



LAWS OF ALASKA

2005

Source

CSHB 216(L&C)(title am)

Chapter No.

AN ACT

Relating to policy forms and rates that require filing; requiring the filing of certain rates, rating schedules, loss cost adjustments, and rating plans with the director of the division of insurance; establishing a procedure for the director of the division of insurance to obtain additional supporting information from an insurer for a filing; relating to an application for a rate other than that in an applicable rate filing; requiring prior approval for certain rating systems and the procedure for approving a filing; providing for the issuance of orders relating to nonconforming filings after a hearing; relating to the regulation of joint underwriting and joint reinsurance; relating to flex rating; relating to file and use, filing of rates, supplementary rate information, and supporting information; authorizing the director of the division of insurance to require prior approval; relating to form filing subject to prior approval and form filing subject to file and use; and providing for penalties relating to file and use.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

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2 rating schedules, loss cost adjustments, and rating plans with the director of the division of
3 insurance; establishing a procedure for the director of the division of insurance to obtain
4 additional supporting information from an insurer for a filing; relating to an application for a
5 rate other than that in an applicable rate filing; requiring prior approval for certain rating
6 systems and the procedure for approving a filing; providing for the issuance of orders relating
7 to nonconforming filings after a hearing; relating to the regulation of joint underwriting and
8 joint reinsurance; relating to flex rating; relating to file and use, filing of rates, supplementary
9 rate information, and supporting information; authorizing the director of the division of
10 insurance to require prior approval; relating to form filing subject to prior approval and form
11 filing subject to file and use; and providing for penalties relating to file and use.

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* **Section 1.** AS 21.09.110(b) is amended to read:

(b) Policy forms and rates that require **filing** [APPROVAL] under AS 21.39 or AS 21.42 shall be submitted under AS 21.39.041, 21.39.220, or AS 21.42.120(b) [AS 21.39.040(j) OR AS 21.42.120(g)] and may not be submitted with the application for a certificate of authority.

* **Sec. 2.** AS 21.39.040(a) is repealed and reenacted to read:

(a) Each insurer shall file with the director, except as to inland marine risks, which, by general custom of the business, are not written according to manual rates or rating plans, and except for rates for commercial insurance for which the director, by regulation authorizes an informational filing as set out in (k) of this section, every manual, minimum, class rate, rating schedule, loss cost adjustment, or rating plan and every other rating rule, and each modification of any of them that it proposes to use.

Each filing

- (1) shall be made under the applicable filing procedures in AS 21.39.041, 21.39.210, or 21.39.220;
- (2) must state the proposed effective date; and
- (3) must indicate the character and extent of the coverage contemplated.

* **Sec. 3.** AS 21.39.040(d) is repealed and reenacted to read:

(d) When a filing is not accompanied by the information upon which the insurer supports the filing, and the director does not have sufficient information to determine whether the filing meets the requirements of this chapter, the director shall require the insurer to furnish the information upon which the insurer supports the filing. The waiting period in AS 21.39.041(a) or 21.39.220(b) begins on the date the information is furnished to the director. The information furnished in support of a filing may include (1) the experience or judgment of the insurer or rating organization making the filing; (2) the insurer's interpretation of the statistical data it relies upon; (3) the experience of other insurers or rating organizations; (4) any other relevant factors. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the director.

1 * **Sec. 4.** AS 21.39.040(g) is amended to read:

2 (g) Upon the written application of the insured **describing the unusual**
3 **characteristics that are not otherwise contemplated in the filed rating plan, the**
4 **insurer may file** [, STATING THE REASONS, FILED WITH AND APPROVED
5 BY THE DIRECTOR,] a rate **other than a rate** [IN EXCESS OF THAT] provided
6 **for in an applicable rate filing that** [BY A FILING OTHERWISE APPLICABLE]
7 may be used on a specific risk. **The filing shall be made under the applicable filing**
8 **procedures in AS 21.39.041 or 21.39.220.**

9 * **Sec. 5.** AS 21.39 is amended by adding a new section to read:

10 **Sec. 21.39.041. Prior approval.** (a) Except for workers' compensation
11 prospective loss cost filings and workers' compensation assigned risk pool rates by a
12 rating organization under AS 21.39.043, an insurer or rating organization shall file
13 medical malpractice, workers' compensation and assigned risk plan rating systems as
14 specified in AS 21.39.040(a) with the director for review and approval prior to use.
15 Each filing shall be on file for a waiting period of 15 days before it becomes effective.
16 This period may be extended by the director for an additional period not to exceed 15
17 days if the director gives written notice within the waiting period to the insurer or
18 rating organization that made the filing stating that additional time for the
19 consideration of the filing is required. The director shall approve the filing upon a
20 determination that the filing meets the requirements of this title.

21 (b) The filing must include the effective date. In place of a specific date, the
22 insurer or rating organization may specify a reasonable time period after approval for
23 the filing to be effective.

24 (c) Upon written application by the insurer or rating organization, the director
25 may authorize a filing that the director has approved to become effective before the
26 expiration of the waiting period. A filing shall be considered to meet the requirements
27 of this title unless disapproved by the director within the waiting period.

28 (d) If the insurer or rating organization fails to provide information requested
29 by the director under AS 21.39.040(d) within 30 days after the director requests the
30 information, the response period may be extended by the director for an additional 15
31 days upon written application of the insurer or rating organization within the initial 30-

1 day response period. The director shall consider the failure to provide information as
2 a request by the insurer or rating organization to withdraw the filing from further
3 consideration.

4 (e) A filing and supporting information shall be open to public inspection after
5 the filing becomes effective.

6 (f) If, within the review period provided for in (a) of this section, the director
7 finds that a filing does not meet the requirements of this title, the director shall send to
8 the insurer or rating organization that made the filing written notice of disapproval of
9 the filing specifying in what respects the filing fails to meet the requirements of this
10 title and stating that the filing may not become effective.

11 * **Sec. 6.** AS 21.39.050(c) is amended to read:

12 (c) If, at any time subsequent to the applicable review period provided for in
13 AS 21.39.041(a) or 21.39.220(b) [(a) OR (b) OF THIS SECTION], the director finds
14 that a filing does not meet the requirements of this title [CHAPTER], the director
15 shall, after a hearing held upon not less than 10 days written notice [,] specifying the
16 matters to be considered at the hearing and [,] given to each insurer and rating
17 organization that made the filing, issue an order specifying in what respects the filing
18 fails to meet the requirements of this title [CHAPTER] and stating when, within a
19 reasonable period thereafter, the filing shall be considered no longer effective. Copies
20 of the order shall be sent to each insurer and rating organization that made the filing.
21 The order may [SHALL] not affect a contract or policy made or issued before the
22 expiration of the period set out in the order.

23 * **Sec. 7.** AS 21.39.110(a) is amended to read:

24 (a) Each group, association, or other organization of insurers that engages in
25 joint underwriting or joint reinsurance is subject to regulation in accordance with this
26 section. In addition, joint underwriting is subject to all other provisions of this
27 chapter, except for AS 21.39.210, and joint reinsurance is subject to AS 21.39.120,
28 21.39.160, and 21.39.170.

29 * **Sec. 8.** AS 21.39 is amended by adding new sections to read:

30 **Sec. 21.39.210. Flex-rating.** (a) Except for workers' compensation, medical
31 malpractice, and assigned risk plan rates, an insurer's rate level increase or decrease

1 may take effect without prior approval if the cumulative rate level change for all
2 coverages combined, calculated from the effective date to 12 months before the
3 effective date, is not greater than 10 percent.

4 (b) An insurer may make multiple rate filings under this provision during any
5 12-month period if the cumulative rate level change is within the specified limitation
6 as described in (a) of this section. For an insurer adopting a rating organization
7 prospective loss cost filing, the cumulative rate level change includes both the rating
8 organization's prospective loss cost change as well as the insurer's loss cost adjustment
9 change.

