurance on an insured who consents to the issuance of the insurance.
25 In this subsection, "charitable organization" means a charity that is exempt from
26 taxation under 26 U.S.C. 501(c)(3).

27 * **Sec. 37.** AS 21.42.090 is amended to read:

28 Sec. 21.42.090. APPLICATION REQUIRED, LIFE AND **HEALTH**
29 [DISABILITY] INSURANCE. A life or **health** [DISABILITY] insurance contract
30 upon an individual, except a contract of group life insurance or of group or blanket
31 **health** [DISABILITY] insurance, may not be made or effectuated unless at the time

1 of the making of the contract the individual insured, being of competent legal capacity
2 to contract, applies for the contract or has consented to it in writing, except in the
3 following cases:

4 (1) a spouse may effectuate the insurance upon the other spouse;

5 (2) a person having an insurable interest in the life of a minor or a
6 person upon whom a minor is dependent for support and maintenance, may effectuate
7 insurance upon the life of or pertaining to the minor;

8 (3) family policies insuring any two or more members of a family may
9 be issued on an application signed by either parent, a stepparent, or by a husband or
10 wife.

11 * **Sec. 38.** AS 21.42.100 is amended to read:

12 Sec. 21.42.100. ALTERATION OF APPLICATION. (a) If a policy of life
13 or health [DISABILITY] insurance delivered in this state is reinstated or renewed, and
14 the insured or the beneficiary or assignee of the policy makes written request to the
15 insurer for a copy of the application, if any, for the reinstatement or renewal, the
16 insurer shall, within 30 days after receipt of the request at its home office or at one of
17 its branch offices, deliver, or mail to the person making the request a copy of the
18 application. In the case of a request from a beneficiary, the time within which the
19 insurer is required to furnish a copy of the application does not begin to run until after
20 receipt of evidence satisfactory to the insurer of the beneficiary's vested interest in the
21 policy or contract.

22 (b) An alteration of a written application for a life or health [DISABILITY]
23 insurance policy may not be made by a person other than the applicant without the
24 written consent of the applicant, except that insertions may be made by the insurer, for
25 administrative purposes only, in a manner that indicates clearly that the insertions are
26 not to be ascribed to the applicant.

27 * **Sec. 39.** AS 21.42.120(a) is amended to read:

28 (a) A basic insurance policy or annuity contract form, or application form
29 where written application is required and is to be made a part of the policy or contract,
30 or printed rider or endorsement form or form of renewal certificate, may not be
31 delivered, or issued for delivery in this state, unless the form has been filed with and

1 approved by the director. This provision does not apply to surety bonds, or to
2 specially rated inland marine risks, nor to policies, riders, endorsements, or forms of
3 unique character designed for and used with relation to insurance upon a particular
4 subject, or which relate to the manner of distribution of benefits or to the reservation
5 of rights and benefits under life or health [DISABILITY] insurance policies and are
6 used at the request of the individual policyholder, contract holder, or certificate holder.
7 The filing required by this section of forms for use in property, marine other than wet
8 marine and transportation coverages, casualty, and surety coverages may be made by
9 a rating organization on behalf of its members and subscribers; but this provision does
10 not prohibit a member or subscriber from filing the forms on its own behalf.

11 * **Sec. 40.** AS 21.42.130 is amended to read:

12 Sec. 21.42.130. GROUND FOR DISAPPROVAL. The director shall
13 disapprove a form filed under AS 21.42.120 or withdraw a previous approval of the
14 form [THEREOF], only if the form

15 (1) is in any respect in violation of or does not comply with this title;

16 (2) contains or incorporates by reference, where incorporation is
17 permissible, an inconsistent, ambiguous, or misleading clause, or exception and
18 condition that deceptively affects the risk purported to be assumed in the general
19 coverage of the contract;

20 (3) has a title, heading, or other indication of its provisions that is
21 misleading;

22 (4) is printed or otherwise reproduced in a manner that renders a
23 provision of the form substantially illegible;

24 (5) provides benefits for Medicare supplemental and individual health
25 insurance [DISABILITY] that are unreasonable in relation to the premium charged.

26 * **Sec. 41.** AS 21.42.240(d) is amended to read:

27 (d) This section does not apply to life or health [DISABILITY] insurances.

28 * **Sec. 42.** AS 21.42.270 is amended to read:

29 Sec. 21.42.270. ASSIGNMENT OF POLICIES. A policy may be assignable
30 or nonassignable, depending upon its terms. Subject to its terms relating to its
31 assignability, a life, group life, or health insurance [DISABILITY] policy, whether

1 issued before or after July 1, 1966, under the terms of which the beneficiary may be
2 changed upon the sole request of the insured, may be assigned either by pledge or
3 transfer of title by an assignment executed by the insured alone and delivered to the
4 insurer, whether or not the pledgee or assignee is the insurer. The assignment entitles
5 the insurer to deal with the assignee as the owner or pledgee of the policy in
6 accordance with the terms of the assignment until the insurer has received at its home
7 office written notice of termination of the assignment or pledge, or written notice by
8 or on behalf of some other person claiming an interest in the policy that [WHICH] is
9 in conflict with the assignment.

10 * **Sec. 43.** AS 21.42.280 is amended to read:

11 Sec. 21.42.280. PAYMENT DISCHARGES INSURER. When the proceeds
12 of or payments under a life or health [DISABILITY] insurance policy or annuity
13 contract, whether issued before or after July 1, 1966, become payable in accordance
14 with the terms of the policy or contract, or the exercise of a right or privilege under
15 the policy or contract and the insurer makes payment in accordance with the terms of
16 the policy or contract or in accordance with a written assignment, the person then
17 designated under the policy as being entitled to the proceeds or payments
18 [THERETO] shall be entitled to receive the proceeds or payments and to give full
19 acquittance for them. The payments shall fully discharge the insurer from all claims
20 under the policy or contract unless, before payment is made, the insurer has received
21 at its home office written notice by or on behalf of another person that the other
22 person claims to be entitled to the payment or some interest in the policy or contract.

23 * **Sec. 44.** AS 21.42.345(b) is amended to read:

24 (b) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver,
25 or renew an individual or group health [DISABILITY] insurance policy for medical
26 coverage on an expense incurred basis in the state, a hospital or medical service
27 corporation authorized under AS 21.87 to offer or renew an individual or group
28 subscriber's contract for medical coverage in the state, or a health maintenance
29 organization authorized under AS 21.86 to offer an enrollee contract to provide health
30 care services on a prepaid basis shall offer coverage for family members, including
31 newly born children, adopted children, or children placed for adoption and is subject

1 to the conditions in (a) of this section, regardless of the marital status of the covered
2 person.

3 * **Sec. 45.** AS 21.42.353 is amended to read:

4 Sec. 21.42.353. COVERAGE FOR COSTS OF ACUPUNCTURE
5 TREATMENT. An insurer authorized under AS 21.09 to offer, issue for delivery,
6 deliver, or renew a health [DISABILITY] insurance policy in the state, a hospital or
7 medical service corporation authorized under AS 21.87 to offer or renew a subscriber's
8 contract, or a health maintenance organization authorized under AS 21.86 to offer an
9 enrollee contract to provide health care services on a prepaid basis may offer coverage
10 for services of an acupuncturist licensed under AS 08.06 if the policy or contract
11 covers acupuncture treatment by a health care provider who is subject to other
12 provisions of AS 08.

