

SENATE BILL NO. 357

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Introduced: 3/1/04

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

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

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

6 * **Section 1.** AS 21.06.120(c) is amended to read:

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

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

14 (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 21.07.040(a) is amended to read:

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

17 * **Sec. 3.** AS 21.07.040(a) is amended by adding a new subsection to read:

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

20 * **Sec. 4.** AS 21.09.110(a) is amended to read:

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

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

31 (2) if a reciprocal insurer, copies of the power of attorney of its

1 attorney-in-fact and of its subscribers' agreement, if any, certified by its attorney-in-
2 fact;

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

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

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

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

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

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

20 * **Sec. 5.** AS 21.09.170 is repealed and reenacted to read:

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

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

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

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

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

1 (c) If the suspension of the certificate of authority is for a fixed period of time
 2 and the certificate of authority has not been otherwise terminated, upon expiration of
 3 the suspension period, the insurer's certificate of authority shall be reinstated unless
 4 the director finds that the insurer is not in compliance with the requirements of this
 5 title. The director shall promptly notify the insurer of any reinstatement, and the
 6 insurer may not consider its certificate of authority reinstated until notified by the
 7 director. If not reinstated, the certificate of authority expires at the end of the
 8 suspension period or at the time the insurer fails to continue the certificate during the
 9 suspension period under (b) of this section, whichever event occurs first.

10 (d) If the suspension of the certificate of authority continues until the
 11 occurrence of a specific event and the certificate of authority has not been otherwise
 12 terminated, upon the presentation of evidence satisfactory to the director that the
 13 specific event has occurred, the insurer's certificate of authority shall be reinstated
 14 unless the director finds that the insurer is not in compliance with the requirements of
 15 this title. The director shall promptly notify the insurer of any reinstatement, and the
 16 insurer may not consider its certificate of authority reinstated until notified by the
 17 director. If satisfactory evidence as to the occurrence of the specific event has not
 18 been presented to the director within five years after the date of suspension, the
 19 certificate of authority expires five years from the date of suspension or upon failure
 20 of the insurer to continue the certificate during the suspension period under (b) of this
 21 section, whichever occurs first.

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

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

26 * **Sec. 6.** AS 21.09.210(a) is amended to read:

27 (a) Each authorized insurer, and each formerly authorized insurer with respect
 28 to premiums written [RECEIVED] while an authorized insurer in this state, shall file
 29 with the director, on or before March 1 in each year, a report of all insurance business
 30 written or contracted in the state, with proper proportionate allocation of premium for
 31 the property, subjects, or risks in the state insured under policies or contracts covering

1 property, subjects, or risks located or resident in more than one state, during the
2 preceding year ending December 31. The report must show

3 (1) the amounts paid policyholders on losses;

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

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

11 (4) the amounts paid policyholders as dividends.

12 * **Sec. 7.** AS 21.09.210(b) is amended to read:

13 (b) Each insurer, and each formerly authorized insurer with respect to
14 premiums written [RECEIVED] while an authorized insurer in this state, shall pay a
15 tax on the total direct premium written [INCOME RECEIVED] during the year
16 ending on the preceding December 31 and paid for the insurance of property or risks
17 resident or located in the state, other than wet marine and transportation insurance,
18 after deducting from the total direct premium income the applicable cancellations,
19 returned premiums, the unabsorbed portion of any deposit premium, all policy
20 dividends, unabsorbed premiums refunded to policyholders, refunds, savings, savings
21 coupons, and other similar returns paid or credited to policyholders with respect to
22 their policies. Deductions may not be made of cash surrender value of policies.
23 Considerations received on annuity contracts are not included in the direct premium
24 income and are not subject to tax. The tax shall be paid to the director at least annually
25 but not more often than once each quarter on the dates specified by the director. The
26 method of payment must be by the electronic or other payment method specified by
27 the director. Except as provided under (m) of this section, the tax is computed at the
28 rate of

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

31 (2) for hospital and medical service corporations, six percent of their

1 gross premiums less claims paid.

