



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

DIVISION OF INSURANCE

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April 12, 2017

The Honorable Mia Costello
Madam Chair
Senate Labor & Commerce Committee
State Capitol, Room 504
Juneau, AK 99801

Dear Senator Costello,

As the state agency charged with regulating the insurance industry to protect Alaskans, the Division of Insurance strongly supports the passage of HB 157 this session to update, strengthen, and improve AS 21.79, the Alaska Life and Health Insurance Guaranty Association Act (AL&HIGA).

HB 157 increases the coverage limits for net cash surrender and net cash withdrawal values of certain annuities relating to governmental retirement benefit plans and structured settlements; increases the non pro rata assessment of members by the association board from \$250 per year to \$500 per year; requires the board to adopt conflict of interest policies; requires impaired or insolvent insurers to be removed from the board; includes hospital and medical service corporations as members of the association; clarifies and updates the chapter consistent with the National Association of Insurance Commissioners Model Law (MDL 520) and provides the association board with additional means to provide protection to consumers specified under the chapter.

The majority of the insurance industry and the AL&HIGA support the legislation and recognize the bill incorporates all of the latest amendments made by the NAIC to the national model.

The NAIC Receivership Model Law (E) Working Group (RMLWG) is charged with evaluating the need for amendments to model laws to address issues arising in connection with the insolvency of insurers including long term care insurers. NAIC's procedures for adopting or amending a model are lengthy and are designed to provide ample time for notice, opportunity to be heard, review, and adoption. These procedures, attached for your information, provide that a working group may discuss the issue of developing a Model Law but shall not devote resources to actual development or drafting of a Model Law until it receives approval of the Parent Committee and Executive Committee. At this time, the RMLWG has not received approval to draft amendments to MDL 520, the model law on

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which this bill is based. No amendments have been drafted and no amendments are working their way through the NAIC process.

The state's sole hospital and medical service corporation, Premera, is also the state's largest health care insurer yet they are not currently a member of the association. As a result, the health care insurer receiving the largest share of health insurance premium is not contributing to the association. Moreover, by not being a member of the association, their policyholders do not receive the guaranty protections under the statute. The statute's underlying goal of "one for all and all for one" to protect consumers when one company is impaired or insolvent is compromised when one of the state's largest insurers is not a member of the association. Twenty other states have amended their guaranty association laws for this reason as well, others are expected to follow.

For these reasons, we fully support and appreciate legislative efforts to consider and approve HB 157 this session.

Sincerely,



Lori Wing-Heier
Director
Division of Insurance