



LAWS OF ALASKA

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Chapter No.

AN ACT

Relating to the regulation of insurance, insurance licenses, qualifications of insurance producers, surplus lines, fraud investigations, electronic transactions, and compliance with federal law and national standards; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

1 Relating to the regulation of insurance, insurance licenses, qualifications of insurance
2 producers, surplus lines, fraud investigations, electronic transactions, and compliance with
3 federal law and national standards; and providing for an effective date.

4 _____
5 * **Section 1.** AS 21.06.120(c) is amended to read:

6 (c) In place of an examination by the director, the director may accept a full
7 report of the last recent examination of a foreign or alien insurer, **issued** [CERTIFIED
8 TO] by the insurance supervisory official of another state, territory, commonwealth, or
9 district of the United States. The director may require that the

10 (1) insurance regulatory agency conducting the examination be, at the
11 time of the examination, accredited by the National Association of Insurance
12 Commissioners;

13 (2) examination be performed under the supervision of an insurance

1 regulatory agency accredited by the National Association of Insurance
2 Commissioners; and the supervising examiner, after a review of the examination work
3 papers and report, state under oath that the examination and report comply with the
4 standards and procedures required by their accredited state insurance regulatory
5 agency; or

6 (3) examiner conducting the examination be employed by an insurance
7 regulatory agency accredited at the time of the examination by the National
8 Association of Insurance Commissioners and that the examiner, after review of the
9 examination work papers and report, state under oath that the examination and report
10 comply with the standards and procedures required by the accredited insurance
11 regulatory agency.

12 * **Sec. 2.** AS 21.07.010(b) is amended to read:

13 (b) A contract between a participating health care provider and a managed
14 care entity that offers a group managed care plan may not contain a provision that

15 (1) has as its predominant purpose the creation of direct financial
16 incentives to the health care provider for withholding covered health care services that
17 are medically necessary; nothing in this paragraph shall be construed to prohibit a
18 contract between a participating health care provider and a managed care entity from
19 containing incentives for efficient management of the utilization and cost of covered
20 health care services;

21 (2) requires the provider to contract for all products that are currently
22 offered or that may be offered in the future by the managed care entity; **or** [AND]

23 (3) requires the health care provider to be compensated for health care
24 services performed at the same rate as the health care provider has contracted with
25 another managed care entity.

26 * **Sec. 3.** AS 21.07.040(a) is amended to read:

27 (a) **Medical** [NOTWITHSTANDING AS 21.86.280, MEDICAL] and
28 financial information in the possession of a managed care entity regarding an applicant
29 or a current or former person covered by a managed care plan is confidential and is not
30 subject to public disclosure.

31 * **Sec. 4.** AS 21.07.040 is amended by adding a new subsection to read:

1 (d) This section does not apply to a managed care entity that is subject to
2 AS 21.36.

3 * **Sec. 5.** AS 21.09.110(a) is amended to read:

4 (a) To apply for an original certificate of authority, an insurer shall file with
5 the director its application, accompanied by the applicable fees set under
6 AS 21.06.250, showing its name, location of its home office, or principal office in the
7 United States if an alien insurer, kinds of insurance to be transacted, date of
8 organization or incorporation, form of organization, state or country of domicile, and
9 additional information that the director may reasonably require, together with the
10 following documents, as applicable:

11 (1) if a foreign insurer, a copy of its corporate charter or articles of
12 incorporation, with all amendments certified by the public officer with whom the
13 originals are on file in the state or country of domicile;

14 (2) if a reciprocal insurer, copies of the power of attorney of its
15 attorney-in-fact and of its subscribers' agreement, if any, certified by its attorney-in-
16 fact;

17 (3) a copy of its financial statement as of the preceding December 31
18 and all subsequent quarterly financial statements, sworn to by at least two executive
19 officers of the insurer or certified by the public insurance supervisory official of the
20 insurer's state of domicile or of entry into the United States;

21 (4) a copy of the report of last examination, if any, made of the insurer,
22 issued [CERTIFIED] by the insurance supervisory official of its state of domicile or
23 of entry into the United States;

24 (5) appointment of the director under AS 21.09.180 [,] as its attorney
25 to receive service of legal process;

26 (6) if a foreign or alien insurer, a certificate of the public official
27 having supervision of insurance in its state or country of domicile, or state of entry
28 into the United States, showing that it is authorized to transact the kinds of insurance
29 proposed to be transacted in this state;

30 (7) if an alien insurer, a copy of the appointment and authority of its
31 United States manager, certified by its officer having custody of its records; and

1 (8) if a foreign insurer, a certificate as to deposit if it is to be tendered
2 under AS 21.09.090.

3 * **Sec. 6.** AS 21.09.170 is repealed and reenacted to read:

4 **Sec. 21.09.170. Duration of suspension, insurer's obligations, and**
5 **reinstatements.** (a) Suspension of an insurer's certificate of authority shall be for a
6 fixed period of time determined by the director, or until the occurrence of a specific
7 event necessary for remedying the reasons for suspension. The director may modify,
8 rescind, or reverse a suspension under this section.

9 (b) During the period of suspension, the insurer

10 (1) may not solicit or write any new business in this state;

11 (2) shall file its annual statement and pay fees, licenses, and taxes
12 required under this title; and

13 (3) may service its outstanding business in force in this state as if the
14 certificate had continued in full force.

15 (c) If the suspension of the certificate of authority is for a fixed period of time
16 and the certificate of authority has not been otherwise terminated, upon expiration of
17 the suspension period, the insurer's certificate of authority shall be reinstated unless
18 the director finds that the insurer is not in compliance with the requirements of this
19 title. The director shall promptly notify the insurer of any reinstatement, and the
20 insurer may not consider its certificate of authority reinstated until notified by the
21 director. If not reinstated, the certificate of authority expires at the end of the
22 suspension period or at the time the insurer fails to continue the certificate during the
23 suspension period under (b) of this section, whichever event occurs first.

24 (d) If the suspension of the certificate of authority continues until the
25 occurrence of a specific event and the certificate of authority has not been otherwise
26 terminated, upon the presentation of evidence satisfactory to the director that the
27 specific event has occurred, the insurer's certificate of authority shall be reinstated
28 unless the director finds that the insurer is not in compliance with the requirements of
29 this title. The director shall promptly notify the insurer of any reinstatement, and the
30 insurer may not consider its certificate of authority reinstated until notified by the
31 director. If satisfactory evidence as to the occurrence of the specific event has not

1 been presented to the director within five years after the date of suspension, the
2 certificate of authority expires five years from the date of suspension or upon failure
3 of the insurer to continue the certificate during the suspension period under (b) of this
4 section, whichever occurs first.