2 * **Sec. 8.** AS 21.09.210(g) is repealed and reenacted to read:

3 (g) An insurer shall pay to the division a late payment fee of \$50 a month plus
4 five percent of the tax due each calendar month or part of a month during which the
5 insurer fails to pay the full amount of the tax, or a portion of the tax, and interest at the
6 rate of one percent of the tax due each calendar month or part of a month for the
7 period the insurer fails to pay the premium tax in this section or in AS 21.09.270. The
8 late payment fee, not including interest, may not exceed \$250 plus 25 percent of the
9 tax due. The tax payment shall be made in the form required by the director, or a
10 penalty shall be added to the tax of 25 percent of the tax due, not to exceed \$2,000,
11 with a minimum penalty of \$100. In addition to any other penalty provided by law, a
12 civil penalty may be assessed of not more than \$10,000 if an insurer wilfully violates
13 this section. The director may suspend or revoke the certificate of authority of an
14 insurer that fails to pay taxes, a penalty, or a late payment fee as required under this
15 section.

16 * **Sec. 9.** AS 21.09.210(m) is amended to read:

17 (m) The tax imposed under this section for an individual [POLICY OF] life
18 insurance policy shall be computed at the rate of

19 (1) 2.7 percent of policy year premium up to \$100,000; and

20 (2) one-tenth of one percent of policy year premium exceeding
21 \$100,000.

22 * **Sec. 10.** AS 21.09.210 is amended by adding a new subsection to read:

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

25 * **Sec. 11.** AS 21.09.310(b) is amended to read:

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

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

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

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

3 (B) the authorized control level risk based capital under
4 AS 21.14;

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

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

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

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

24 * **Sec. 12.** AS 21.12.020(a) is amended to read:

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

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

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

5 (A) files evidence of submission to this state's jurisdiction,
6 submits to this state's authority to examine its books and records under
7 AS 21.06.120, is licensed to transact insurance or reinsurance in at least one
8 state that is accredited by the National Association of Insurance
9 Commissioners, or, in the case of a United States branch of an alien admitted
10 insurer, is entered through and licensed to transact insurance or reinsurance in
11 at least one state that is accredited by the National Association of Insurance
12 Commissioners;

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

18 (C) files annually with the director a copy of the reinsurer's
19 annual financial statement filed with the insurance department of the
20 reinsurer's state of domicile or state of entry and a copy of the reinsurer's most
21 recent audited financial statement;

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

31 (4) assuming alien insurer that

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

5 (i) the trust **and each amendment to the trust** shall be
6 established in a form approved by **the insurance supervisory official**
7 **of the state where the trust is domiciled or the insurance**
8 **supervisory official of another state who, under the terms of the**
9 **trust instrument, has accepted responsibility for regulatory**
10 **oversight of the trust; the form of the trust and each trust**
11 **amendment shall be filed with the insurance supervisory official of**
12 **every state in which the beneficiaries of the trust are domiciled**
13 [THE DIRECTOR]; the trust instrument must provide that contested
14 claims are valid and enforceable upon the final order of any court of
15 competent jurisdiction in the United States; the trust shall vest legal
16 title to its assets in the trustees of the trust for its United States
17 policyholders and ceding insurers, their assigns, and successors in
18 interest; the trust and the assuming insurer are subject to examination as
19 determined by the director, **and the assuming insurer shall submit to**
20 **examination of its books and records by the director and bear the**
21 **expense of examination**; the trust must remain in effect for so long as
22 the assuming insurer has outstanding liabilities due under the
23 reinsurance agreements subject to the trust;

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

29 (iii) in the case of a single assuming insurer, the trust
30 shall consist of trust money representing the assuming insurer's
31 liabilities attributable to business written in the United States and, in

1 addition, include a trust surplus of not less than \$20,000,000; the single
 2 assuming insurer shall make available to the director an annual
 3 certification of the insurer's solvency by an independent certified public
 4 accountant or an accountant holding a substantially equivalent
 5 designation as determined by the director;