10 (c) Notwithstanding any other provision of this title, for a policy governed by
11 this section, a filing that produces a rate level change within the limitations provided
12 in (a) of this section is effective without prior approval and may take effect on the date
13 specified in the filing, but not earlier than the date it is received by the division. A rate
14 level change within the limitation in (a) of this section may not be applied to a policy
15 until the beginning of the policy period.

16 (d) A filing submitted under (a) of this section must include an exhibit
17 showing the calculation of the overall rate level change and an exhibit showing the
18 insurer's expense provisions. An insurer submitting a loss cost adjustment filing shall
19 include supporting information showing how the loss cost adjustment is calculated.
20 The director may request additional supporting information if the director does not
21 have enough information upon which to determine if the filing meets the requirements
22 of this title.

23 (e) A filing submitted under (a) of this section is considered to comply with
24 this title. However, if the director determines that the filing does not meet the
25 requirements of this title, the director shall issue an order specifying in detail the
26 specific statutes the insurer has violated and the reasons the filing is not in compliance.
27 The order must state a reasonable future date on which the filing is to be considered no
28 longer effective. An order by the director under this subsection is prospective and
29 does not affect any contract issued or made before the effective date of the order.

30 (f) The director may adopt regulations implementing the provisions of this
31 section.

1 (g) This section does not apply to rating organizations or to any impaired or
2 insolvent insurer operating under a rehabilitation plan, an order of supervision, or an
3 impaired financial condition as determined by the director.

4 **Sec. 21.39.220. File and use, filing of rates, supplementary rate**
5 **information, and supporting information.** (a) An insurer's rate level increase or
6 decrease filing falling outside of the limitation provided in AS 21.39.210(a) is subject
7 to file and use provisions under this section, unless the filing is otherwise exempt from
8 those provisions under another provision in this chapter. A rate filing from a rating
9 organization shall be submitted to the director under the file and use provisions. A
10 rate filing from an insurer operating under a rehabilitation plan, an order of
11 supervision, or an impaired financial condition as determined by the director shall be
12 submitted to the division under the prior approval provisions. The insurer shall submit
13 a filing for a new product or coverage introduction that does not have a rate on file
14 under the file and use provisions.

15 (b) Each insurer shall file with the director all rates, supplementary rate
16 information, and supporting information at least 30 days before the proposed effective
17 date. The director shall review the filing within 15 days. This period may be
18 extended by the director for an additional period not to exceed 15 days if the director
19 gives written notice within the initial 15-day period to the insurer or rating
20 organization that made the filing that states additional time for the consideration of the
21 filing is required. The waiting period is the 30-day period following the date the
22 director receives the filing.

23 (c) The filing must include the effective date that may not be before the end of
24 the waiting period. Upon written application by the insurer or rating organization, the
25 director may authorize a filing that the director has reviewed to become effective
26 before the expiration of the waiting period.

27 (d) A filing shall be considered to meet the requirements of this chapter and to
28 become effective unless disapproved by the director within the waiting period.

29 (e) The director shall disapprove a filing if the director finds that the filing
30 does not meet the requirements of this title.

31 (f) If the insurer or rating organization is unable to provide information

1 requested by the director under AS 21.39.040(d) within 30 days after the director's
2 request, the response period may be extended by the director for an additional 15 days
3 upon written application of the insurer or rating organization within the initial 30-day
4 response period. The director may disapprove the filing for failure to provide the
5 requested information during the response period. The disapproval notice must state a
6 reasonable future date on which the filing is to be considered no longer effective.

7 (g) A filing and supporting information shall be open to public inspection after
8 the director completes the review of the filing or after the filing becomes effective,
9 whichever is later.

10 (h) If within the waiting period in (b) of this section, the director finds that a
11 filing does not meet the requirements of this title, the director shall send to the insurer
12 or rating organization which made the filing, written notice of disapproval of the filing
13 specifying in what respects the filing fails to meet the requirements of this title and
14 shall state a reasonable future date on which the filing is to be considered no longer
15 effective.

16 * **Sec. 9.** AS 21.42.120(b) is repealed and reenacted to read:

17 (b) Each insurer or rating organization shall submit a filing under one of the
18 following procedures, clearly specifying the filing procedure under which the filing is
19 being made:

20 (1) for prior approval under AS 21.42.123; or

21 (2) for file and use under AS 21.42.125.