5 (e) The authority of the agents in this state to represent the insurer is reinstated
6 upon reinstatement of the insurer's certificate of authority.

7 (f) The director shall promptly notify an insurer's agents in this state, as shown
8 by records of the director, of any reinstatement.

9 * **Sec. 7.** AS 21.09.210(a) is amended to read:

10 (a) Each authorized insurer, and each formerly authorized insurer with respect
11 to premiums **written** [RECEIVED] while an authorized insurer in this state, shall file
12 with the director, on or before March 1 in each year, a report of all insurance business
13 written or contracted in the state, with proper proportionate allocation of premium for
14 the property, subjects, or risks in the state insured under policies or contracts covering
15 property, subjects, or risks located or resident in more than one state, during the
16 preceding year ending December 31. The report must show

17 (1) the amounts paid policyholders on losses;

18 (2) the total direct premium income including policy membership and
19 other fees, premiums paid by application of dividends, refunds, savings coupon, and
20 similar returns or credits to payment of premiums for new or additional or extended or
21 renewed insurance, charges for payment of premium in installments, and all other
22 consideration for insurance from all kinds and classes of insurance whether designated
23 a premium or otherwise;

24 (3) the amounts paid policyholders as returned premiums;

25 (4) the amounts paid policyholders as dividends.

26 * **Sec. 8.** AS 21.09.210(b) is amended to read:

27 (b) Each insurer, and each formerly authorized insurer with respect to
28 premiums **written** [RECEIVED] while an authorized insurer in this state, shall pay a
29 tax on the total direct premium **written** [INCOME RECEIVED] during the year
30 ending on the preceding December 31 and paid for the insurance of property or risks
31 resident or located in the state, other than wet marine and transportation insurance,

1 after deducting from the total direct premium income the applicable cancellations,
2 returned premiums, the unabsorbed portion of any deposit premium, all policy
3 dividends, unabsorbed premiums refunded to policyholders, refunds, savings, savings
4 coupons, and other similar returns paid or credited to policyholders with respect to
5 their policies. Deductions may not be made of cash surrender value of policies.
6 Considerations received on annuity contracts are not included in the direct premium
7 income and are not subject to tax. The tax shall be paid to the director at least
8 annually but not more often than once each quarter on the dates specified by the
9 director. The method of payment must be by the electronic or other payment method
10 specified by the director. Except as provided under (m) of this section, the tax is
11 computed at the rate of

12 (1) for domestic and foreign insurers, except hospital and medical
13 service corporations, 2.7 percent;

14 (2) for hospital and medical service corporations, six percent of their
15 gross premiums less claims paid.

16 * **Sec. 9.** AS 21.09.210(g) is repealed and reenacted to read:

17 (g) An insurer shall pay to the division a late payment fee of \$50 a month plus
18 five percent of the tax due each calendar month or part of a month during which the
19 insurer fails to pay the full amount of the tax, or a portion of the tax, and interest at the
20 rate of one percent of the tax due each calendar month or part of a month for the
21 period the insurer fails to pay the premium tax in this section or in AS 21.09.270. The
22 late payment fee, not including interest, may not exceed \$250 plus 25 percent of the
23 tax due. The tax payment shall be made in the form required by the director, or a
24 penalty shall be added to the tax of 25 percent of the tax due, not to exceed \$2,000,
25 with a minimum penalty of \$100. In addition to any other penalty provided by law, a
26 civil penalty may be assessed of not more than \$10,000 if an insurer wilfully violates
27 this section. The director may suspend or revoke the certificate of authority of an
28 insurer that fails to pay taxes, a penalty, or a late payment fee as required under this
29 section.

30 * **Sec. 10.** AS 21.09.210(m) is amended to read:

31 (m) The tax imposed under this section for an individual [POLICY OF] life

1 insurance **policy** shall be computed at the rate of

2 (1) 2.7 percent of policy year premium up to \$100,000; and

3 (2) one-tenth of one percent of policy year premium exceeding
4 \$100,000.

5 * **Sec. 11.** AS 21.09.210 is amended by adding a new subsection to read:

6 (o) Premiums on which taxes are paid under (m)(2) of this section are not
7 subject to AS 21.09.270.

8 * **Sec. 12.** AS 21.09.310(b) is amended to read:

9 (b) An alien insurer may apply for a certificate of authority to use this state as
10 a state of entry to transact the business of insurance in the United States by

11 (1) qualifying as an insurer licensed to do business in this state;

12 (2) establishing a trust under a trust agreement approved in writing by
13 the director with a United States bank acceptable to the director in an amount not less
14 than the greater of

15 (A) the minimum basic capital or basic guarantee surplus and
16 additional maintained surplus required under AS 21.09.070; or

17 (B) the authorized control level risk based capital under
18 AS 21.14;

19 (3) submitting a copy of its charter and bylaws, if any, currently in
20 force, and other documents necessary to show the kind of business it is authorized to
21 transact in its domiciliary jurisdiction; documents submitted under this paragraph must
22 be attested to as accurate and complete by the insurance supervisory official in the
23 domiciliary jurisdiction, and must include an English translation, if in a language other
24 than English;

25 (4) submitting a full statement, subscribed and affirmed as true by two
26 officers or equivalent responsible representatives in a manner that the director
27 prescribes, of its financial condition as of the close of its latest fiscal year, showing its
28 assets, liabilities, income disbursements, business transacted, and other facts required
29 to be shown in its annual statement, as reported to the insurance supervisory official in
30 its domiciliary jurisdiction; all documents submitted under this paragraph must include
31 an English translation if in a language other than English;

1 (5) submitting to an examination under AS 21.06.120(b) at its
2 principal office within the United States, and elsewhere if necessary, unless the
3 director accepts a report of the insurer's recent examination and the report has been
4 **issued** [CERTIFIED] by the insurance supervisory official of the insurer's domiciliary
5 jurisdiction; and

6 (6) payment of fees established under AS 21.06.250.

