

SENATE CS FOR CS FOR HOUSE BILL NO. 372(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 4/17/16

Referred: Rules

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to insurance; relating to the annual report by the director of**
2 **insurance; relating to expenses for insurance examinations; relating to regulations for**
3 **insurance utilization review, benefits determination, health care insurance grievance**
4 **resolution procedures, independent review of adverse determinations or final adverse**
5 **determinations, independent review organizations, and continuing education providers;**
6 **relating to required provisions for health care insurance contracts and policies,**
7 **including health care provider choice; establishing civil penalties for insurers for failure**
8 **to provide requested records; amending the definition of 'wet marine and**
9 **transportation' insurance; amending provisions on limited licenses to include crop**
10 **insurance; relating to third-party administrator notification requirements; relating to**
11 **certification filing by reinsurance intermediary brokers; relating to rate filings, delivery**
12 **of insurance policies or endorsements; relating to refunds of variable life insurance**

1 policies and variable annuities; establishing limitations on issuance of long-term care
 2 insurance; relating to requirements for group health insurance policies; amending the
 3 definition of 'group health insurance'; relating to motor vehicle service contracts;
 4 relating to notice requirements for meetings of stockholders or members of a domestic
 5 insurer; establishing a definition of 'bona fide association'; relating to requirements and
 6 penalties for committing a fraudulent or criminal insurance act; updating criteria for
 7 examinations; relating to rate filing deviations; establishing civil penalties for certain
 8 wilful violations; and providing for an effective date."

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

10 * **Section 1.** AS 21.06.110 is amended to read:

11 **Sec. 21.06.110. Director's annual report.** As early in each calendar year as is
 12 reasonably possible, the director shall prepare and deliver an annual report to the
 13 commissioner, who shall notify the legislature that the report is available, showing,
 14 with respect to the preceding calendar year,

15 (1) a list of the authorized insurers transacting insurance in this state,
 16 with a summary of their financial statement as the director considers appropriate;

17 (2) the name of each insurer whose certificate of authority was
 18 surrendered, suspended, or revoked during the year and the cause of surrender,
 19 suspension, or revocation;

20 (3) the name of each insurer authorized to do business in this state
 21 against which delinquency or similar proceedings were instituted and, if against an
 22 insurer domiciled in this state, a concise statement of the facts with respect to each
 23 proceeding and its present status;

24 (4) a statement in regard to examination of rating organizations,
 25 advisory organizations, joint underwriters, and joint reinsurers as required by
 26 AS 21.39.120;

27 (5) the receipt and expenses of the division for the year;

28 (6) recommendations of the director as to amendments or

1 supplementation of laws affecting insurance or the office of director;

2 (7) statistical information regarding health insurance, including the
3 number of individual and group policies sold or terminated in the state; this paragraph
4 does not authorize the director to require an insurer to release proprietary information;

5 (8) the annual percentage of health claims paid in the state that meets
6 the requirements of AS 21.36.495(a) and (d);

7 (9) the total amount of contributions reported and the total amount of
8 credit claimed under AS 21.96.070 and 21.96.075; [AND]

9 (10) **the total number of public comments received and the**
10 **director's efforts, to the extent allowable by law, to improve or maintain public**
11 **access to information on individual health insurance rate filings before they**
12 **become effective; and**

13 **(11)** other pertinent information and matters the director considers
14 proper.

15 * **Sec. 2.** AS 21.06.120(a) is amended to read:

16 (a) The director may examine the affairs, transactions, accounts, records, and
17 assets of each authorized and formerly authorized insurer and each licensed and
18 formerly licensed managing general agent, reinsurance intermediary broker,
19 reinsurance intermediary manager, surplus lines broker, and surplus lines association
20 as often as the director considers advisable. In scheduling and determining the nature,
21 scope, and frequency of examinations, the director may consider any factor or material
22 that the director determines is appropriate, including the results of financial statement
23 analysis and ratios, competency of management or change of ownership, actuarial
24 opinions, reports of independent certified public accountants, number and nature of
25 consumer complaints, results of prior examinations, frequency of prior violations of
26 statute and regulation, and criteria set out in the **most recent edition of the Financial**
27 **Condition Examiners** [EXAMINERS'] Handbook **and the Market Regulation**
28 **Handbook** [MOST RECENTLY] approved by the National Association of Insurance
29 Commissioners and in effect when the director conducts an examination. Examination
30 of an alien insurer may be limited to its insurance transactions and affairs in the United
31 States. Examination of a reciprocal insurer may also include examination of its

1 attorney-in-fact to the extent that the transactions of the attorney-in-fact relate to the
2 insurer.

3 * **Sec. 3.** AS 21.06.140(f) is amended to read:

4 (f) In conducting an examination under this section, the examiner shall
5 observe at a minimum those guidelines and procedures set out in the **most recent**
6 **edition of the Financial Condition Examiners** [EXAMINERS'] Handbook **and the**
7 **Market Regulation Handbook** [CURRENTLY] approved by the National
8 Association of Insurance Commissioners that are consistent with this title.