13 * **Sec. 46.** AS 21.42.355 is amended to read:

14 Sec. 21.42.355. COVERAGE FOR COST OF SERVICES PROVIDED BY
15 NURSE MIDWIVES. (a) If an individual or group health [DISABILITY] insurance
16 policy, subscriber's contract, enrollee contract, or fraternal benefit society certificate
17 provides indemnity for the cost of services of a physician provided to women during
18 pregnancy, childbirth, and the period after childbirth, indemnity in a reasonable amount
19 shall also be provided for the cost of an advanced nurse practitioner who provides the
20 same services. Indemnity may be provided under this subsection only if the advanced
21 nurse practitioner is certified to practice as a nurse midwife in accordance with
22 regulations adopted under AS 08.68.100(a), and the services provided are within the
23 scope of practice authorized by that certification.

24 (b) If an individual or group health [DISABILITY] insurance policy,
25 subscriber's contract, enrollee contract, or fraternal benefit society certificate provides
26 for furnishing those services required of a physician in the care of women during
27 pregnancy, childbirth, and the period after childbirth, the contract shall also provide
28 that an advanced nurse practitioner may furnish those same services instead of a
29 physician. Services may be provided under this subsection only if the advanced nurse
30 practitioner is certified to practice as a nurse midwife in accordance with regulations
31 adopted under AS 08.68.100(a), and the services provided are within the scope of

1 practice authorized by that certification.

2 * **Sec. 47.** AS 21.42.365(a) is amended to read:

3 (a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver,
4 or renew a group health [DISABILITY] insurance policy for major medical coverage
5 on an expense incurred basis in the state, or a hospital or medical service corporation
6 authorized under AS 21.87 to offer or renew a group subscriber's contract for medical
7 coverage in the state, shall provide the covered person the following coverage for
8 treatment of alcoholism or drug abuse:

9 (1) benefits of at least \$7,000 over two consecutive benefit years; and

10 (2) lifetime benefits of at least \$14,000.

11 * **Sec. 48.** AS 21.42.365(e)(8) is amended to read:

12 (8) "group health [DISABILITY] insurance" means a major medical
13 insurance contract or subscriber contract that provides major medical coverage for five
14 or more employees of the employer, but does not include catastrophic illness
15 insurance;

16 * **Sec. 49.** AS 21.42.365(e)(9) is amended to read:

17 (9) "major medical" means a health [DISABILITY] insurance contract,
18 or subscriber contract that provides benefits for hospital and medical care with
19 potential lifetime maximum benefits per insured of at least \$10,000;

20 * **Sec. 50.** AS 21.42.375(a) is amended to read:

21 (a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver,
22 or renew an individual or group health [DISABILITY] insurance policy for medical
23 coverage on an expense incurred basis in the state, a hospital or medical service
24 corporation authorized under AS 21.87 to offer or renew a subscriber's contract for
25 medical coverage in the state, or a health maintenance organization authorized under
26 AS 21.86 to offer an enrollee contract to provide health care services on a prepaid
27 basis shall provide coverage for low-dose mammography screening under the schedule
28 described in (b) of this section if the policy or contract covers mastectomies and
29 prosthetic devices and reconstructive surgery incident to mastectomies.

30 * **Sec. 51.** AS 21.42.380(a) is amended to read:

31 (a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver,

1 or renew an individual or a group health [DISABILITY] insurance policy for major
2 medical coverage on an expense-incurred basis in the state, a hospital or medical
3 service corporation authorized under AS 21.87 to offer or renew a group contract for
4 major medical coverage in the state, or a health maintenance organization authorized
5 under AS 21.86 to offer an enrollee contract to provide health care services on a
6 prepaid basis shall provide coverage for the formulas necessary for the treatment of
7 phenylketonuria. This subsection does not apply to

8 (1) a Medicare supplement insurance policy;

9 (2) long-term care insurance;

10 (3) an insurance policy regulated under 5 U.S.C. 8901 - 8914 or 42
11 U.S.C. 1395mm;

12 (4) an insurance policy that provides services or reimbursement
13 exclusively for optometric or vision care, dental or orthodontic care, podiatric,
14 ambulance, mental health, or chiropractic care;

15 (5) an insurance policy that the director has, in writing, determined
16 should be excluded from this subsection.

17 * **Sec. 52.** AS 21.42.380(c)(5) is amended to read:

18 (5) "major medical coverage" means a health [DISABILITY] insurance
19 contract, a subscriber contract, or an enrollee contract that provides benefits for
20 hospital and medical care with potential lifetime maximum benefits for the insured,
21 subscriber, or enrollee of at least \$10,000.

22 * **Sec. 53.** AS 21.42.385(a) is amended to read:

23 (a) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver,
24 or renew an individual or group health [DISABILITY] insurance policy for medical
25 coverage on an expense incurred basis in the state or a hospital or medical service
26 corporation authorized under AS 21.87 to offer or renew a subscriber's contract, shall
27 offer to each policyholder or subscriber for acceptance or rejection minimum dental,
28 vision, and hearing coverage described in (b) of this section. Coverage required under
29 this subsection may be offered as a rider or in the form of a limited benefit policy.

30 * **Sec. 54.** AS 21.42.385(c) is amended to read:

31 (c) This section does not apply to an insurer or a hospital or medical service

1 corporation that has written less than \$300,000 in premiums in the previous calendar
2 year. An insurer or a hospital or medical service corporation exempt under this
3 subsection shall disclose the exemption when issuing or renewing a health
4 [DISABILITY] insurance policy or subscriber's contract, and shall advise the
5 policyholder or subscriber that insurers that have written more than \$300,000 in
6 premiums in the previous calendar year are required to offer coverage under (a) and
7 (b) of this section.

8 * **Sec. 55.** AS 21.45.020(a) is amended to read:

9 (a) A policy of life insurance, other than group and pure endowments with or
10 without return of premiums or of premiums and interest, may not be delivered or
11 issued for delivery in this state unless it contains in substance all of the applicable
12 provisions required by AS 21.45.030 - 21.45.150. This section does not apply to
13 annuity contracts or to a provision of a life insurance policy, or contract supplemental
14 to it, relating to health insurance [DISABILITY] benefits or to additional benefits in
15 the event of death by accident or accidental means.

16 * **Sec. 56.** AS 21.45.040 is amended to read:

17 Sec. 21.45.040. INCONTESTABILITY. There shall be a provision that the
18 policy, exclusive of provisions relating to health insurance [DISABILITY] benefits
19 or to additional benefits in the event of death by accident or accidental means and
20 except for nonpayment of premiums, is uncontestable after it has been in force during
21 the lifetime of the insured for a period of two years from its date of issue.

22 * **Sec. 57.** AS 21.45.250(c) is amended to read:

23 (c) This section does not apply to industrial life insurance, group life
24 insurance, health [DISABILITY] insurance, reinsurance, or annuities, or to a provision
25 in a life insurance policy relating to health [DISABILITY] benefits or to additional
26 benefits in the event of death by accident or accidental means.

27 * **Sec. 58.** AS 21.48.180 is amended to read:

28 Sec. 21.48.180. CONVERSION ON TERMINATION OF ELIGIBILITY. The
29 group life insurance policy must contain a provision that if the insurance, or any
30 portion of it, on a person covered under the policy ceases because of termination of
31 employment or of membership in the class or classes eligible for coverage under the

1 policy, the person shall be entitled to have issued to the person by the insurer, without
2 evidence of insurability, an individual policy of life insurance without **health**
3 **insurance** [DISABILITY] or other supplementary benefits, provided application for
4 the individual policy is made, and the first premium paid to the insurer, within 31 days
5 after the termination, and provided further that

6 (1) the individual policy shall, at the option of the person, be on any
7 one of the forms, except term insurance, then customarily issued by the insurer at the
8 age and for the amount applied for;

9 (2) the amount of the individual policy may not be in excess of the
10 amount of life insurance that ceases because of the termination, less the amount of any
11 life insurance for which the person is or becomes eligible under the same or any other
12 group policy within 31 days after the termination, provided that any amount of
13 insurance that matured on or before the date of the termination as an endowment
14 payable to the person insured, whether in one sum or in installments or in the form of
15 annuity, may not, for the purpose of this provision, be included in the amount that is
16 considered to cease because of the termination;

17 (3) the premium on the individual policy shall be at the insurer's then
18 customary rate applicable to the form and amount of the individual policy, to the class
19 of risk to which the person then belongs, and to the person's age attained on the
20 effective date of the individual policy.