6 (iv) in the case of a group, including incorporated and
 7 individual unincorporated insurers, the trust shall consist of trust money
 8 representing the group's liabilities attributable to business **ceded by the**
 9 **United States domiciled ceding insurers** [WRITTEN IN THE
 10 UNITED STATES] and, in addition, include a trust surplus not less
 11 than \$100,000,000 **held jointly for the benefit of the United States**
 12 **domiciled ceding insurers or any member of the group for all years**
 13 **of account**; the incorporated members of the group may not be engaged
 14 in any business other than underwriting as a member of the group and
 15 are subject to the same level of solvency regulation and control by the
 16 group's domiciliary regulator as are the unincorporated members;
 17 **within 90 days after its financial statements are due to be filed with**
 18 **the group's domiciliary regulator**, the group shall make available to
 19 the director an annual certification of the solvency of each insurer by
 20 the group's domiciliary regulator **or, if the certification is unavailable,**
 21 **financial statements, prepared** [AND] by an independent certified
 22 public accountant, or an accountant holding a substantially equivalent
 23 designation as determined by the director, **for each underwriter**
 24 **member of the group**;

25 (v) in the case of a group of incorporated insurers under
 26 common administration that complies with the reporting requirements
 27 contained in (ii) of this subparagraph, that has continuously transacted
 28 an insurance business outside the United States for at least three years
 29 immediately before making application for accreditation, that submits
 30 to this state's authority to examine its books and records and bears the
 31 expense of the examination, and that has aggregate policyholders'

1 surplus of \$10,000,000,000, the trust shall be in an amount equal to the
 2 group's several liabilities attributable to business ceded by United
 3 States **domiciled** ceding insurers to a member of the group under
 4 reinsurance contracts issued in the name of the group, and the group
 5 shall maintain a joint trustee surplus, of which \$100,000,000 shall be
 6 held jointly for the benefit of United States **domiciled** ceding insurers
 7 of a member of the group as additional security for the group's
 8 liabilities, and, **within 90 days after its financial statements are due**
 9 **to be filed with the group's domiciliary regulator,** each member of
 10 the group shall make available to the director an annual certification of
 11 the **underwriter** member's solvency by the member's domiciliary
 12 regulator and **financial statement of each underwriter member**
 13 **prepared by its** [THE MEMBER'S] independent certified public
 14 accountant, or an accountant holding a substantially equivalent
 15 designation as determined by the director; and

16 (B) reports annually to the director information substantially
 17 the same as that required to be reported on the National Association of
 18 Insurance Commissioners' annual statement form by licensed insurers to
 19 enable the director to determine the sufficiency of the trust fund;

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

23 * **Sec. 13.** AS 21.12.020(c) is amended to read:

24 (c) A reduction from liability, for reinsurance ceded to an assuming insurer
 25 not meeting the requirements of (a) of this section, shall be allowed in an amount not
 26 exceeding the liabilities carried by the ceding insurer. The reduction shall be equal to
 27 the amount of money held by or on behalf of the ceding insurer, including money held
 28 in trust for the ceding insurer, under a reinsurance contract with the assuming insurer
 29 as security for the payment of obligations under it, if the security is held in the United
 30 States subject to withdrawal solely by, and under the exclusive control of, the ceding
 31 insurer, or, in the case of a trust, held in a qualified United States financial institution.

1 The security must be in the form of

2 (1) cash;

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

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

15 (4) other security acceptable to and approved in advance by the
16 director.

17 * **Sec. 14.** AS 21.12 is amended by adding a new section to read:

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

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

23 (2) the admitted insurer files the assumption agreement with the
24 director and obtains approval to apply the assumption agreement to Alaska policies or
25 certificates.

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

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

30 (2) approval would be in the public interest of the Alaska
31 policyholders.

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

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

4 * **Sec. 16.** AS 21.22.030(a) is amended to read:

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

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

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

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

17 (4) the terms of the offer, request, invitation, agreement, or acquisition
18 referred to in AS 21.22.010 are unfair and unreasonable to the securityholders of the
19 insurer;

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

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

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

30 * **Sec. 17.** AS 21.27.060(d) is amended to read:

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

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

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

7 * **Sec. 18.** AS 21.27.115 is amended to read:

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

11 (1) life insurance coverage on natural persons; in this paragraph, "life
 12 insurance coverage"

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

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

16 (2) health insurance coverage for sickness, bodily injury, or accidental
 17 death; in this paragraph, "health insurance coverage" may include benefits for
 18 disability income;

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

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

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

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

27 (7) limited lines credit insurance;

28 (8) crop insurance coverage for damage to crops from unfavorable
 29 weather conditions, fire or lightning, flood, hail, insect infestation, disease, or
 30 other yield-reducing conditions or perils provided by the private insurance
 31 market, or that is subsidized by the Federal Crop Insurance Corporation,

