



THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Commerce, Community,
and Economic Development

DIVISION OF ADMINISTRATIVE SERVICES

P.O. Box 110803
Juneau, Alaska 99811-0803
Main: 907.465.2506
Toll free fax: 907.465.2503

February 25, 2019

Senator David Wilson
Senate Finance Sub-Committee - DCCED
Alaska State Capitol
Juneau, Alaska

Dear Senator Wilson:

This letter is in response to questions raised during the department's February 8, 2019, presentation to the Senate Finance Sub-Committee.

How many complaints or concerns has the Division of Insurance received from people, businesses, or others who were impacted by the December 2018 earthquake in Anchorage?

Following the November 30, 2018, 7.0 earthquake that shook Southcentral Alaska, the Division of Insurance received multiple consumer complaints.

As of February 19, the division has responded to 20 consumer inquiries regarding:

- Issues such as policy delivery.
- Adjuster availability.
- The moratorium on issuing new policies.
- A bank holding claims payments.
- Questions about deductibles.
- Questions about where to turn if they do not have earthquake coverage

In addition, the division received three open formal complaints from consumers regarding:

- A question of coverage and concurrent causation.
- An erroneous cancellation.
- An alleged claims denial

All of the complaints have been resolved, and the division did not have to open any investigatory files.

The division was asked for, and responded to, the Federal Emergency Management Association with the following data:

- Total policies in force were reported at approximately 21,787 in the Anchorage Municipality, Matanuska-Susitna Borough, and the Kenai Peninsula Borough;

- The average deductible for earthquake endorsements or riders was shown at approximately \$29,304.33; and
- The average cost of premium for the endorsement or rider was shown at approximately \$662.08.

This information was used in assisting consumers in applying for state and federal aid.

On November 30th, the division issued Bulletin 18-15 which was then superseded by Bulletin 18-16. Finally, to address the statutory provision of concurrent causation, the division issued Bulletin 18-17. All three bulletins are attached to this letter. These bulletins were issued to assist consumers and the insurance industry in the expectation of the division in resolving insurance matters.

The Division of Insurance has continually updated their website to provide current information to consumers on available programs and funding.

How many of the boards housed in the Division of Corporations, Business, and Professional Licensing does the Commissioner or her designee sit on?

There is only one board within the division with statute mandating a seat for the commissioner or her designee: The Alaska Board of Marine Pilots.

Please provide a big-picture summary of revenue collected and lapsed to the general fund by the department in FY2018.

The Department of Commerce, Community, and Economic Development collects revenue through multiple fee-based programs in divisions across the department. In most cases, receipts collected are used to fund that year's program operations, and the balance lapses to the General Fund. Exceptions are programs with specific revenue sources that carry forward from year to year: professional licensing receipts; regulatory cost charges; some insurance licensing receipts; marijuana licensing receipts; and the seafood marketing assessment in the Alaska Seafood Marketing Institute.

The table below shows programs within the department that lapsed significant collected revenue to the General Fund in FY2018. Amounts shown are the amount of revenue that lapsed to the General Fund, after FY2018 expenditures from receipts.

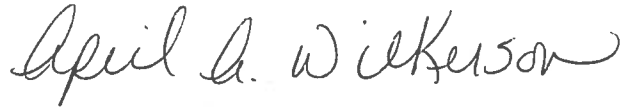
| <i>Program</i> | <i>Lapse (thousands)</i> |
|--|--------------------------|
| <i>Banking and Securities</i> | \$14,330.9 |
| <i>Business Licensing and Corporations</i> | \$8,125.8 |
| <i>Insurance</i> | \$4,347.8 |
| <i>Total Lapse</i> | \$26,804.5 |

In FY2018, Insurance Premium Tax Receipts collected by the Division of Insurance were deposited in the Alaska Comprehensive Insurance Fund for the Alaska Reinsurance Program. In FY2019, Insurance Premium Tax Receipts will again be deposited in the General Fund. Annual Insurance Premium Tax Receipts collected total approximately \$55 million. In total, the department expects to lapse over \$80 million to the General Fund at the end of FY2019.

In FY2018, the department expended just \$11.2 million in Unrestricted General Funds on agency operations.

Thank you again for the opportunity to present to the subcommittee.

Sincerely,

A handwritten signature in cursive script that reads "April A. Wilkerson". The signature is written in dark ink and is positioned above the printed name and title.

April Wilkerson
Administrative Services Director

Delivered electronically, no hard copy to follow.

Attachments:

Insurance Bulletins 18-15, 18-16, and 18-17



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Commerce, Community,
and Economic Development

DIVISION OF INSURANCE

P.O. Box 110805
Juneau, AK 99811-0805
Main: 907.465.2515
Fax: 907.465.3422

Bulletin B 18-15

TO: ALL INSURERS AUTHORIZED TO TRANSACT INSURANCE IN THE STATE OF ALASKA AND OTHER INTERESTED PARTIES

RE: FAIR TREATMENT OF CONSUMERS FOLLOWING THE ANCHORAGE EARTHQUAKE ON NOVEMBER 30, 2018.