21 * **Sec. 59.** AS 21.51.010 is amended to read:

22 Sec. 21.51.010. **APPLICABILITY.** Nothing in this chapter applies to or
23 affects

24 (1) a policy of liability or workers' compensation insurance with or
25 without supplementary expense coverage;

26 (2) a group or blanket policy;

27 (3) life insurance, endowment or annuity contracts, or supplemental
28 contracts that contain only those provisions relating to **health** [DISABILITY] insurance
29 that

30 (A) provide additional benefits in case of death or
31 dismemberment or loss of sight by accident or accidental means; or

1 (B) operate to safeguard the contracts against lapse, or to give
2 a special surrender value or special benefit or an annuity in the event that the
3 insured or annuitant becomes totally and permanently disabled, as defined by
4 the contract or supplemental contract;

5 (4) reinsurance.

6 * **Sec. 60.** AS 21.51.020 is amended to read:

7 Sec. 21.51.020. SCOPE, FORMAT OF POLICY. A policy of health
8 [DISABILITY] insurance may not be delivered or issued for delivery to a person in
9 this state unless it otherwise complies with this title, and complies with the following:

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

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

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

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

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

1 "Exceptions and Reductions," except that if an exception or reduction specifically
2 applies only to a particular benefit of the policy, a statement of the exception or
3 reduction **must** [SHALL] be included with the benefit provision to which it applies;

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

6 (7) the policy **may not** [SHALL] contain **a** [NO] provision **making**
7 [PURPORTING TO MAKE] a portion of the charter, rules, constitution, or bylaws of
8 the insurer a part of the policy unless the portion is set out in full in the policy; **this**
9 **paragraph does not apply to** [, EXCEPT IN THE CASE OF] the incorporation of,
10 or reference to, a statement of rates or classification of risks, or short-rate table filed
11 with the director.

12 * **Sec. 61.** AS 21.51.120(a) is amended to read:

13 (a) A **health insurance** [DISABILITY] policy delivered or issued for delivery
14 must contain the following provisions:

15 (1) indemnity for loss of life shall be paid according to the beneficiary
16 designation and payment provisions contained in the policy that are effective at the
17 time of payment; if a beneficiary has not been designated, indemnity shall be paid to
18 the estate of the insured; accrued indemnities unpaid at the insured's death shall be
19 paid to either the beneficiary or the estate, at the option of the insurer; all other
20 indemnities shall be paid to the insured;

21 (2) the insurer may, and upon written request of the insured shall,
22 within 30 working days after receiving a proof of loss statement, pay indemnities for
23 hospital, nursing, medical, dental, or surgical services directly to the provider of the
24 services; an insurer who pays indemnities to an insured, after the insured has given the
25 insurer written notice in the proof of loss statement of an election of direct payment
26 of indemnities to the provider of the services, shall also pay indemnities to the
27 provider of the services; this paragraph does not require that services be provided by
28 a particular hospital or person;

29 (3) a covered person may revoke an election of direct payment of
30 indemnities made under this subsection by giving written notice of the revocation to
31 the insurer and to the provider of the services; the written notice of revocation given

1 to the insurer must certify that the covered person has given written notice of
2 revocation to the provider of the services; revocation of an election of direct payment
3 is not effective until the notice of revocation is received by the insurer and the
4 provider of the services;

5 (4) the right of the insured to request payment of indemnities for
6 hospital, nursing, medical, dental, or surgical services directly to the provider of the
7 services or to another person may be transferred to a person who is not the insured by
8 a qualified domestic relations order; rights under the qualified domestic relations order
9 do not take effect until the order is received by the insurer; in this paragraph,
10 "qualified domestic relations order" means an order or judgment in a divorce or
11 dissolution action under AS 25.24 that designates a person to determine to whom
12 indemnities for a named beneficiary should be paid under a health insurance
13 [DISABILITY] policy.

14 * **Sec. 62.** AS 21.51.120(b) is amended to read:

15 (b) A health insurance [DISABILITY] policy delivered or issued for delivery
16 may, at the option of the insurer, require that an indemnity in an amount not to exceed
17 \$1,000 that is payable to the estate of the insured, an insured or beneficiary who is a
18 minor, or an insured who is not competent to give a valid release, be paid to a relative
19 by blood or marriage, or a beneficiary that the insured determines is equitably entitled
20 to the payment. A good faith payment by the insurer under this subsection fully
21 discharges the insurer to the extent of the payment.

22 * **Sec. 63.** AS 21.51.270 is amended to read:

23 Sec. 21.51.270. RENEWAL AT OPTION OF INSURER. Health
24 [DISABILITY] insurance policies, other than accident insurance only policies, in
25 which the insurer reserves the right to refuse renewal on an individual basis, must
26 provide in substance in a provision or in an endorsement or rider attached to it that
27 subject to the right to terminate the policy upon nonpayment of premium when due,
28 the right to refuse renewal may not be exercised to take effect before the renewal date
29 occurring on or after and nearest each policy anniversary, [(] or in the case of lapse
30 and reinstatement, at the renewal date occurring on or after and nearest each
31 anniversary of the last reinstatement [)], and a refusal of renewal shall be without

1 prejudice to any claim originating while the policy is in force. The parenthetic
2 reference to lapse and reinstatement may be omitted at the insurer's option.

3 * **Sec. 64.** AS 21.51.330(a) is amended to read:

4 (a) **Health** [DISABILITY] insurance on a franchise plan is that form of **health**
5 [DISABILITY] insurance issued to

6 (1) five or more employees of a corporation, copartnership, or
7 individual employer or a governmental corporation, agency, or department **of them**
8 [THEREOF]; or

9 (2) **10** [TEN] or more members, employees, or employees of members
10 of a trade or professional association or of a labor union or of any other association
11 having had an active existence for at least two years if the association or union has a
12 constitution or bylaws and is formed in good faith for purposes other than that of
13 obtaining insurance.

14 * **Sec. 65.** AS 21.53.010 is amended to read:

15 Sec. 21.53.010. PROHIBITED SALE OR ADVERTISING. An insurer,
16 hospital or medical service corporation, or a fraternal benefit society may not advertise,
17 market, sell, deliver, or offer for delivery a long-term care insurance policy unless the
18 policy complies with this chapter, AS 21.18, AS 21.45, the **health** [DISABILITY]
19 insurance requirements imposed under AS 21.51, and, if a group policy, the group
20 **health** [DISABILITY] insurance requirements imposed under AS 21.54.

21 * **Sec. 66.** AS 21.53.020 is amended to read:

22 Sec. 21.53.020. DISCLOSURE AND PERFORMANCE STANDARDS. An
23 insurer, hospital or medical service corporation, or a fraternal benefit society that
24 delivers or issues for delivery a long-term care insurance policy may not

25 (1) cancel, fail to renew, or otherwise terminate the policy on the
26 grounds of age or deterioration of the mental or physical health of the insured or
27 certificate holder;

28 (2) include a provision requiring a new waiting period in the event
29 existing coverage is converted to or replaced by a new or another form of **health**
30 [DISABILITY] insurance within the same company, unless there is an increase in
31 benefits voluntarily selected by the insured; or

1 (3) provide coverage only for skilled nursing care, or provide
2 significantly more coverage for skilled care in a facility than is provided for coverage
3 for lower levels of care; evaluation of the coverage provided under this paragraph must
4 be based on the number of days of coverage provided for lower levels of care, when
5 compared to the number of days of coverage provided for skilled care.