1 **including multiperil crop insurance;**

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

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

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

6 (b) A firm may not be licensed as an insurance producer, managing general
7 agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus
8 lines broker, or independent adjuster, or transact insurance unless each individual
9 employed as an insurance producer, managing general agent, surplus lines broker,
10 [TRAINEE INSURANCE PRODUCER,] trainee independent adjuster, or independent
11 adjuster by the firm is licensed as an individual in the firm. Each compliance officer of
12 the firm shall be licensed as an individual in the firm for a specific line and class of
13 authority. If there is more than one compliance officer, the combined authority of all
14 compliance officers shall cover all the powers conferred by the firm's license.

15 * **Sec. 20.** AS 21.27.150(a) is amended to read:

16 (a) The director may issue a

17 (1) travel insurance limited producer license to a person who sells
18 transportation tickets of a common carrier of persons or property, who is appointed
19 under AS 21.27.100 [, AND WHOSE SOLE PURPOSE IS TO BE APPOINTED BY
20 AND ACT AS AN AGENT] for transportation ticket policies of health insurance,
21 baggage insurance on personal effects, and trip cancellation or trip interruption
22 insurance;

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

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

29 (4) [FRATERNAL BENEFIT SOCIETY LIMITED PRODUCER
30 LICENSE TO A PERSON WHOSE SOLE PURPOSE IS TO BE APPOINTED BY
31 AND ACT ON BEHALF OF A FRATERNAL BENEFIT SOCIETY LICENSED

1 UNDER AS 21.84;

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

6 (A) rents to others, without operators,

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

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

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

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

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

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

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

29 (iv) personal effects insurance, including loss of use,
30 with respect to damage to or loss of personal property of a person
31 renting the vehicle and other vehicle occupants while that property is

1 being loaded into, transported by, or unloaded from a vehicle rented
2 from the licensee during the term of the rental agreement;

3 (v) towing and roadside assistance with respect to
4 vehicles rented from the licensee during the term of the rental
5 agreement; and

6 (vi) other insurance as may be authorized by regulation
7 by the director;

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

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

13 (5) [(6)] nonresident limited producer license to a person; a license that
14 the director issues under this paragraph grants the same scope of authority as a limited
15 lines producer license issued to the person by the person's home state;

16 (6) [(7)] credit insurance limited producer license to a person who sells
17 limited lines credit insurance;

18 (7) [(8)] miscellaneous limited producer license to a person who
19 transacts insurance in this state that restricts the person's authority to less than the total
20 authority for a line of authority described in AS 21.27.115(1) - (6), (8), and (9).

21 * **Sec. 21.** AS 21.27.360(h) is amended to read:

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

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

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

31 * **Sec. 22.** AS 21.27.380(e) is amended to read:

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

4 * **Sec. 23.** AS 21.27.590 is repealed and reenacted to read:

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

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

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

11 * **Sec. 24.** AS 21.27.670 is repealed and reenacted to read:

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

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

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

19 * **Sec. 25.** AS 21.27.730 is repealed and reenacted to read:

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

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

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

26 * **Sec. 26.** AS 21.27.790 is amended to read:

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

30 (1) **be licensed as either an insurance producer or managing**
 31 **general agent for property and casualty lines of authority** [HAVE A MINIMUM

1 TWO YEARS ACTIVE WORKING EXPERIENCE WITHIN THE PREVIOUS
 2 FIVE CALENDAR YEARS AS AN INSURANCE PRODUCER, MANAGING
 3 GENERAL AGENT, REINSURANCE INTERMEDIARY BROKER,
 4 REINSURANCE INTERMEDIARY MANAGER, INDEPENDENT ADJUSTER, OR
 5 UNDERWRITER OR CLAIMS ADJUSTER EMPLOYEE OF AN INSURER AND,
 6 IN THE DIRECTOR'S OPINION, EXHIBIT THE ABILITY TO COMPETENTLY
 7 PERFORM THE RESPONSIBILITIES OF THE LICENSE APPLIED FOR];

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

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

16 * **Sec. 27.** AS 21.34.020 is amended to read:

17 **Sec. 21.34.020. Placement of surplus lines insurance.** Insurance other than
 18 reinsurance, wet marine and transportation insurance, insurance independently
 19 procured, life insurance, health insurance except as provided in AS 21.34.035, and
 20 annuity contracts may be procured through a surplus lines broker licensed under
 21 AS 21.27 from nonadmitted insurers if

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

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

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

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

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

2 * **Sec. 28.** AS 21.34.020 is amended by adding a new subsection to read:

3 (b) In this section,

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

6 (2) "class" means rating class;

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

9 * **Sec. 29.** AS 21.34 is amended by adding a new section to read:

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

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

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

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

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

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

23 (2) for obtaining a competitive advantage.