7 * **Sec. 13.** AS 21.12.020(a) is amended to read:

8 (a) Credit for reinsurance transactions shall be allowed a domestic ceding
9 insurer as either an asset or a deduction from liability on account of reinsurance ceded
10 **only with respect to cessions of a kind or class of business that the assuming**
11 **insurer is licensed or permitted to write or assume in its state of domicile or, in**
12 **the case of a United States branch of an alien assuming insurer, in the state**
13 **through which it is entered and licensed to transact insurance or reinsurance and**
14 only if the reinsurance is ceded to an

15 (1) assuming insurer that is licensed to transact insurance or
16 reinsurance in this state;

17 (2) assuming insurer that is accredited as a reinsurer in this state; an
18 accredited reinsurer is one that

19 (A) files evidence of submission to this state's jurisdiction,
20 submits to this state's authority to examine its books and records under
21 AS 21.06.120, is licensed to transact insurance or reinsurance in at least one
22 state that is accredited by the National Association of Insurance
23 Commissioners, or, in the case of a United States branch of an alien admitted
24 insurer, is entered through and licensed to transact insurance or reinsurance in
25 at least one state that is accredited by the National Association of Insurance
26 Commissioners;

27 (B) maintains at least \$20,000,000 in policyholder surplus and
28 whose accreditation has not been denied by the director within 90 days **after**
29 [OF] application to the director, or maintains less than \$20,000,000 in
30 policyholder surplus and whose application for accreditation has been
31 approved by the director; and

1 (C) files annually with the director a copy of the reinsurer's
2 annual financial statement filed with the insurance department of the
3 reinsurer's state of domicile or state of entry and a copy of the reinsurer's most
4 recent audited financial statement;

5 (3) assuming insurer that is domiciled in a state, or, in the case of a
6 United States branch of an alien assuming insurer, is entered through a state accredited
7 by the National Association of Insurance Commissioners that employs standards
8 regarding credit for reinsurance ceded substantially similar to those applicable under
9 (1) and (2) of this subsection, the assuming insurer maintains a policyholder surplus of
10 at least \$20,000,000, and the assuming insurer submits to the authority of this state to
11 examine its books and records; the surplus requirements in this paragraph do not apply
12 to reinsurance ceded and assumed under a pooling arrangement among insurers in the
13 same holding company system;

14 (4) assuming alien insurer that

15 (A) maintains a trust fund in a qualified United States financial
16 institution for the payment of the valid claims of its United States
17 policyholders and ceding insurers, and their assigns and successors in interest,
18 that conforms to the following requirements:

19 (i) the trust **and each amendment to the trust** shall be
20 established in a form approved by **the insurance supervisory official**
21 **of the state where the trust is domiciled or the insurance**
22 **supervisory official of another state who, under the terms of the**
23 **trust instrument, has accepted responsibility for regulatory**
24 **oversight of the trust; the form of the trust and each trust**
25 **amendment shall be filed with the insurance supervisory official of**
26 **every state in which the beneficiaries of the trust are domiciled**
27 [THE DIRECTOR]; the trust instrument must provide that contested
28 claims are valid and enforceable upon the final order of any court of
29 competent jurisdiction in the United States; the trust shall vest legal
30 title to its assets in the trustees of the trust for its United States
31 policyholders and ceding insurers, their assigns, and successors in

1 interest; the trust and the assuming insurer are subject to examination as
2 determined by the director, **and the assuming insurer shall submit to**
3 **examination of its books and records by the director and bear the**
4 **expense of examination**; the trust must remain in effect for so long as
5 the assuming insurer has outstanding liabilities due under the
6 reinsurance agreements subject to the trust;

7 (ii) on or before March 1 of each year the trustees shall
8 report in writing to the director on the balance of the trust and list the
9 trust's investments at the end of the preceding year, and shall certify the
10 date of termination of the trust, if so planned, or certify that the trust
11 does not expire before the following December 31;

12 (iii) in the case of a single assuming insurer, the trust
13 shall consist of trust money representing the assuming insurer's
14 liabilities attributable to business written in the United States and, in
15 addition, include a trust surplus of not less than \$20,000,000; the single
16 assuming insurer shall make available to the director an annual
17 certification of the insurer's solvency by an independent certified public
18 accountant or an accountant holding a substantially equivalent
19 designation as determined by the director;

20 (iv) in the case of a group, including incorporated and
21 individual unincorporated insurers, the trust shall consist of trust money
22 representing the group's liabilities attributable to business **ceded by the**
23 **United States domiciled ceding insurers** [WRITTEN IN THE
24 UNITED STATES] and, in addition, include a trust surplus not less
25 than \$100,000,000 **held jointly for the benefit of the United States**
26 **domiciled ceding insurers or any member of the group for all years**
27 **of account**; the incorporated members of the group may not be engaged
28 in any business other than underwriting as a member of the group and
29 are subject to the same level of solvency regulation and control by the
30 group's domiciliary regulator as are the unincorporated members;
31 **within 90 days after its financial statements are due to be filed with**

1 **the group's domiciliary regulator,** the group shall make available to
2 the director an annual certification of the solvency of each insurer by
3 the group's domiciliary regulator **or, if the certification is unavailable,**
4 **financial statements, prepared** [AND] by an independent certified
5 public accountant, or an accountant holding a substantially equivalent
6 designation as determined by the director, **for each underwriter**
7 **member of the group;**

8 (v) in the case of a group of incorporated insurers under
9 common administration that complies with the reporting requirements
10 contained in (ii) of this subparagraph, that has continuously transacted
11 an insurance business outside the United States for at least three years
12 immediately before making application for accreditation, that submits
13 to this state's authority to examine its books and records and bears the
14 expense of the examination, and that has aggregate policyholders'
15 surplus of \$10,000,000,000, the trust shall be in an amount equal to the
16 group's several liabilities attributable to business ceded by United
17 States **domiciled** ceding insurers to a member of the group under
18 reinsurance contracts issued in the name of the group, and the group
19 shall maintain a joint trustee surplus, of which \$100,000,000 shall be
20 held jointly for the benefit of United States **domiciled** ceding insurers
21 of a member of the group as additional security for the group's
22 liabilities, and, **within 90 days after its financial statements are due**
23 **to be filed with the group's domiciliary regulator,** each member of
24 the group shall make available to the director an annual certification of
25 the **underwriter** member's solvency by the member's domiciliary
26 regulator and **financial statement of each underwriter member**
27 **prepared by its** [THE MEMBER'S] independent certified public
28 accountant, or an accountant holding a substantially equivalent
29 designation as determined by the director; and

30 (B) reports annually to the director information substantially
31 the same as that required to be reported on the National Association of

1 Insurance Commissioners' annual statement form by licensed insurers to
2 enable the director to determine the sufficiency of the trust fund;

3 (5) assuming insurer that does not meet the requirements of (1) - (4) of
4 this subsection, but only with respect to the insurance of risks located in jurisdictions
5 where the reinsurance is required by applicable law or regulation of that jurisdiction.