6 * **Sec. 67.** AS 21.53.200(4) is amended to read:

7 (4) "long-term care insurance" means an individual or group insurance
8 policy, including group and individual life insurance or annuities, a subscriber's
9 contract, fraternal benefit society certificate, or rider advertised, marketed, offered, or
10 designed to provide coverage for not less than 12 consecutive months for each covered
11 person on an expense incurred, indemnity, prepaid, or other basis, for one or more
12 necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative,
13 maintenance, or personal care services that are provided in a setting other than an
14 acute care unit of a hospital, and includes a policy or rider that provides for payment
15 of benefits based on cognitive impairment or loss of functional capacity; "long-term
16 care insurance" does not include an insurance policy, subscriber's contract, or fraternal
17 benefit society certificate that is offered primarily to provide basic Medicare
18 supplement coverage, basic hospital expense coverage, basic medical-surgical expense
19 coverage, hospital confinement indemnity coverage, major medical expense coverage,
20 disability insurance [INCOME] and related asset protection coverage, catastrophic
21 coverage, comprehensive coverage, accident only coverage, specified disease or
22 specified accident coverage, or limited benefit health coverage;

23 * **Sec. 68.** AS 21.54.010 is amended to read:

24 Sec. 21.54.010. REQUIRED PROVISIONS OF GROUP POLICIES. Each
25 group health [DISABILITY] insurance policy must contain in substance the following
26 provisions:

27 (1) a provision that, in the absence of fraud, all statements made by
28 applicants or the policyholder or by an insured person shall be considered
29 representations and not warranties, and that a statement made for the purpose of
30 effecting insurance may not void the insurance or reduce benefits unless contained in
31 a written instrument signed by the policyholder or the insured person, a copy of which

has been furnished to the policyholder or to the insured person or the beneficiary of the insured person;

(2) a provision that the insurer will furnish to the policyholder for delivery to each employee or member of the insured group, a statement in summary form of the essential features of the insurance coverage of the employee or member and to whom benefits are payable; if dependents are included in the coverage, only one certificate need be issued for each family unit;

(3) a provision that to the group originally insured may be added from time to time eligible new employees or members or dependents, as the case may be, in accordance with the terms of the policy.

* **Sec. 69.** AS 21.54.020(a) is amended to read:

(a) An insurer may, and upon written request of the covered person shall, within 30 working days after receiving a proof of loss statement, pay indemnities under a group health insurance [DISABILITY] policy directly to the provider of the hospital, nursing, medical, dental, or surgical services. The policy may not contain a provision requiring that services be provided by a particular hospital or person, except as applicable to a health maintenance organization under AS 21.86. If the insurer pays indemnities to the covered person after the covered person has given the insurer written notice in the proof of loss statement of an election of direct payment of indemnities to the provider of the service, the insurer shall also pay those indemnities to the provider of the service.

* **Sec. 70.** AS 21.54.020(c) is amended to read:

(c) The right of the covered person to request payment of indemnities under a blanket health insurance [DISABILITY] policy directly to the provider of the services or to another person may be transferred to a person who is not the covered person by a qualified domestic relations order. Rights under the qualified domestic relations order do not take effect until the order is received by the insurer. In this subsection, "qualified domestic relations order" means an order or judgment in a divorce or dissolution action under AS 25.24 that designates a person to determine to whom indemnities for a covered person should be paid under a health insurance [DISABILITY] policy.

1 * **Sec. 71.** AS 21.54.030 is amended to read:

2 Sec. 21.54.030. REQUIRED PROVISIONS OF BLANKET POLICIES. An
3 insurer authorized to write health [DISABILITY] insurance in this state shall have the
4 power to issue blanket health [DISABILITY] insurance. A blanket policy may not
5 be issued or delivered in this state unless a copy of the form of the policy has been
6 filed in accordance with AS 21.42.120. Each [EVERY] blanket policy must contain
7 provisions that in the opinion of the director are at least as favorable to the
8 policyholder and the individual insured as the following:

9 (1) a provision that the policy, including endorsements and a copy of
10 the application, if any, of the policyholder and the persons insured shall constitute the
11 entire contract between the parties, and that any statement made by the policyholder
12 or by a person insured shall in the absence of fraud be considered a representation and
13 not a warranty, and that a statement may not [NO STATEMENTS SHALL] be used
14 in defense to a claim under the policy, unless contained in a written application; the
15 person, a beneficiary, or assignee, shall have the right to make written request to the
16 insurer for a copy of the application and the insurer shall, within 15 days after the
17 receipt of the request at its home office or a branch office of the insurer, deliver or
18 mail to the person making the request a copy of the application;

19 (2) a provision that written notice of sickness or of injury must be
20 given to the insurer within 20 days after the date when the sickness or injury occurred;
21 failure to give notice within that time may not invalidate or reduce a claim if it is
22 shown that it was not reasonably possible to give the notice and that notice was given
23 as soon as was reasonably possible;

24 (3) a provision that the insurer will furnish to the policyholder the
25 forms that are usually furnished by it for filing proof of loss; if the forms are not
26 furnished before the expiration of 15 days after the giving of the notice, the claimant
27 shall be considered to have complied with the requirements of the policy as to proof
28 of loss upon submitting, within the time fixed in the policy for filing proof of loss,
29 written proof covering the occurrence, character, and extent of the loss for which claim
30 is made;

31 (4) a provision that in the case of claim for loss of time for disability,

1 written proof of the loss must be furnished to the insurer within 90 days after the
2 beginning of the period for which the insurer is liable, and that subsequent written
3 proofs of the continuance of the disability must be furnished to the insurer at the
4 intervals that the insurer may reasonably require, and that in the case of claim for any
5 other loss, written proof of the loss must be furnished to the insurer within 90 days
6 after the date of the loss; failure to furnish the proof within that time does not
7 invalidate or reduce a claim if it is shown that it was not reasonably possible to furnish
8 the proof and that the proof was furnished as soon as was reasonably possible;

9 (5) a provision that all benefits payable under the policy other than
10 benefits for loss of time will be payable immediately upon receipt of written proof of
11 the loss, and that, subject to proof of loss, all accrued benefits payable under the policy
12 for loss of time will be paid not later than at the expiration of each period of 30 days
13 during the continuance of the period for which the insurer is liable, and that any
14 balance remaining unpaid at the termination of the period will be paid immediately
15 upon receipt of the proof;

16 (6) a provision that the insurer at its own expense shall have the right
17 and opportunity to examine the person of the insured when and so often as it may
18 reasonably require during the pendency of claim under the policy and also the right
19 and opportunity to make an autopsy in case of death if it is not prohibited by law;

20 (7) a provision that a [NO] civil action may not [SHALL] be brought
21 to recover under the policy before the expiration of 60 days after written proof of loss
22 has been furnished in accordance with the requirements of the policy and that an [NO]
23 action may not [SHALL] be brought after the expiration of three years after the time
24 written proof of loss is required to be furnished.

25 * **Sec. 72.** AS 21.54.040 is amended to read:

26 Sec. 21.54.040. APPLICATION AND CERTIFICATES NOT REQUIRED.

27 An individual application may not be required from a person covered under a blanket
28 health insurance [DISABILITY] policy or contract, nor is it necessary for the insurer
29 to furnish each person a certificate.