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

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

28 * **Sec. 30.** AS 21.34.050 is amended to read:

29 **Sec. 21.34.050. Listing eligible surplus lines insurers.** In addition to
30 meeting the requirements of AS 21.34.040, a nonadmitted insurer shall be an eligible
31 surplus lines insurer if it **pays to the division or surplus lines association any fee**

1 **required by regulation and** appears on the most recent list of eligible surplus lines
 2 insurers published by the director or by the surplus lines association when approved by
 3 the director. The list is to be published at least semi-annually. Nothing in this section
 4 requires the director or the surplus lines association to place or maintain the name of a
 5 nonadmitted insurer on the list of eligible surplus lines insurers. **An annual fee**
 6 **required under this section and adopted by regulation shall be paid before July 1**
 7 **of each year.**

8 * **Sec. 31.** AS 21.34.080 is amended by adding a new subsection to read:

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

12 * **Sec. 32.** AS 21.34.100 is repealed and reenacted to read:

13 **Sec. 21.34.100. Evidence of insurance.** (a) When surplus lines insurance is
 14 placed, the surplus lines broker shall promptly deliver to the named insured or the
 15 producing broker the policy or, if the policy is not then available, a certificate, cover
 16 note, binder, or other evidence of insurance. The certificate, cover note, binder, or
 17 other evidence of insurance for the named insured shall be executed by the surplus
 18 lines broker and must contain a summary of all material facts that would regularly be
 19 included in the policy, the description and location of the subject of insurance, a
 20 general description of the coverages of the insurance, the premium and rate charged
 21 and taxes to be collected from the insured, the name and address of the insured, the
 22 name of each surplus lines insurer and the percentage of the entire risk assumed by
 23 each, the name of the surplus lines broker, and the license number of the surplus lines
 24 broker.

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

31 (c) If, after delivery of evidence of insurance, there is a change in the identity

1 of the insurers or the percentage of the risk assumed by an insurer or another material
 2 change in coverage from that stated in the surplus lines broker's original evidence of
 3 insurance or in other material concerning the evidenced insurance, the surplus lines
 4 broker shall promptly issue and deliver to the insured or the producing broker an
 5 appropriate substitute for or endorsement of the original document, accurately
 6 showing the current status of the coverage and the insurer's responsibility.

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

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

15 (f) Every certificate issued by the producing broker or other licensee as
 16 evidence of insurance negotiated, placed, or procured under this chapter must bear the
 17 name of the surplus lines broker, which may not be covered, concealed, or obscured
 18 by the producing broker, and the following legend in at least 10-point type: "This is
 19 evidence of insurance procured and developed under the Alaska Surplus Lines Law,
 20 AS 21.34. It is not covered by the Alaska Insurance Guaranty Association Act,
 21 AS 21.80."

22 * **Sec. 33.** AS 21.34.110(a) is repealed and reenacted to read:

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

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

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

8 * **Sec. 34.** AS 21.34.170(a) is amended to read:

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

17 * **Sec. 35.** AS 21.34.170 is amended by adding a new subsection to read:

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

20 * **Sec. 36.** AS 21.34.180(a) is amended to read:

21 (a) Gross premiums written [CHARGED], less any return premium, for
 22 surplus lines insurance are subject to a premium receipts tax as outlined in
 23 AS 21.09.210, which shall be collected by the surplus lines broker as specified by the
 24 director, in addition to the full amount of the gross premium written [CHARGED] by
 25 the insurer for the insurance. The tax on any portion of the premium unearned at
 26 termination of insurance having been credited by the state to the surplus lines broker
 27 shall be returned to the policy holder directly by the surplus lines broker or through the
 28 producing broker, if any. The surplus lines broker may not absorb the tax or any part
 29 of it, and may not rebate for any reason the tax or any part of it. However, if, under
 30 AS 21.09.210, an admitted insurer is required to collect and pay premium tax on a
 31 portion of a subscription policy, the surplus lines broker is not required to collect any

1 amount that would constitute double taxation of that portion of the insurance.