6 * **Sec. 14.** AS 21.12.020(c) is amended to read:

7 (c) A reduction from liability, for reinsurance ceded to an assuming insurer
8 not meeting the requirements of (a) of this section, shall be allowed in an amount not
9 exceeding the liabilities carried by the ceding insurer. The reduction shall be equal to
10 the amount of money held by or on behalf of the ceding insurer, including money held
11 in trust for the ceding insurer, under a reinsurance contract with the assuming insurer
12 as security for the payment of obligations under it, if the security is held in the United
13 States subject to withdrawal solely by, and under the exclusive control of, the ceding
14 insurer, or, in the case of a trust, held in a qualified United States financial institution.
15 The security must be in the form of

16 (1) cash;

17 (2) securities listed by the Securities Valuation Office of the National
18 Association of Insurance Commissioners that qualify as admitted assets under
19 AS 21.21;

20 (3) clean, irrevocable, unconditional letters of credit that contain an
21 evergreen clause issued or confirmed by a qualified United States financial institution
22 not later than December 31 in the year for which filing is made, and in the possession
23 of, or in trust for, the ceding insurer on or before the filing date of the ceding
24 insurer's annual statement; letters of credit meeting applicable standards of issuer
25 acceptability as of the dates of their issuance or confirmation shall, notwithstanding
26 the issuing or confirming institution's subsequent failure to meet applicable standards
27 of issuer acceptability, continue to be acceptable as security until their expiration,
28 extension, renewal, modification, or amendment, whichever occurs first; or

29 (4) other security acceptable to and approved in advance by the
30 director.

31 * **Sec. 15.** AS 21.12 is amended by adding a new section to read:

1 **Sec. 21.12.025. Assumption reinsurance.** (a) A nondomestic admitted
2 insurer may not carry out an agreement of assumption reinsurance with a nonadmitted
3 insurer that would transfer Alaska policyholders unless

4 (1) the nonadmitted insurer applies for and obtains a certificate of
5 authority from the director; or

6 (2) the admitted insurer files the assumption agreement with the
7 director and obtains approval to apply the assumption agreement to Alaska policies or
8 certificates.

9 (b) The director shall approve an assumption agreement involving the
10 assumption of Alaska insurance business by a nonadmitted insurer if

11 (1) the ceding insurer is in supervision, conservation, or liquidation
12 and the assuming insurer is in good standing in its state of domicile; or

13 (2) approval would be in the public interest of the Alaska
14 policyholders.

15 * **Sec. 16.** AS 21.14.010 is amended by adding a new subsection to read:

16 (f) The requirements of this chapter supplement other provisions of this title
17 and do not preclude or limit other powers or duties of the director.

18 * **Sec. 17.** AS 21.22.030(a) is amended to read:

19 (a) The director shall approve a merger or other acquisition of control referred
20 to in AS 21.22.010 unless, after a public hearing, the director finds that

21 (1) after the change of control, the domestic insurer referred to in
22 AS 21.22.010 would not be able to satisfy the requirements for the issuance of a
23 license to write the line or lines of insurance for which it is presently licensed;

24 (2) the effect of the merger or other acquisitions of control would be
25 substantially to lessen competition in insurance in this state or tend to create a
26 monopoly in this state;

27 (3) the financial condition of an acquiring party is such that it might
28 jeopardize the financial stability of the insurer or prejudice the interest of its
29 policyholders or the interests of any remaining securityholders who are unaffiliated
30 with the acquiring party;

31 (4) the terms of the offer, request, invitation, agreement, or acquisition

1 referred to in AS 21.22.010 are unfair and unreasonable to the securityholders of the
2 insurer;

3 (5) the plans or proposals that the acquiring party has to liquidate the
4 insurer, sell its assets, or consolidate or merge it with any person, or to make any other
5 material change in its business or corporate structure or management, are unfair and
6 unreasonable to policyholders of the insurer and not in the public interest; [OR]

7 (6) the competence, experience, and integrity of those persons who
8 would control the operation of the insurer are such that it would not be in the interest
9 of policyholders of the insurer and of the public to permit the merger or other
10 acquisition of control; or

11 (7) the acquisition is likely to be hazardous or prejudicial to the
12 insurance-buying public.

13 * **Sec. 18.** AS 21.27.060(d) is amended to read:

14 (d) This section does not apply to an applicant

15 (1) for a limited license under AS 21.27.150(a)(1), (4), or (5)
16 [AS 21.27.150(a)(1), (5), OR (6)]; or

17 (2) who, at any time within the one-year period immediately preceding
18 the date the current pending application is received by the division, had been licensed
19 in good standing in this state under a license requiring substantially similar
20 qualifications as required by the license applied for.

21 * **Sec. 19.** AS 21.27.115 is amended to read:

22 **Sec. 21.27.115. Lines of authority.** If a person has met the applicable
23 requirements of AS 21.27.020 and 21.27.270, the director shall issue a license for one
24 or more of the following lines of authority:

25 (1) life insurance coverage on natural persons; in this paragraph, "life
26 insurance coverage"

27 (A) includes benefits of endowment and annuities; and

28 (B) may include benefits in the event of death or
29 dismemberment by accident and benefits for disability income;

30 (2) health insurance coverage for sickness, bodily injury, or accidental
31 death; in this paragraph, "health insurance coverage" may include benefits for

1 disability income;

2 (3) property insurance coverage for the direct or consequential loss for
3 damage to property of every kind;

4 (4) casualty insurance coverage against legal liability, including that
5 for death, injury, or disability or damage to real or personal property; in this
6 paragraph, "casualty insurance" includes surety insurance as defined in AS 21.12.080;

7 (5) variable life and variable annuity products insurance coverage;

8 (6) personal lines property and casualty insurance coverage sold to
9 individuals and families for primarily noncommercial purposes;

10 (7) limited lines credit insurance;

11 (8) **crop insurance coverage for damage to crops from unfavorable**
12 **weather conditions, fire or lightning, flood, hail, insect infestation, disease, or**
13 **other yield-reducing conditions or perils provided by the private insurance**
14 **market, or that is subsidized by the Federal Crop Insurance Corporation,**
15 **including multiperil crop insurance;**

16 **(9) surety insurance as defined in AS 21.12.080;**

17 **(10)** any insurance for which a limited lines license may be issued
18 under AS 21.27.150.

19 * **Sec. 20.** AS 21.27.140(b) is amended to read:

20 (b) A firm may not be licensed as an insurance producer, managing general
21 agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus
22 lines broker, or independent adjuster, or transact insurance unless each individual
23 employed as an insurance producer, managing general agent, surplus lines broker,
24 [TRAINEE INSURANCE PRODUCER,] trainee independent adjuster, or independent
25 adjuster by the firm is licensed as an individual in the firm. Each compliance officer
26 of the firm shall be licensed as an individual in the firm for a specific line and class of
27 authority. If there is more than one compliance officer, the combined authority of all
28 compliance officers shall cover all the powers conferred by the firm's license.