30 * **Sec. 73.** AS 21.54.050(a) is amended to read:

31 (a) All benefits under a blanket health insurance [DISABILITY] policy shall

1 be paid to (1) the person insured; (2) the designated beneficiary or beneficiaries of the
2 person insured; (3) the estate of the person insured; (4) the parent, guardian, or other
3 person actually supporting the person insured, if the person insured is a minor or
4 otherwise not competent to give a valid release; or (5) the employer, if the entire cost
5 of the insurance has been paid by the employer. An insurer may, and upon written
6 request of the covered person shall, within 30 working days after receiving a proof of
7 loss statement, pay benefits directly to the provider of the hospital, nursing, medical,
8 dental, or surgical services. The policy may not contain a provision requiring that
9 services be provided by a particular hospital or person, except as applicable to a health
10 maintenance organization under AS 21.86. If the insurer pays indemnities to the
11 insured after the covered person has given the insurer written notice in the proof of
12 loss statement of an election of direct payment of indemnities to the provider of the
13 service, the insurer shall also pay those indemnities to the provider of the service.

14 * **Sec. 74.** AS 21.54.050(c) is amended to read:

15 (c) The right of the covered person to request payment of indemnities under
16 a group health insurance [DISABILITY] policy directly to the provider of the
17 services or to another person may be transferred to a person who is not the covered
18 person by a qualified domestic relations order. Rights under the qualified domestic
19 relations order do not take effect until the order is received by the insurer. In this
20 subsection, "qualified domestic relations order" means an order or judgment in a
21 divorce or dissolution action under AS 25.24 that designates a person to determine to
22 whom indemnities for a covered person should be paid under a health insurance
23 [DISABILITY] policy.

24 * **Sec. 75.** AS 21.54.060 is amended to read:

25 Sec. 21.54.060. GROUP HEALTH [DISABILITY] INSURANCE DEFINED.
26 Group health [DISABILITY] insurance is that form of health [DISABILITY]
27 insurance covering groups of persons as defined below, with or without one or more
28 members of their families or one or more of their dependents, or covering one or more
29 members of the families or one or more dependents of the groups of persons and
30 issued upon the following basis:

31 (1) under a policy issued to an employer or trustees of a fund

1 established by an employer, who shall be considered the policyholder, insuring
2 employees of the employer for the benefit of persons other than the employer; in this
3 paragraph the term "employees" includes the officers, managers, and employees of the
4 employer, the individual proprietor or partner if the employer is an individual
5 proprietor or partnership, the officers, managers, and employees of subsidiary or
6 affiliated corporations, the individual proprietors, partners, and employees of
7 individuals and firms [,] if the business of the employer and the individual or firm is
8 under common control through stock ownership, contract, or otherwise; in this
9 paragraph "employees" may include retired employees; a policy issued to insure
10 employees of a public body may provide that the term "employees" includes elected
11 or appointed officials; the policy may provide that the term "employees" includes the
12 trustees or their employees, or both, if their duties are principally connected with the
13 trusteeship; a policy issued to insure employees of a corporation may provide that the
14 term "employees" includes directors of the corporation, whether or not the directors
15 receive compensation;

16 (2) under a policy issued to an association, including a labor union, that
17 has a constitution and bylaws and that has been organized and is maintained in good
18 faith for purposes other than that of obtaining insurance, insuring members, employees,
19 or employees of members of the association for the benefit of persons other than the
20 association or its officers or trustees; in this paragraph the term "employees" may
21 include retired employees;

22 (3) under a policy issued to the trustees of a fund established by two
23 or more employers in the same or related industry or by one or more labor unions or
24 by one or more employers and one or more labor unions or by an association as
25 defined in (2) of this section, which trustees shall be considered the policyholder, to
26 insure employees of the employers or members of the unions or of the association, or
27 employees of members of the association, for the benefit of persons other than the
28 employers or the unions or the association; in this paragraph the term "employees"
29 may include the officers, managers, and employees of the employer, and the individual
30 proprietor or partners if the employer is an individual proprietor or partnership; in this
31 paragraph the term "employees" may include retired employees; the policy may

1 provide that the term "employees" includes the trustees or their employees, or both, if
2 their duties are principally connected with the trusteeship;

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

6 (5) under a policy issued to cover any other substantially similar group
7 that, in the discretion of the director, may be subject to the issuance of a group **health**
8 **insurance** [DISABILITY] policy or contract;

9 (6) a group **health insurance** [DISABILITY] policy that contains
10 provisions for the payment by the insurer of benefits for expenses incurred on account
11 of hospital, nursing, medical, or surgical services for members of the family or
12 dependents of a person in the insured group may provide for the continuation of the
13 benefit provisions, or a part or parts **of them** [THEREOF], after the death of the
14 person in the insured group.

15 * **Sec. 76.** AS 21.54.070 is amended to read:

16 Sec. 21.54.070. BLANKET **HEALTH** [DISABILITY] INSURANCE
17 DEFINED. Blanket **health** [DISABILITY] insurance is declared to be that form of
18 **health** [DISABILITY] insurance covering groups of persons as enumerated in one of
19 the following subdivisions:

20 (1) under a policy or contract issued to a common carrier or to an
21 operator, owner, or lessee of a means of transportation, who or which shall be
22 considered the policyholder, covering a group of persons who may become passengers
23 defined by reference to their travel status on the common carrier or the means of
24 transportation;

25 (2) under a policy or contract issued to an employer, who shall be
26 considered the policyholder, covering a group of employees, dependents, or guests,
27 defined by reference to specified hazards incident to an activity or activities or
28 operations of the policyholder;

29 (3) under a policy or contract issued to a college, school, or other
30 institution of learning, a school district or districts, or school jurisdictional unit, or to
31 the head, principal, or governing board of an educational unit, who or which shall be

1 considered the policyholder covering students, teachers, or employees;

2 (4) under a policy or contract issued to a religious, charitable,
3 recreational, educational, or civic organization, or branch of them [THEREOF], which
4 shall be considered the policyholder, covering a group of members or participants
5 defined by reference to specified hazards incident to an activity or activities or
6 operations sponsored or supervised by the policyholder;

7 (5) under a policy or contract issued to a sports team, camp, or sponsor
8 of them [THEREOF], which shall be considered the policyholder, covering members,
9 campers, employees, officials, or supervisors;

10 (6) under a policy or contract issued to a volunteer fire department, first
11 aid, civil defense, or other volunteer organization, which shall be considered the
12 policyholder, covering a group of members or participants defined by reference to
13 specified hazards incident to an activity or activities or operations sponsored or
14 supervised by the policyholder;

15 (7) under a policy or contract issued to a newspaper or other publisher,
16 which shall be considered the policyholder, covering its carriers;

17 (8) under a policy or contract issued to an association, including a labor
18 union, that has a constitution and bylaws and that has been organized and is
19 maintained in good faith for purposes other than that of obtaining insurance, which
20 shall be considered the policyholder, covering a group of members or participants
21 defined by reference to specified hazards incident to an activity or activities or
22 operations sponsored or supervised by the policyholder;

23 (9) under a policy or contract issued to cover any other risk or class of
24 risks that, in the discretion of the director, may be properly eligible for blanket
25 accident and sickness insurance; the discretion of the director may be exercised on an
26 individual risk basis or class of risks, or both.