2 * **Sec. 37.** AS 21.34.180(f) is repealed and reenacted to read:

3 (f) A surplus lines broker shall pay to the division a late payment fee of \$50 a
 4 month plus five percent of the tax due each calendar month or part of a month during
 5 which the broker fails to pay the full amount of the tax or a portion of the tax and
 6 interest at the rate of one percent of the tax due each calendar month or part of a
 7 month for the period the broker fails to pay the tax. The late payment fee, not
 8 including interest, may not exceed \$250 plus 25 percent of the tax due. The tax
 9 payment shall be made in the form required by the director, or a penalty shall be added
 10 to the tax equal to 25 percent of the tax due, not to exceed \$2,000, with a minimum
 11 penalty of \$100. In addition to any other penalty provided by law, if the provisions of
 12 this section are wilfully violated, a civil penalty may be assessed of not more than
 13 \$10,000. The director may suspend or revoke the license of a broker that fails to pay
 14 its taxes, a penalty, or a late payment fee required under this section.

15 * **Sec. 38.** AS 21.36.235(c) is amended to read:

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

18 * **Sec. 39.** AS 21.36.240 is amended to read:

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

28 (1) if the insurer has in good faith manifested its willingness to renew;

29 (2) in case of nonpayment of premium for the expiring policy; [OR]

30 (3) if the insured fails to pay the premium as required by the insurer for

31 renewal; or

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

2 * **Sec. 40.** AS 21.36.365(a) is amended to read:

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

6 (1) law enforcement officials, their agents, and employees;

7 (2) the National Association of Insurance Commissioners, the division
8 of insurance, an agency in a state that regulates insurance, or an organization
9 established to detect and prevent fraudulent insurance acts, their agents, employees, or
10 designees;

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

13 * **Sec. 41.** AS 21.39.020(b) is amended to read:

14 (b) This chapter does not apply to

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

17 (2) health insurance;

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

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

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

27 * **Sec. 42.** AS 21.42.120(f) is amended to read:

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

30 * **Sec. 43.** AS 21.66.020 is amended to read:

31 **Sec. 21.66.020. Deposits in guaranty fund. In addition to the deposit**

1 **required in AS 21.66.010(b), within** [WITHIN] 30 days after the filing of each
 2 annual statement, the title insurance company shall deposit with the director a sum
 3 equal to 10 percent of the premiums **written** [RECEIVED BY IT] during the
 4 preceding year covering property in this state, as shown by the annual statement, until
 5 the accumulated deposits, added to the sums originally deposited with the director, as
 6 provided in this chapter, total \$750,000, but the title insurance company may not be
 7 required to deposit more than \$50,000 in any one year. **The purpose of this deposit**
 8 **is to provide a guaranty fund for payment of claims under title guaranties and**
 9 **policies issued in Alaska in the event of the insolvency of the title insurer.**

10 * **Sec. 44.** AS 21.66.110(c) is repealed and reenacted to read:

11 (c) A title insurance company shall pay to the division a late payment fee of
 12 \$50 a month plus five percent of tax due each calendar month or part of a month
 13 during which the insurer fails to pay the full amount of the tax or a portion of the tax
 14 and interest at the rate of one percent of the tax due each calendar month or part of a
 15 month for the period the insurer fails to pay the premium tax. The late payment fee,
 16 not including interest, may not exceed \$250 plus 25 percent of the tax due. The tax
 17 payment shall be made in the form required by the director or a penalty shall be added
 18 to the tax equal to 25 percent of the tax due, not to exceed \$2,000, with a minimum
 19 penalty of \$100. In addition to any other penalty provided by law, if the provisions of
 20 this section are wilfully violated, then a civil penalty may be assessed of not more than
 21 \$10,000. The director may suspend or revoke the certificate of authority of a title
 22 insurance company that fails to pay its taxes, a penalty, or a late payment fee as
 23 required under this section.