22 * **Sec. 10.** AS 21.42.120 is amended by adding a new subsection to read:

23 (i) The director may by order require an insurance document, form, or type of
24 insurance document or form as specified in the order, to be submitted for prior
25 approval if, in the opinion of the director, the approval of the insurance document,
26 form, or type of insurance document or form is necessary for the protection of the
27 public.

28 * **Sec. 11.** AS 21.42 is amended by adding new sections to read:

29 **Sec. 21.42.123. Form filing subject to prior approval.** (a) A prior approval
30 filing shall be made not less than 30 days before the effective date. At the end of the
31 30-day period, the form filed shall be considered approved unless, before the end of

1 the 30-day period, it has been affirmatively disapproved by the director. Approval of
2 the form by the director before the end of the 30-day period constitutes a waiver of the
3 unexpired portion of the waiting period. The director may extend by not more than an
4 additional 30 days the period for approving or disapproving the form, by giving notice
5 of the extension during the initial 30-day period. At the expiration of the extended
6 period, and in the absence of a prior approval or disapproval, the form shall be
7 considered approved. The director may, by order, at any time after the notice, and for
8 cause shown, withdraw the approval.

9 (b) The director may require the insurer or rating organization to revise the
10 filing to comply with this title. Failure of the insurer or rating organization to provide
11 the information within 30 days after the director's request, or an extension of the
12 period by the director for an additional 15 days upon written request of the insurer or
13 rating organization within the response period, is considered to be a request by the
14 insurer or rating organization to withdraw the filing from further consideration.

15 (c) The filing must state an effective date. In place of a specific date, the
16 insurer or rating organization may specify a reasonable time period after approval for
17 the filing to be effective.

18 (d) A prior approval filing shall be open to public inspection after the filing
19 becomes effective.

20 **Sec. 21.42.125. Form filing subject to file and use; penalties.** (a) A file and
21 use filing shall be filed with the director for a waiting period of not less than 30 days.
22 The period may be extended by the director or the insurer or rating organization for an
23 additional 30 days if notice is given within the initial 30-day period that additional
24 time is needed for the consideration of the filing. The filing may become effective at
25 the end of the waiting period unless disapproved by the director before the expiration
26 of the waiting period.

27 (b) The filing must state an effective date that must be after the waiting period.
28 Upon written notice by the insurer or rating organization, the director may authorize a
29 filing that has been reviewed to become effective before the expiration of the waiting
30 period.

31 (c) A file and use form filing must include a signed compliance certificate

1 certifying that the filing complies with this title. An authorized officer or state filings
2 manager of the insurer shall sign the compliance certificate stating that, to the best of
3 the individual's knowledge, the filing complies with this title. The director may issue
4 an order requiring an insurer who submits an incomplete or inaccurate compliance
5 certificate to submit future form filings for prior approval. The order must specify the
6 conditions under which the insurer may again submit filings under this section. In
7 addition to any other penalty provided by law, a person that the director finds has
8 submitted a materially false or misleading compliance certificate may be subject to
9 either a civil penalty of not more than \$10,000 for each violation or a civil penalty of
10 not more than \$25,000 for each violation if the director finds that the person
11 knowingly violated the provisions of this title. A filing that does not include the
12 signed compliance certificate shall be reviewed under the prior approval procedure
13 under AS 21.42.123. In this subsection, "knowingly" has the meaning given in
14 AS 11.81.900.

15 (d) The director may require an insurer or rating organization to provide
16 additional information to demonstrate that a file and use filing meets the requirements
17 of this title or to revise the filing to meet the requirements of this title. If an insurer or
18 rating organization fails to provide the information within the waiting period described
19 in (a) of this section, the director shall consider the failure to be a request to withdraw
20 the filing from further consideration.

21 (e) A file and use filing shall be open to public inspection after the filing
22 becomes effective.

23 * **Sec. 12.** AS 21.39.050(a) and 21.39.070(b) are repealed.