27 * **Sec. 77.** AS 21.55.500(4) is amended to read:

28 (4) "health insurance" has the meaning given in [MEANS AN
29 INDIVIDUAL OR GROUP CONTRACT OR OTHER PLAN PROVIDING
30 COVERAGE OF HEALTH CARE SERVICES THAT IS ISSUED BY A HEALTH
31 INSURANCE COMPANY, A HOSPITAL SERVICE CORPORATION, A MEDICAL

SERVICE CORPORATION, OR A HEALTH MAINTENANCE ORGANIZATION;
"HEALTH INSURANCE" INCLUDES DISABILITY INSURANCE UNDER]
AS 21.12.050;

* **Sec. 78.** AS 21.56.250(12) is amended to read:

(12) "health benefit plan" means a hospital or medical policy or certificate, major medical expense insurance, health, hospital, or medical service corporation contract, a plan provided by an insurer or welfare arrangement, and a health maintenance organization contract offered by an employer; "health benefit plan" does not include a policy covering only accident, credit, dental, disability [INCOME], long-term care, hospital indemnity, fixed indemnity, Medicare supplement, specified disease, or vision care [,] coverage issued as a supplement to liability insurance, worker's compensation insurance, automobile medical payment insurance if the insurer complies with the provisions of AS 21.56.110(d), or a Taft-Hartley trust;

* **Sec. 79.** AS 21.69.220(b) is amended to read:

(b) When applying for an original certificate of authority, the insurer must be otherwise qualified under this title, and must have received and accepted bona fide applications as to substantial insurable subjects for insurance coverage of a substantial character of the kind of insurance proposed to be transacted, must have collected in cash the full premium at a rate not less than that usually charged by stock insurers for comparable coverages, must have surplus funds on hand and deposited as of the date the insurance coverages are to become effective, or, in lieu of the applications, premiums, and surplus, may deposit surplus, all in accordance with that part of the following schedule that applies to the one kind of insurance the insurer proposes to transact:

(A)	(B)	(C)	(D)
	Minimum No.	Minimum No.	
	of	of	Minimum
Kind of	Applicants	Subjects	Premium
Insurance	Accepted	Covered	Collected

1	Life (1)	500	500	annual
2	Health [DISABILITY] (2)	500	500	quarterly
3	Property (3)	100	250	annual
4	Casualty (4)	250	500	annual
5	With Workers'			
6	Compensation	250	1,500	quarterly
7	Marine, Wet Marine,			
8	and Transportation	50	50	annual

9	<hr/>			
10	(E)	(F)	(G)	(H)
11		Maximum		
12	Minimum	Amount of	Minimum	
13	Amount of	Insurance	Surplus	Deposit
14	Insurance	Each	Funds	of Surplus
15	Each	Subject	Deposited	in Lieu of
16	Subject	(5)	(6)	(6)
17	<hr/>			
18	\$1,000	\$ 2,500	\$ 800,000	\$ 800,000
19	\$ 10	\$ 25	\$ 800,000	\$ 800,000
20	(weekly	(weekly		
21	indem.)	indem.)		
22	\$1,000	\$ 3,000	\$ 600,000	\$ 600,000
23	\$1,000	\$10,000	\$1,000,000	\$1,000,000
24	\$1,000	\$10,000	\$1,000,000	\$1,000,000
25	\$1,000	\$25,000	\$1,000,000	\$1,000,000.
26	<hr/>			

* **Sec. 80.** AS 21.72.130(b) is amended to read:

(b) The definition of benevolent association in (a) of this section does not apply to

(1) burial or death benefits, annuities, endowments, or any other benefit payments of a legal reserve life or **health** [DISABILITY] insurer, or of a labor union,

1 railroad brotherhood, or lodge having as a primary business the improvement of
2 working conditions;

3 (2) a ladies auxiliary to a labor union, railroad brotherhood, or lodge
4 referred to in (1) of this subsection; or

5 (3) the benevolent plans within fraternal orders if limited to members
6 and if the plan is not the principal object for the formation or continuance of the
7 fraternal order.

8 * **Sec. 81.** AS 21.76.010(b) is amended to read:

9 (b) A joint insurance arrangement may be for any kind of insurance defined
10 by this title except for [DISABILITY INSURANCE,] health insurance, life insurance,
11 and title insurance.

12 * **Sec. 82.** AS 21.79.010 is amended to read:

13 Sec. 21.79.010. PURPOSE. The purpose of this chapter is to provide a
14 mechanism to pay a covered claim under a life insurance policy, health
15 [DISABILITY] insurance policy, annuity contract, or supplemental contract; to protect
16 a policyholder; and to avoid financial loss to a claimant or policyholder because of the
17 impairment or insolvency of a member insurer issuing the policy or contract.

18 * **Sec. 83.** AS 21.79.020(b) is amended to read:

19 (b) This chapter applies to a person specified in (a) of this section and to a
20 direct, nongroup life, health [DISABILITY], annuity, and supplemental policy or
21 contract, to a certificate under a direct group life, health [DISABILITY], annuity, or
22 supplemental policy or contract, and to an unallocated annuity contract issued by a
23 member insurer, except as otherwise limited by this chapter.

24 * **Sec. 84.** AS 21.79.020(c) is amended to read:

25 (c) This chapter does not apply to

26 (1) that part of a policy or contract that is not guaranteed by the
27 insurer;

28 (2) that part of the risk borne by the policy or contract holder;

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

31 (4) that part of a policy or contract on which the rate of interest

1 (A) averaged over the period of four years before the date on
2 which the association becomes obligated with respect to the policy or contract,
3 exceeds a rate of interest determined by subtracting two percentage points from
4 the published monthly average for that same four-year period or for a lesser
5 period if the policy or contract was issued less than four years before the
6 association became obligated; and

7 (B) on and after the date on which the association becomes
8 obligated with respect to the policy or contract, exceeds the rate of interest
9 determined by subtracting three percentage points from the most recent
10 published monthly average;

11 (5) a plan or program of an employer, association, or similar entity to
12 provide life, health [DISABILITY], or an annuity benefit to an employee or member,
13 to the extent that the plan or program is self-funded or uninsured, including a benefit
14 payable by the employer, association, or similar entity under

15 (A) a multiple employer welfare arrangement as defined in 26
16 U.S.C. 414 (Employee Retirement Income Security Act of 1974);

17 (B) a minimum premium group insurance plan;

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

19 (D) an administrative services only contract;

20 (6) that part of a policy or contract that provides a dividend or
21 experience rating credit, or provides that a fee or allowance be paid to a person,
22 including the policy or contract holder, in connection with the service to or
23 administration of the policy or contract; and

24 (7) a policy or contract issued in this state by a member insurer at a
25 time when it was not licensed or did not have a certificate of authority to issue the
26 policy or contract in this state.

27 * **Sec. 85.** AS 21.79.025 is amended to read:

28 Sec. 21.79.025. LIABILITY LIMITS. The benefits for which the association
29 may become liable may not exceed the lesser of

30 (1) the contractual obligations for which the insurer is liable or would
31 have been liable if it were not an impaired or insolvent insurer;

1 (2) with respect to any one life, regardless of the number of policies
2 or contracts, and subject to an aggregate of \$300,000,

3 (A) \$300,000 in life insurance death benefits, but not more than
4 \$100,000 in net cash surrender and net cash withdrawal values for life
5 insurance;

6 (B) \$100,000 in health [DISABILITY] insurance benefits,
7 including any net cash withdrawal values;

8 (C) \$100,000 in the present value of annuity benefits, including
9 net cash surrender and net cash withdrawal values; or

10 (3) with respect to any one contract holder, \$5,000,000 in unallocated
11 annuity contract benefits, irrespective of the number of contracts held by that contract
12 holder.

13 * **Sec. 86.** AS 21.79.040(a) is amended to read:

14 (a) There is established as a nonprofit legal entity the Alaska Life and Health
15 [DISABILITY] Insurance Guaranty Association. An insurer that issues an insurance
16 policy described in AS 21.79.020(b) shall be a member of the association as a
17 condition of the insurer's authority to transact insurance in this state. The association
18 shall perform its functions under a plan of operation established and approved under
19 AS 21.79.080 and shall exercise its powers through the Board of Governors established
20 under AS 21.79.050. For purposes of administration and assessment, the association
21 shall maintain the following accounts:

22 (1) the health [DISABILITY] insurance account; and

23 (2) the life insurance and annuity account, including the following
24 subaccounts:

25 (A) life insurance account;

26 (B) annuity account;

27 (C) unallocated annuity account that shall include contracts
28 qualified under 26 U.S.C. 403(b) (Internal Revenue Code).