24 * **Sec. 45.** AS 21.69.390(b) is amended to read:

25 (b) A person determined by the director, following an appropriate hearing as
 26 provided in AS 21.06.170 - 21.06.230, to have removed or attempted to remove any
 27 records from the place where they are required to be kept under (a) **or (d)** of this
 28 section with the intent to wrongfully remove them, or to have concealed or attempted
 29 to conceal them from the director, is subject to a civil penalty of not more than
 30 \$25,000. If a domestic insurer violates a provision of this section the director may
 31 institute delinquency proceedings against the insurer under the provisions of AS 21.78.

1 * **Sec. 46.** AS 21.69.390 is amended by adding a new subsection to read:

2 (e) A domestic insurer may change the place of business or the location of
3 records with the written approval of the director. The domestic insurer must submit a
4 list of the records and the locations of the records that will be maintained outside of
5 this state when requesting approval. Any change in place of business, the approved
6 list of records, and the location of the records maintained outside of this state shall be
7 submitted 60 days before relocation and is considered approved if not disapproved by
8 the director within 30 days after receipt. The director shall approve the change in
9 place of business or location of records outside of this state subject to the following
10 standards:

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

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

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

17 (4) the location of the place of business and records outside of the state
18 has a valid business purpose that is not satisfied by maintaining a place of business or
19 the records in the state;

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

22 * **Sec. 47.** AS 21.69.610 is repealed and reenacted to read:

23 **Sec. 21.69.610. Reinsurance for stock insurers.** (a) A domestic stock
24 insurer may reinsure a portion or all of its insurance in force or a major class of its
25 insurance with another insurer by a reinsurance agreement, but a reinsurance
26 agreement is not effective unless filed with and approved in writing by the director.

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

31 (c) The director shall approve the agreement within a reasonable time after the

1 filing unless the director finds that it is inequitable to the stockholders of the domestic
 2 insurer or would substantially reduce the protection or service to its policyholders. If
 3 the director does not approve the agreement, the director shall notify the insurer in
 4 writing specifying the reasons.

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

10 * **Sec. 48.** AS 21.69.620(a) is amended to read:

11 (a) A domestic mutual insurer may reinsure a portion or all of [OR
 12 SUBSTANTIALLY ALL] its business in force [,] or a portion or all [OR
 13 SUBSTANTIALLY ALL] of a major class of its business [,] with another insurer,
 14 stock or mutual, by a reinsurance [AN] agreement [OR BULK REINSURANCE]
 15 after compliance with this section. A reinsurance [AN] agreement is not effective
 16 unless filed with and approved in writing by the director. A domestic mutual insurer
 17 may reinsure a portion or all of its insurance in force or a major class of its
 18 insurance with another insurer by an agreement of assumption reinsurance. An
 19 agreement of assumption reinsurance is not effective unless filed with and
 20 approved in writing by the director after a hearing [AFTER A HEARING].

21 * **Sec. 49.** AS 21.89.080 is amended to read:

22 **Sec. 21.89.080. Electronic transactions [SUBMISSIONS].**
 23 **Notwithstanding any contrary provision of this title, the [THE] director may, by**
 24 **regulation or by order, provide for the electronic transaction [SUBMISSION] of any**
 25 **information or written communication under [SUBMISSION REQUIRED BY] this**
 26 **title [AND FOR AN ELECTRONIC CONFIRMATION OF A REQUIRED**
 27 **SUBMISSION].**

28 * **Sec. 50.** AS 21.89.080 is amended by adding a new subsection to read:

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

31 * **Sec. 51.** AS 21.90.900 is amended by adding new paragraphs to read:

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

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

8 * **Sec. 52.** AS 21.18.090; AS 21.27.530(3), 21.27.540, 21.27.600, 21.27.680, 21.27.740,
9 21.27.800, 21.27.900(22); AS 21.34.080(c); and AS 21.86.280 are repealed.

10 * **Sec. 53.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 TRANSITION: REGULATIONS. The director of insurance in the Department of
13 Community and Economic Development may proceed to adopt regulations necessary to
14 implement the changes made by this Act. The regulations take effect under AS 44.62
15 (Administrative Procedure Act), but not before the effective date of the respective statutory
16 change.

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

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

22 * **Sec. 55.** Section 53 of this Act takes effect immediately under AS 01.10.070(c).

23 * **Sec. 56.** Except as provided in sec. 55 of this Act, this Act takes effect July 1, 2004.