29 * **Sec. 21.** AS 21.27.150(a) is amended to read:

30 (a) The director may issue a

31 (1) travel insurance limited producer license to a person who sells

1 transportation tickets of a common carrier of persons or property, who is appointed
2 under AS 21.27.100 [, AND WHOSE SOLE PURPOSE IS TO BE APPOINTED BY
3 AND ACT AS AN AGENT] for transportation ticket policies of health insurance,
4 baggage insurance on personal effects, and trip cancellation or trip interruption
5 insurance;

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

9 (3) bail bond limited producer license to a person who is [WHOSE
10 SOLE PURPOSE IS TO BE] appointed by and acts [ACT] on behalf of a surety
11 insurer pertaining to bail bonds;

12 (4) [FRATERNAL BENEFIT SOCIETY LIMITED PRODUCER
13 LICENSE TO A PERSON WHOSE SOLE PURPOSE IS TO BE APPOINTED BY
14 AND ACT ON BEHALF OF A FRATERNAL BENEFIT SOCIETY LICENSED
15 UNDER AS 21.84;

16 (5)] motor vehicle rental agency limited producer license to a person
17 and, subject to the approval of the director, to employees of the person licensed that
18 the licensee authorizes to transact the business of insurance on the licensee's behalf if,
19 as to an employee, the licensee complies with (D) of this paragraph and if the licensee

20 (A) rents to others, without operators,

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

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

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

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

30 (i) motor vehicle liability insurance with respect to
31 liability arising out of the use of a vehicle rented from the licensee

1 during the term of the rental agreement;

2 (ii) uninsured or underinsured motorist coverage, with
3 minimum limits described in AS 21.89.020(c) and (d) arising out of the
4 use of a vehicle rented from the licensee during the term of the rental
5 agreement;

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

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

17 (v) towing and roadside assistance with respect to
18 vehicles rented from the licensee during the term of the rental
19 agreement; and

20 (vi) other insurance as may be authorized by regulation
21 by the director;

22 (D) notifies the director in writing, within 30 days of
23 employment, of the name, date of birth, social security number, location of
24 employment, and home address of an employee authorized by the licensee to
25 transact insurance on the licensee's behalf; and

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

27 (5) [(6)] nonresident limited producer license to a person; a license that
28 the director issues under this paragraph grants the same scope of authority as a limited
29 lines producer license issued to the person by the person's home state;

30 (6) [(7)] credit insurance limited producer license to a person who sells
31 limited lines credit insurance;

1 ~~(7)~~ [(8)] miscellaneous limited producer license to a person who
2 transacts insurance in this state that restricts the person's authority to less than the total
3 authority for a line of authority described in AS 21.27.115(1) - (6), **(8), and (9)**.

4 * **Sec. 22.** AS 21.27.360(h) is amended to read:

5 (h) A licensee who transacts the business of insurance under a motor vehicle
6 rental agency limited producer license under **AS 21.27.150(a)(4)** [AS 21.27.150(a)(7)]
7 is not required to hold money collected from a person for the purchase of rental motor
8 vehicle insurance coverage in a separate fiduciary account if

9 (1) the fees for the rental insurance coverage are itemized and are a
10 part of a rental motor vehicle transaction; and

11 (2) the insurer has given written consent that the money need not be
12 segregated from other money received by the licensee and the consent is signed by an
13 officer of the insurer.

14 * **Sec. 23.** AS 21.27.380(e) is amended to read:

15 (e) A trainee license issued to an [INSURANCE PRODUCER OR AN]
16 independent adjuster shall be for a term not to exceed 12 months and may not be
17 renewed.

18 * **Sec. 24.** AS 21.27.590 is repealed and reenacted to read:

19 **Sec. 21.27.590. Managing general agents qualifications.** In addition to the
20 general qualifications under AS 21.27.020, the director may require that a managing
21 general agent maintain

22 (1) a bond in an amount acceptable to the director and that requires the
23 managing general agent to conduct business under this title; and

24 (2) an errors and omissions insurance policy acceptable to the director.

25 * **Sec. 25.** AS 21.27.670 is repealed and reenacted to read:

26 **Sec. 21.27.670. Reinsurance intermediary broker qualifications.** In
27 addition to the general qualifications under AS 21.27.020, the director may require
28 that a reinsurance intermediary broker maintain

29 (1) a bond in an amount acceptable to the director in favor of insurers
30 and this state that requires the reinsurance intermediary broker to conduct business
31 under this title; and

1 (2) an errors and omissions insurance policy acceptable to the director.

2 * **Sec. 26.** AS 21.27.730 is repealed and reenacted to read:

3 **Sec. 21.27.730. Reinsurance intermediary manager qualifications.** In
4 addition to the general qualifications under AS 21.27.020, the director may require
5 that a reinsurance intermediary manager maintain

6 (1) a bond in an amount acceptable to the director that requires the
7 reinsurance intermediary manager to conduct business under this title; and

8 (2) an errors and omissions insurance policy acceptable to the director.

9 * **Sec. 27.** AS 21.27.790 is amended to read:

10 **Sec. 21.27.790. Surplus lines broker qualifications.** In addition to the
11 general qualifications under AS 21.27.020, to qualify for issuance or for renewal of a
12 surplus lines broker license, an applicant or licensee shall

13 (1) **be licensed as either an insurance producer or managing**
14 **general agent for property and casualty lines of authority** [HAVE A MINIMUM
15 TWO YEARS ACTIVE WORKING EXPERIENCE WITHIN THE PREVIOUS
16 FIVE CALENDAR YEARS AS AN INSURANCE PRODUCER, MANAGING
17 GENERAL AGENT, REINSURANCE INTERMEDIARY BROKER,
18 REINSURANCE INTERMEDIARY MANAGER, INDEPENDENT ADJUSTER, OR
19 UNDERWRITER OR CLAIMS ADJUSTER EMPLOYEE OF AN INSURER AND,
20 IN THE DIRECTOR'S OPINION, EXHIBIT THE ABILITY TO COMPETENTLY
21 PERFORM THE RESPONSIBILITIES OF THE LICENSE APPLIED FOR];

22 (2) if required by the director by regulation, maintain a bond as
23 described in AS 21.27.190 in an amount acceptable to the director [WITH THE
24 CONDITIONS] that **requires** the surplus lines broker **to** conduct business under [THE
25 PROVISIONS OF] this title, promptly remit the taxes and fees **required**
26 [PROVIDED] by law, return premiums promptly when due, and pay proper losses
27 promptly;

28 (3) if the director requires, maintain an errors and omissions insurance
29 policy acceptable to the director.