29 * **Sec. 87.** AS 21.79.060(b) is amended to read:

30 (b) If a member insurer is an impaired insurer, and the insurer is not paying
31 claims in a timely manner, the association may

- 1 (1) take any of the actions specified in (a) of this section; [,] or
2 (2) provide a substitute benefit in lieu of the contractual obligation of
3 the impaired insurer solely for a
4 (A) health insurance [DISABILITY] claim;
5 (B) periodic annuity benefit payment;
6 (C) death benefit;
7 (D) supplemental benefit; and
8 (E) cash withdrawal for a policy or contract owner who
9 petitions under a claim of emergency or hardship under a standard proposed by
10 the association and approved by the director.

11 * **Sec. 88.** AS 21.79.060(d) is amended to read:

- 12 (d) If a member insurer becomes insolvent, the association shall, with the
13 approval of the director,
14 (1) guarantee, assume, reinsure, or provide for the guarantee,
15 assumption, or reinsurance of the covered policies of the insolvent insurer held by
16 residents;
17 (2) assure payment to residents of the contractual obligations of the
18 insolvent insurer;
19 (3) provide money, pledges, notes, guarantees, or other means necessary
20 to discharge the insurer's duties under this subsection; or
21 (4) with respect only to life and health [DISABILITY] insurance
22 policies, provide benefits and coverages required under (e) of this section.

23 * **Sec. 89.** AS 21.79.060(e) is amended to read:

- 24 (e) When proceeding under (b)(2) or (d)(4) of this section, the association
25 shall, with respect to a life or health [DISABILITY] insurance policy,
26 (1) assure payment of benefits, other than terms of conversion and
27 renewability, for a premium identical to the premium that would have been payable
28 under a policy of the insolvent insurer for claims incurred with respect to
29 (A) a group policy, not later than the earlier of the next renewal
30 date under the policy or contract or 45 days, but in no event less than 30 days,
31 after the date on which the association becomes obligated with respect to the

1 policy;

2 (B) an individual policy, not later than the earlier of the next
3 renewal date, if any, under the policy or one year, but in no event less than 30
4 days, from the date on which the association becomes obligated with respect
5 to the policy;

6 (2) make a diligent effort to provide a known insured or a group
7 policyholder, with respect to a group policy, 30 days notice of the termination of the
8 benefits provided;

9 (3) with respect to an individual policy, make available to each known
10 insured, or owner if other than the insured, and with respect to an individual formerly
11 insured under a group policy who is not eligible for replacement group coverage,
12 substitute coverage on an individual basis under the provisions of (f) of this section,
13 if the insured had a right under law or the terminated policy to convert coverage to
14 individual coverage, to continue an individual policy in force until a specified age, or
15 for a specific time during which the insurer did not have the unilateral right to make
16 changes in any provision of the policy or had a right only to make changes in premium
17 by class.

18 * **Sec. 90.** AS 21.79.060(f) is amended to read:

19 (f) With respect to life and health [DISABILITY] insurance policies, the
20 association

21 (1) in providing the substitute coverage under (e)(3) of this section,
22 shall either offer to reissue the terminated coverage or to issue an alternate policy;

23 (2) shall offer alternative or reissued policies without requiring evidence
24 of insurability, and may not provide for any waiting period or exclusion that would not
25 have applied under the terminated policy; and

26 (3) may reinsure any alternative or reissued policy.

27 * **Sec. 91.** AS 21.79.060(g) is amended to read:

28 (g) An alternative life or health insurance [DISABILITY] policy must,

29 (1) if adopted by the association, be subject to the approval of the
30 director; the association may adopt alternative policies of various types for future
31 issuance without regard to a particular impairment or insolvency;

1 (2) contain at least the minimum statutory provisions required in this
2 state and provide benefits that may not be unreasonable in relation to the premium
3 charged; the association shall set the premium under a table of rates that it shall adopt;
4 the premium must reflect the amount of insurance to be provided and the age and class
5 of risk of each insured, but may not reflect changes in the health of the insured after
6 the original policy was last underwritten;

7 (3) if issued by the association, provide coverage of a type similar to
8 that of the policy issued by the impaired or insolvent insurer, as determined by the
9 association.

10 * **Sec. 92.** AS 21.79.060(t) is amended to read:

11 (t) The association may

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

14 (2) sue or be sued, and take legal action necessary or proper for
15 recovery of an unpaid assessment under AS 21.79.070;

16 (3) borrow money to carry out the purposes of this chapter;

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

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

21 (6) exercise, for the purposes of this chapter and to the extent approved
22 by the director, the powers of a domestic life or health [DISABILITY] insurer;
23 however, the association may not issue insurance policies or annuity contracts other
24 than those issued to perform the contractual obligations of an impaired or insolvent
25 insurer;

26 (7) take legal action to prevent the payment of improper claims;

27 (8) join an organization of one or more other state associations with
28 similar purposes; and

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

30 * **Sec. 93.** AS 21.79.070(f) is amended to read:

31 (f) The total of all assessments on a member insurer for the life and annuity

1 account and for each subaccount may not in any one calendar year exceed two percent.
2 The total of all assessments on a member insurer for the health [DISABILITY]
3 account may not in any one calendar year exceed two percent of the insurer's average
4 premiums received in this state on a policy or contract covered by the account during
5 the three calendar years preceding the year in which the insurer became an impaired
6 or insolvent insurer. If the maximum assessment, together with the other assets of the
7 association in an account, does not provide in any one year in either account an
8 amount sufficient to carry out the responsibilities of the association, the necessary
9 additional funds shall be assessed as soon as permitted by this chapter.

10 * **Sec. 94.** AS 21.79.900(2) is amended to read:

11 (2) "association" means the Alaska Life and Health [DISABILITY]
12 Insurance Guaranty Association;

13 * **Sec. 95.** AS 21.79.900(3) is amended to read:

14 (3) "board" means the Board of Governors of the Alaska Life and
15 Health [DISABILITY] Insurance Guaranty Association;

16 * **Sec. 96.** AS 21.79.990 is amended to read:

17 Sec. 21.79.990. SHORT TITLE. This chapter may be cited as the Alaska Life
18 and Health [DISABILITY] Insurance Guaranty Association Act.

19 * **Sec. 97.** AS 21.80.020(a) is amended to read:

20 (a) This chapter applies to all kinds of direct insurance written by an admitted
21 insurer except life, title, surety, health [DISABILITY], credit, and mortgage guaranty
22 insurance.

23 * **Sec. 98.** AS 21.84.020(a) is amended to read:

24 (a) Nothing in this chapter shall be construed to affect or apply to
25 (1) grand or subordinate lodges of societies, orders, or associations
26 doing business in this state on July 1, 1966, that [WHICH] provide benefits
27 exclusively through local or subordinate lodges;

28 (2) orders, societies, or associations that [WHICH] admit to
29 membership only persons engaged in one or more crafts or hazardous occupations, in
30 the same or similar lines of business insuring only their own members and their
31 families, and the ladies' societies or ladies' auxiliaries to the orders, societies, or

1 associations;

2 (3) domestic societies that [WHICH] limit their membership to
3 employees of a particular city or town, designated firm, business house, or corporation
4 that [WHICH] provide for a death benefit of not more than \$400 or health care
5 [DISABILITY] benefits of not more than \$350 to a person in any one year, or both;
6 or

7 (4) domestic societies, or associations of a purely religious, charitable,
8 or benevolent description, that [WHICH] provide for a death benefit of not more than
9 \$400 or for health [DISABILITY] benefits of not more than \$350 to a person in any
10 one year, or both.