Governor Bill Walker issued a disaster declaration due to the effects of the 7.0 earthquake that impacted the South Central area of Alaska on November 30, 2018. Based on the authority given the Director of Insurance during an emergency under AS 21.066.080(d), the division issues the following guidance to insurers:

All Lines of Insurance

The Alaska Division of Insurance (DOI) directs carriers to provide relief to affected policyholders by offering an extension to premium grace periods of at least one week in order to allow continuing insurance coverage. In conjunction with this effort, the DOI will work with carriers to minimize the regulatory effects of such an extension, specifically financial review requirements. The extension of the grace period does not eliminate the obligation to pay the premium, but limits policy cancellation for late payment. Carriers are encouraged to work with policyholders in the collection of premiums.

It is possible that electronic payment methods may not be operating correctly in the immediate aftereffects of the earthquake as banks and other financial institutions are closed, without power or internet service. It is the DOI's expectation that any problems with premium payment during the extended period would be resolved by the insurance company without a consumer complaint being filed.

Health Insurance

Access to healthcare services and supplies is of particular concern to the Division as retail stores remain closed and hospitals are damaged. It is expected that insurers will suspend their network requirements for pharmaceutical supplies until December 15, 2018. Consumers should be able to access their necessary prescriptions from a convenient pharmacy without concern of a non-network payment penalty. It is expected that insurers will pay for prescriptions at the in-network

level of benefits for cost sharing (e.g. coinsurance, deductible). The Director will reevaluate this policy to determine whether it should be continued for an extended period.

The Division appreciates that insurers are voluntarily offering early refills or replacements of lost or damaged medications and expects that this flexibility will continue during the disaster recovery period. It is also the Division's expectation that insurers will allow for coverage of longer supplies of medication. For example, if a 30 day supply is typically the limit under an insurance contract, insurers shall cover a 90 day supply for individuals who are impacted by the Anchorage earthquake. Insurers should also be certain that prescription drugs are covered when obtained at retail pharmacies if delivery of mail order prescriptions are disrupted.

If you have any questions relating to this bulletin, please contact Sarah Bailey, Life and Health Section Supervisor at sarah.bailey@alaska.gov or (907) 465-4608.

Dated this 30th day of November, 2018, at Anchorage, Alaska.



Lori Wing-Heier

Director



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Commerce, Community,
and Economic Development**

DIVISION OF INSURANCE

P.O. Box 110805
Juneau, AK 99811-0805
Main: 907.465.2515
Fax: 907.465.3422

Bulletin B 18-16

TO: ALL INSURERS AUTHORIZED TO TRANSACT INSURANCE IN THE STATE OF
ALASKA AND OTHER INTERESTED PARTIES

RE: FAIR TREATMENT OF CONSUMERS FOLLOWING THE ANCHORAGE
EARTHQUAKE ON NOVEMBER 30, 2018.

Governor Bill Walker issued a disaster declaration due to the effects of the 7.0 earthquake that impacted the Southcentral area of Alaska on November 30, 2018. Based on the authority given the Director of Insurance during an emergency under AS 21.066.080(d), the division issued Bulletin B 18-15, which required extended grace periods for all lines of business and provided consumers relief related to prescription drug coverage.

At this time communications, transportation and commerce have recovered sufficiently that the guidance issued in Bulletin B 18-15 is no longer necessary. As of December 12, 2018, insurers may resume applying standard grace periods for all lines of insurance and contract limitations on prescription drug coverage.

Bulletin B 18-16 supersedes Bulletin B 18-15

If you have any questions relating to this bulletin, please contact Sarah Bailey, Life and Health Section Supervisor at sarah.bailey@alaska.gov or (907) 465-4608.

Dated this 11th day of December, 2018, at Anchorage, Alaska.

A handwritten signature in blue ink, reading "Lori Wing-Heier", written over a horizontal line.

Lori Wing-Heier
Director



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Commerce, Community,
and Economic Development**

DIVISION OF INSURANCE

550 West Seventh Avenue, Suite 1560
Anchorage, AK 99501-3567
Main: 907.269.7900
Fax: 907.269.7910

Bulletin B 18-17

TO: ALL INSURERS AUTHORIZED TO TRANSACT INSURANCE IN THE STATE OF ALASKA AND OTHER INTERESTED PARTIES

RE: DOMINANT CAUSE OF LOSS

The Division of Insurance (division) has received multiple inquiries concerning coverages available to consumers without earthquake insurance, for their losses related to the November 30, 2018, 7.0 earthquake impacting Southcentral Alaska. The division refers consumers to Alaska Statute (AS) 21.36.096 Prohibited Denial of Claim for Causation, which reads as follows:

An insurer may not deny a claim if a risk, hazard, or contingency insured against is the dominant cause of a loss and the denial occurs because an excluded risk, hazard, or contingency is also in a chain of causes but operates on a secondary basis.

In the event a loss occurs through a chain of events that contains both excluded and included risks, AS 21.36.096 requires insurers to pay the claim when the dominant cause of the loss is a covered risk, even if the excluded risk may have contributed to the loss.

If a dispute arises between the consumer and the insurer regarding the dominant cause of a loss, the division lacks the authority to make a determination. The question may ultimately have to be resolved in the courts.

This explanation of AS 21.36.096 is provided as reference material for use if you are considering filing a property damage claim related to the earthquake events starting on November 30, 2018. While each loss event has different aspects and not all policies are the same, insurers must apply AS 21.36.096 when considering claims involving a chain of causes. In all cases, the division recommends you review the language in your policy(s).

If you have any questions relating to this bulletin, please contact Shauna Nickel at 907-269-7900.

Dated this 13th day of December 2018, at Anchorage, Alaska.

A handwritten signature in blue ink that reads "Lori Wing-Heier".

Lori Wing-Heier
Director