30 * **Sec. 28.** AS 21.34.020 is amended to read:

31 **Sec. 21.34.020. Placement of surplus lines insurance.** Insurance other than

1 reinsurance, wet marine and transportation insurance, insurance independently
2 procured, life insurance, health insurance **except as provided in AS 21.34.035**, and
3 annuity contracts may be procured through a surplus lines broker licensed under
4 AS 21.27 from nonadmitted insurers if

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

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

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

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

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

16 * **Sec. 29.** AS 21.34.020 is amended by adding a new subsection to read:

17 (b) In this section,

18 (1) "amount" means limit, sublimit, retention, and broadening or
19 restrictive endorsement;

20 (2) "class" means rating class;

21 (3) "kind" means one or more kinds of insurance as defined in
22 AS 21.12.

23 * **Sec. 30.** AS 21.34 is amended by adding a new section to read:

24 **Sec. 21.34.035. Health care insurance.** (a) Except for a multiple employer
25 welfare arrangement, health care insurance may be placed in and written by a
26 nonadmitted insurer if

27 (1) the director finds it is in the best interest of the public and issues an
28 order to that effect; and

29 (2) the insurance is in compliance with this chapter.

30 (b) The rates and rating methods for health care insurance placed and written
31 under this section are subject to AS 21.87.190. The surplus lines broker shall make

1 the filings required under AS 21.87.190 and maintain the records and accounts as
2 required under AS 21.87.230.

3 (c) Health care insurance may not be procured under this chapter

4 (1) for the purpose of obtaining a lower premium rate than acceptable
5 by an authorized insurer; or

6 (2) for obtaining a competitive advantage.

7 (d) Insurance placed in or written by a nonadmitted insurer and the activities
8 of the surplus lines broker relating to that transaction are subject to this title.

9 (e) In this section, "health care insurance" has the meaning given in
10 AS 21.12.050(b).

11 * **Sec. 31.** AS 21.34.050 is amended to read:

12 **Sec. 21.34.050. Listing eligible surplus lines insurers.** In addition to
13 meeting the requirements of AS 21.34.040, a nonadmitted insurer shall be an eligible
14 surplus lines insurer if it **pays to the division or surplus lines association any fee**
15 **required by regulation and** appears on the most recent list of eligible surplus lines
16 insurers published by the director or by the surplus lines association when approved by
17 the director. The list is to be published at least semi-annually. Nothing in this section
18 requires the director or the surplus lines association to place or maintain the name of a
19 nonadmitted insurer on the list of eligible surplus lines insurers. **An annual fee**
20 **required under this section and adopted by regulation shall be paid before July 1**
21 **of each year.**

22 * **Sec. 32.** AS 21.34.080 is amended by adding a new subsection to read:

23 (d) A transaction, as used in this section, is any placement of coverage as well
24 as changes in coverage that result in an increase or decrease of premiums, taxes, or
25 fees.

26 * **Sec. 33.** AS 21.34.100 is repealed and reenacted to read:

27 **Sec. 21.34.100. Evidence of insurance.** (a) When surplus lines insurance is
28 placed, the surplus lines broker shall promptly deliver to the named insured or the
29 producing broker the policy or, if the policy is not then available, a certificate, cover
30 note, binder, or other evidence of insurance. The certificate, cover note, binder, or
31 other evidence of insurance for the named insured shall be executed by the surplus

1 lines broker and must contain a summary of all material facts that would regularly be
2 included in the policy, the description and location of the subject of insurance, a
3 general description of the coverages of the insurance, the premium and rate charged
4 and taxes to be collected from the insured, the name and address of the insured, the
5 name of each surplus lines insurer and the percentage of the entire risk assumed by
6 each, the name of the surplus lines broker, and the license number of the surplus lines
7 broker.

8 (b) A surplus lines broker may not issue or deliver evidence of insurance or
9 purport to insure or represent that insurance will be or has been written by an eligible
10 surplus lines insurer, or a nonadmitted insurer under AS 21.34.060, unless the surplus
11 lines broker has authority from the insurer to cause the risk to be insured or has
12 received information from the insurer in the regular course of business that the
13 insurance has been granted.

14 (c) If, after delivery of evidence of insurance, there is a change in the identity
15 of the insurers or the percentage of the risk assumed by an insurer or another material
16 change in coverage from that stated in the surplus lines broker's original evidence of
17 insurance or in other material concerning the evidenced insurance, the surplus lines
18 broker shall promptly issue and deliver to the insured or the producing broker an
19 appropriate substitute for or endorsement of the original document, accurately
20 showing the current status of the coverage and the insurer's responsibility.

21 (d) A surplus lines broker who fails to comply with this section is subject to
22 the penalties in AS 21.34.230.

23 (e) Every evidence of insurance negotiated, placed, or procured under this
24 chapter issued by a surplus lines broker must bear the name of the surplus lines broker,
25 which may not be covered, concealed, or obscured by the producing broker, and the
26 following legend in at least 10-point type: "This is evidence of insurance procured
27 and developed under the Alaska Surplus Lines Law, AS 21.34. It is not covered by
28 the Alaska Insurance Guaranty Association Act, AS 21.80."

29 (f) Every certificate issued by the producing broker or other licensee as
30 evidence of insurance negotiated, placed, or procured under this chapter must bear the
31 name of the surplus lines broker, which may not be covered, concealed, or obscured

1 by the producing broker, and the following legend in at least 10-point type: "This is
2 evidence of insurance procured and developed under the Alaska Surplus Lines Law,
3 AS 21.34. It is not covered by the Alaska Insurance Guaranty Association Act,
4 AS 21.80."

5 * **Sec. 34.** AS 21.34.110(a) is repealed and reenacted to read:

6 (a) A contract of insurance placed by a surplus lines broker under this chapter
7 is not binding upon the insured and a premium charged is not due and payable until

8 (1) the surplus lines broker has notified the insured in writing, a copy
9 of which shall be maintained by the surplus lines broker with the records of the
10 contract, available for examination, that the insurer with whom the surplus lines
11 broker places the insurance does not hold a certificate of authority issued by this state
12 and is not subject to its supervision, and, in the event of the insolvency of the surplus
13 lines insurer, losses will not be covered under AS 21.80 (Alaska Insurance Guaranty
14 Association Act); or

15 (2) the producing broker has notified the insured and the surplus lines
16 broker in writing, a copy of which shall be maintained by the producing broker and the
17 surplus lines broker with the records of the contract, available for examination, that the
18 insurer with whom the surplus lines is placed does not hold a certificate of authority
19 issued by this state and is not subject to this state's supervision, and, in the event of the
20 insolvency of the surplus lines insurer, losses will not be covered under AS 21.80
21 (Alaska Insurance Guaranty Association Act).