11 * **Sec. 99.** AS 21.84.020(b) is amended to read:

12 (b) The society or association described in (a)(3) or (4) of this section, that
13 [WHICH] provides for death or health care [DISABILITY] benefits for which benefit
14 certificates are issued, and the society or association included in (a)(4) of this section
15 that [WHICH] has more than 1,000 members, may not be exempted from this chapter
16 but shall comply with all requirements.

17 * **Sec. 100.** AS 21.84.020(d) is amended to read:

18 (d) Every society that provides [FOR] benefits for health care or death, [IN
19 CASE OF DEATH OR DISABILITY] resulting solely from an accident, and that does
20 not obligate itself to pay natural death or health care [SICK] benefits shall have all
21 of the privileges and be subject to the applicable provisions and regulations of this
22 chapter except that the provisions relating to medical examination, valuations of benefit
23 certificates, and incontestability do not apply to the society.

24 * **Sec. 101.** AS 21.84.090 is amended to read:

25 Sec. 21.84.090. INITIAL SOLICITATIONS AND QUALIFICATIONS. Upon
26 receipt of a preliminary certificate from the director the society may solicit members
27 for the purpose of completing its organization, shall collect from each applicant the
28 amount of not less than one regular monthly premium in accordance with its table of
29 rates as provided by its constitution and laws, and shall issue to each applicant a
30 receipt for the amount collected. A society may not incur any liability other than for
31 the return of the advance premium, or issue any certificate, or pay, allow, or offer or

1 promise to pay or allow, a death or health care [DISABILITY] benefit to any person
2 until

3 (1) actual bona fide applications for death benefits have been secured
4 aggregating at least \$500,000 on at least 500 lives;

5 (2) all applicants for death benefits have furnished evidence of
6 insurability satisfactory to the society;

7 (3) certificates of examinations or acceptable declarations of insurability
8 have been filed and approved by the chief medical examiner of the society;

9 (4) 10 [TEN] subordinate lodges or branches have been established into
10 which the 500 applicants have been admitted;

11 (5) there has been submitted to the director, under oath of the president
12 or secretary, or corresponding officer of the society, a list of the applicants, giving
13 their names, addresses, date each was admitted, name and number of the subordinate
14 branch of which each applicant is a member, amount of benefits to be granted, and
15 premiums for them [THEREFOR];

16 (6) it has been shown to the director, by sworn statement of the
17 treasurer, or corresponding officer of the society, that at least 500 applicants have each
18 paid in cash at least one regular monthly premium [AS HEREIN PROVIDED], which
19 premiums in the aggregate shall amount to at least \$2,500, all of which shall be
20 credited to the fund or funds from which benefits are to be paid and no part of which
21 may be used for expenses; the advance premiums shall be held in trust during the
22 period of organization and if the society has not qualified for a certificate of authority
23 within one year [, AS HEREIN PROVIDED,] the premiums shall be returned to the
24 applicants.

25 * **Sec. 102.** AS 21.84.200(a) is amended to read:

26 (a) A society authorized to do business in this state may provide for the
27 payment of

28 (1) death benefits in any form;

29 (2) endowment benefits;

30 (3) annuity benefits;

31 (4) temporary or permanent health care [DISABILITY] benefits as a

1 result of disease or accident;

2 (5) hospital, medical, or nursing benefits due to sickness or bodily
3 infirmity or accident;

4 (6) monument or tombstone benefits to the memory of deceased
5 members not exceeding in any case the sum of \$300.

6 * **Sec. 103.** AS 21.86.140(e) is amended to read:

7 (e) The annual deposit requirements of (b) and (c) of this section do not apply
8 if

9 (1) a health maintenance organization has achieved a net worth, not
10 including land, buildings, and equipment, of at least \$1,000,000 or has achieved a net
11 worth, including land, buildings, and equipment, of at least \$5,000,000;

12 (2) the total amount of the health maintenance organization's
13 accumulated deposit is equal to 25 percent of its estimated annual uncovered
14 expenditures for the next calendar year, or is equal to the capital and surplus
15 requirements for the formation for admittance of a **health** [DISABILITY] insurer in
16 this state, whichever is less;

17 (3) a health maintenance organization has a guaranteeing organization
18 that

19 (A) does not sponsor any other health maintenance organization;

20 and

21 (B) has been in operation for at least

22 (i) five years and has a net worth, not including land,
23 buildings, and equipment, of at least \$1,000,000; or

24 (ii) 10 years and has a net worth, including land,
25 buildings, and equipment, of at least \$5,000,000; or

26 (4) a health maintenance organization has a guaranteeing organization
27 that sponsors more than one health maintenance organization and that

28 (A) has been in operation for at least

29 (i) five years and has a net worth that is at least that
30 required by (3)(B)(i) of this subsection multiplied by a number equal to
31 the number of organizations sponsored; or

1 (ii) 10 years and has a net worth that is at least that
2 required by (3)(B)(ii) of this subsection multiplied by a number equal
3 to the number of organizations sponsored; or

4 (B) has, for each organization sponsored, a net worth at least
5 equal to the capital and surplus requirement for a health [DISABILITY]
6 insurer.

7 * **Sec. 104.** AS 21.90.900(2) is amended to read:

8 (2) "agent" means a person appointed by an insurer to solicit
9 applications for insurance or annuities on its behalf, and if authorized to do so, to
10 effectuate and countersign insurance contracts, except life or health [DISABILITY]
11 insurance or annuities, and to collect premiums on insurance or annuities;

12 * **Sec. 105.** AS 21.90.900(38) is amended to read:

13 (38) "third-party administrator" means a person who for residents of
14 this state, or for residents of another jurisdiction from a place of business in this state,
15 performs administrative functions including claims administration and payment,
16 marketing administrative functions, premium accounting, premium billing, coverage
17 verification, underwriting authority, or certificate issuance in regard to life insurance,
18 health [DISABILITY] insurance, or annuities;

19 * **Sec. 106.** AS 39.30.090(a)(4) is amended to read:

20 (4) In procuring a policy of group health or group life insurance as
21 provided under this section or excess loss insurance as provided in AS 39.30.091, the
22 Department of Administration shall comply with the dual choice requirements of
23 AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to
24 transact business in the state under AS 21.09, a hospital or medical service corporation
25 authorized to transact business in this state under AS 21.87, or a health maintenance
26 organization authorized to operate in this state under AS 21.86. An excess loss
27 insurance policy may be obtained from a life or health [DISABILITY] insurer
28 authorized to transact business in this state under AS 21.09 or from a hospital or
29 medical service corporation authorized to transact business in this state under
30 AS 21.87.

31 * **Sec. 107.** AS 39.30.095(c) is amended to read:

1 (c) The commissioner of administration or the designee of the commissioner
2 is administrator of the fund. The commissioner may contract with

3 (1) an insurer authorized to transact business in this state under
4 AS 21.09, or a hospital or medical service corporation authorized to transact business
5 in this state under AS 21.87 to reimburse the state for the cost of administering group
6 insurance provided under AS 39.30.090 and 39.30.160; and

7 (2) a life or health [DISABILITY] insurer authorized to transact
8 business in the state under AS 21.09, a hospital or medical service corporation
9 authorized to transact business in this state under AS 21.87, or a third-party
10 administrator licensed to transact business in this state for the administration of benefit
11 claims and payments under AS 39.30.091.

12 * **Sec. 108.** AS 47.08.060(e) is amended to read:

13 (e) The applicant's share shall be reduced in the amount of any premiums paid
14 for health [DISABILITY] insurance or a prepaid medical plan up to \$500 if incurred
15 in the 12-month period beginning with the occurrence of the injury or the onset of the
16 illness.

17 * **Sec. 109.** AS 47.37.040(16) is amended to read:

18 (16) encourage all health [AND DISABILITY] insurance programs to
19 include alcoholism and drug abuse as a covered illness;