22 * **Sec. 35.** AS 21.34.170(a) is amended to read:

23 (a) A surplus lines broker shall file with the director on or before the end of
24 each month, on forms prescribed by the director, a verified report [IN DUPLICATE]
25 of all surplus lines insurance, by type of insurance as required to be reported in the
26 annual statement that must be filed with the director by admitted insurers. The report
27 must include all surplus lines insurance transactions during the preceding calendar
28 month showing the aggregate gross premiums written, the aggregate return premiums,
29 the amount of aggregate tax remitted to this state, and the amount of aggregate tax
30 remitted to each other state for which an allocation is made under AS 21.34.150.

31 * **Sec. 36.** AS 21.34.170 is amended by adding a new subsection to read:

1 (c) The surplus lines broker shall pay a penalty for late filing of the report,
2 according to the rate established in regulations adopted by the director.

3 * **Sec. 37.** AS 21.34.180(a) is amended to read:

4 (a) Gross premiums **written** [CHARGED], less any return premium, for
5 surplus lines insurance are subject to a premium receipts tax as outlined in
6 AS 21.09.210, which shall be collected by the surplus lines broker as specified by the
7 director, in addition to the full amount of the gross premium **written** [CHARGED] by
8 the insurer for the insurance. The tax on any portion of the premium unearned at
9 termination of insurance having been credited by the state to the surplus lines broker
10 shall be returned to the policy holder directly by the surplus lines broker or through the
11 producing broker, if any. The surplus lines broker may not absorb the tax or any part
12 of it, and may not rebate for any reason the tax or any part of it. However, if, under
13 AS 21.09.210, an admitted insurer is required to collect and pay premium tax on a
14 portion of a subscription policy, the surplus lines broker is not required to collect any
15 amount that would constitute double taxation of that portion of the insurance.

16 * **Sec. 38.** AS 21.34.180(f) is repealed and reenacted to read:

17 (f) A surplus lines broker shall pay to the division a late payment fee of \$50 a
18 month plus five percent of the tax due each calendar month or part of a month during
19 which the broker fails to pay the full amount of the tax or a portion of the tax and
20 interest at the rate of one percent of the tax due each calendar month or part of a
21 month for the period the broker fails to pay the tax. The late payment fee, not
22 including interest, may not exceed \$250 plus 25 percent of the tax due. The tax
23 payment shall be made in the form required by the director, or a penalty shall be added
24 to the tax equal to 25 percent of the tax due, not to exceed \$2,000, with a minimum
25 penalty of \$100. In addition to any other penalty provided by law, if the provisions of
26 this section are wilfully violated, a civil penalty may be assessed of not more than
27 \$10,000. The director may suspend or revoke the license of a broker that fails to pay
28 its taxes, a penalty, or a late payment fee required under this section.

29 * **Sec. 39.** AS 21.36.235(c) is amended to read:

30 (c) This section does not apply to workers' compensation insurance **or to**
31 **business or commercial policies issued under AS 21.34.**

1 * **Sec. 40.** AS 21.36.240 is amended to read:

2 **Sec. 21.36.240. Failure to renew.** An insurer may only fail to renew a
3 personal insurance policy on the policy's annual anniversary. An insurer may not fail
4 to renew a policy unless a written notice of nonrenewal is mailed to the named insured
5 as required by AS 21.36.260 at least 20 days for a personal insurance policy, and at
6 least 45 days for a business or commercial insurance policy, before the expiration date
7 of the policy or of the anniversary date of a policy written for a term longer than one
8 year or with no fixed expiration date. If notice of nonrenewal is not given as required
9 by this section, the existing policy shall continue until the insurer provides notice for
10 the time period required by this section for that policy. This section does not apply

- 11 (1) if the insurer has in good faith manifested its willingness to renew;
12 (2) in case of nonpayment of premium for the expiring policy; [OR]
13 (3) if the insured fails to pay the premium as required by the insurer for

14 renewal; **or**

15 **(4) to business or commercial policies placed under AS 21.34.**

16 * **Sec. 41.** AS 21.36.365(a) is amended to read:

17 (a) A person is not liable for civil damages for filing a report with or
18 furnishing other information whether written or oral, concerning suspected,
19 anticipated, or completed fraudulent acts to

- 20 (1) law enforcement officials, their agents, and employees;
21 (2) the National Association of Insurance Commissioners, the division
22 of insurance, an agency in a state that regulates insurance, or an organization
23 established to detect and prevent fraudulent insurance acts, their agents, employees, or

24 designees;

25 **(3) a person involved in the prevention and detection of fraudulent**
26 **insurance acts or that person's employees, agents, or representatives.**

27 * **Sec. 42.** AS 21.39.020(b) is amended to read:

28 (b) This chapter does not apply to

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

31 (2) health insurance;

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

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

8 **(5) insurance written under AS 21.34, except as provided in**
9 **AS 21.34.030(b).**

10 * **Sec. 43.** AS 21.42.120(f) is amended to read:

11 (f) This section does not apply to a type of insurance subject to AS 21.57 **or to**
12 **policies issued under AS 21.34.**

13 * **Sec. 44.** AS 21.66.020 is amended to read:

14 **Sec. 21.66.020. Deposits in guaranty fund. In addition to the deposit**
15 **required in AS 21.66.010(b), within** [WITHIN] 30 days after the filing of each
16 annual statement, the title insurance company shall deposit with the director a sum
17 equal to 10 percent of the premiums **written** [RECEIVED BY IT] during the
18 preceding year covering property in this state, as shown by the annual statement, until
19 the accumulated deposits, added to the sums originally deposited with the director, as
20 provided in this chapter, total \$750,000, but the title insurance company may not be
21 required to deposit more than \$50,000 in any one year. **The purpose of this deposit**
22 **is to provide a guaranty fund for payment of claims under title guaranties and**
23 **policies issued in Alaska in the event of the insolvency of the title insurer.**

24 * **Sec. 45.** AS 21.66.110(c) is repealed and reenacted to read:

25 (c) A title insurance company shall pay to the division a late payment fee of
26 \$50 a month plus five percent of tax due each calendar month or part of a month
27 during which the insurer fails to pay the full amount of the tax or a portion of the tax
28 and interest at the rate of one percent of the tax due each calendar month or part of a
29 month for the period the insurer fails to pay the premium tax. The late payment fee,
30 not including interest, may not exceed \$250 plus 25 percent of the tax due. The tax
31 payment shall be made in the form required by the director, or a penalty shall be added

1 to the tax equal to 25 percent of the tax due, not to exceed \$2,000, with a minimum
2 penalty of \$100. In addition to any other penalty provided by law, if the provisions of
3 this section are wilfully violated, then a civil penalty may be assessed of not more than
4 \$10,000. The director may suspend or revoke the certificate of authority of a title
5 insurance company that fails to pay its taxes, a penalty, or a late payment fee as
6 required under this section.

7 * **Sec. 46.** AS 21.69.390(b) is amended to read:

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

15 * **Sec. 47.** AS 21.69.390 is amended by adding a new subsection to read:

16 (e) A domestic insurer may change the place of business or the location of
17 records with the written approval of the director. The domestic insurer must submit a
18 list of the records and the locations of the records that will be maintained outside of
19 this state when requesting approval. Any change in place of business, the approved
20 list of records, and the location of the records maintained outside of this state shall be
21 submitted 60 days before relocation and is considered approved if not disapproved by
22 the director within 30 days after receipt. The director shall approve the change in
23 place of business or location of records outside of this state subject to the following
24 standards:

25 (1) the place of business is readily accessible by the general public by
26 visit and telephone;

27 (2) the records are immediately available to examiners representing the
28 director in an examination;

29 (3) the domestic insurer agrees to ship the records to the state if the
30 insurer is ordered to do so under AS 21.78;

31 (4) the location of the place of business and records outside of the state

1 has a valid business purpose that is not satisfied by maintaining a place of business or
2 the records in the state;

3 (5) the list of records and location is of sufficient detail to readily
4 locate specific records.

5 * **Sec. 48.** AS 21.69.610 is repealed and reenacted to read:

6 **Sec. 21.69.610. Reinsurance for stock insurers.** (a) Notwithstanding (b) of
7 this section, a domestic stock insurer may reinsure a portion or all of its insurance in
8 force or a major class of its insurance with another insurer by a reinsurance agreement.
9 A reinsurance agreement shall be filed with the director within 30 days after all parties
10 have signed the agreement. A reinsurance agreement is designated as confidential for
11 purposes of AS 21.06.060.

12 (b) A domestic stock insurer may reinsure a portion or all of its insurance in
13 force or a major class of its insurance with another insurer by an agreement of
14 assumption reinsurance, but an agreement of assumption reinsurance is not effective
15 unless filed with and approved in writing by the director after a hearing.

16 (c) The director shall approve the agreement within a reasonable time after the
17 filing unless the director finds that it is inequitable to the stockholders of the domestic
18 insurer or would substantially reduce the protection or service to its policyholders. If
19 the director does not approve the agreement, the director shall notify the insurer in
20 writing specifying the reasons.

21 (d) This section does not apply to a facultative reinsurance contract. In this
22 subsection, "facultative reinsurance contract" means an agreement whereby individual
23 risk is offered by an insurer for acceptance or rejection by a reinsurer. Under a
24 facultative reinsurance contract, both parties are free to act in their own best interest,
25 regardless of any prior contractual arrangement.

26 * **Sec. 49.** AS 21.69.620(a) is amended to read:

27 (a) A domestic mutual insurer may reinsure a portion or all of [OR
28 SUBSTANTIALLY ALL] its business in force [,] or a portion or all [OR
29 SUBSTANTIALLY ALL] of a major class of its business [,] with another insurer,
30 stock or mutual, by a reinsurance [AN] agreement [OR BULK REINSURANCE
31 AFTER COMPLIANCE WITH THIS SECTION]. A reinsurance [AN] agreement

1 shall be [IS NOT EFFECTIVE UNLESS] filed with [AND APPROVED IN
2 WRITING BY] the director within 30 days after all parties have signed the
3 agreement. The agreement filed with the director is designated as confidential
4 for the purposes of AS 21.06.060. A domestic mutual insurer may reinsure a
5 portion or all of its insurance in force or a major class of its insurance with
6 another insurer by an agreement of assumption reinsurance. An agreement of
7 assumption reinsurance is not effective unless filed with and approved in writing
8 by the director after a hearing [AFTER A HEARING].

9 * **Sec. 50.** AS 21.89.080 is amended to read:

10 **Sec. 21.89.080. Electronic transactions [SUBMISSIONS].**
11 **Notwithstanding any contrary provision of this title, the** [THE] director may, by
12 regulation or by order, provide for the electronic **transaction** [SUBMISSION] of any
13 information or written **communication under** [SUBMISSION REQUIRED BY] this
14 title [AND FOR AN ELECTRONIC CONFIRMATION OF A REQUIRED
15 SUBMISSION].

16 * **Sec. 51.** AS 21.89.080 is amended by adding a new subsection to read:

17 (b) An electronic transaction under this section must comply with
18 AS 09.25.500 - 09.25.520.

19 * **Sec. 52.** AS 21.90.900 is amended by adding new paragraphs to read:

20 (43) "assumption reinsurance" means a form of reinsurance that
21 includes the transfer of all contractual obligations to the assuming insurer with no
22 recourse to the ceding insurer;

23 (44) "reinsurance" means an insurance transaction by which the
24 assuming insurer agrees to indemnify the ceding insurer in whole or in part against
25 liability or losses that the ceding insurer might incur under a separate contract of
26 insurance with its insured.

27 * **Sec. 53.** AS 21.18.090; AS 21.27.530(3), 21.27.540, 21.27.600, 21.27.680, 21.27.740,
28 21.27.800, 21.27.900(22); AS 21.34.080(c); and AS 21.86.280 are repealed.

29 * **Sec. 54.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 **TRANSITION: REGULATIONS.** The director of insurance in the Department of

1 Community and Economic Development may proceed to adopt regulations necessary to
2 implement the changes made by this Act. The regulations take effect under AS 44.62
3 (Administrative Procedure Act), but not before the effective date of the respective statutory
4 change.

5 * **Sec. 55.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 REVISOR'S INSTRUCTIONS. The revisor of statutes is instructed to change the
8 catchline of AS 21.69.620 from "Bulk reinsurance, mutual insurers" to "Reinsurance for
9 mutual insurers."

10 * **Sec. 56.** Section 54 of this Act takes effect immediately under AS 01.10.070(c).

11 * **Sec. 57.** Except as provided in sec. 56 of this Act, this Act takes effect July 1, 2004.