9 * **Sec. 4.** AS 21.06.160(a) is amended to read:

10 (a) Each person examined, other than examinations under AS 21.06.130 **and**
11 **examinations of managing general agents, third-party administrators,**
12 **reinsurance intermediary managers, motor vehicle service contract providers, or**
13 **surplus lines brokers,** shall pay a reasonable rate calculated on salary, benefit costs,
14 and estimated division overhead for time spent directly or indirectly related to the
15 examination. Each person examined, other than examinations under AS 21.06.130,
16 shall pay actual out-of-pocket business expenses, including travel expenses, incurred
17 by division staff examiners and shall pay the compensation of a contract examiner, to
18 be set at a reasonable customary rate, for conducting the examination upon
19 presentation of a detailed account of the charges and expenses by the director or under
20 an order of the director. **The director may waive payment of all or part of the**
21 **actual out-of-pocket business expenses incurred by division staff examiners, or**
22 **the compensation of a contract examiner, if the director determines that payment**
23 **of the expenses or compensation creates a financial hardship for a managing**
24 **general agent, third-party administrator, reinsurance intermediary manager,**
25 **motor vehicle service contract provider, or surplus line broker.** The accounting
26 may either be presented periodically during the course of the examination or at the
27 termination of the examination. A person may not pay and an examiner may not
28 accept additional compensation for an examination. A person shall pay examination
29 expenses to the division under this subsection using an electronic payment method
30 specified by the director.

31 * **Sec. 5.** AS 21.07 is amended by adding a new section to read:

1 **Sec. 21.07.005. Regulations relating to health care insurance policies.** (a)

2 The director shall adopt regulations to provide standards and criteria for

3 (1) the structure and operation of utilization review and benefit
4 determination processes;

5 (2) the establishment and maintenance of procedures by health care
6 insurers to ensure that a covered individual has the opportunity for appropriate
7 resolution of grievances; and

8 (3) an independent review of an adverse determination or final adverse
9 determination.

10 (b) The regulations under (a) of this section must be at least as restrictive as
11 the Utilization Review and Benefit Determination Model Act adopted by the National
12 Association of Insurance Commissioners on June 22, 2003, the Health Carrier
13 Grievance Procedure Model Act adopted by the National Association of Insurance
14 Commissioners on June 22, 2003, and the Uniform Health Carrier External Review
15 Model Act adopted by the National Association of Insurance Carriers on June 2, 2008.

16 (c) The director may adopt regulations for the registration and regulation of
17 independent review organizations, including the establishment of fees in an amount
18 the director determines to be sufficient to reimburse the state for actual expenses
19 incurred in providing a service.

20 * **Sec. 6.** AS 21.07.020 is amended to read:

21 **Sec. 21.07.020. Required contract provisions for health care insurance**
22 **policy.** A health care insurance policy must contain **a provision**

23 (1) [A PROVISION] that preauthorization for a covered medical
24 procedure on the basis of medical necessity may not be retroactively denied unless the
25 preauthorization is based on materially incomplete or inaccurate information provided
26 by or on behalf of the provider;

27 (2) [A PROVISION] for emergency [ROOM] services **that meet the**
28 **requirements under 42 U.S.C. 300gg-19a(b)** if any coverage is provided for
29 treatment of **an** [A MEDICAL] emergency **medical condition**;

30 (3) [A PROVISION] that covered medical care services be reasonably
31 available in the community in which a covered person resides or that, if referrals are

1 required by the policy, adequate referrals outside the community be available if the
2 medical care service is not available in the community;

3 (4) [A PROVISION THAT ANY UTILIZATION REVIEW
4 DECISION

5 (A) MUST BE MADE WITHIN 72 HOURS AFTER
6 RECEIVING THE REQUEST FOR PREAPPROVAL FOR
7 NONEMERGENCY SITUATIONS; FOR EMERGENCY SITUATIONS,
8 UTILIZATION REVIEW DECISIONS FOR CARE FOLLOWING
9 EMERGENCY SERVICES MUST BE MADE AS SOON AS IS
10 PRACTICABLE BUT IN ANY EVENT NOT LATER THAN 24 HOURS
11 AFTER RECEIVING THE REQUEST FOR PREAPPROVAL OR FOR
12 COVERAGE DETERMINATION; AND

13 (B) TO DENY, REDUCE, OR TERMINATE A HEALTH
14 CARE BENEFIT OR TO DENY PAYMENT FOR A MEDICAL CARE
15 SERVICE BECAUSE THAT SERVICE IS NOT MEDICALLY
16 NECESSARY SHALL BE MADE BY AN EMPLOYEE OR AGENT OF
17 THE HEALTH CARE INSURER WHO IS A LICENSED HEALTH CARE
18 PROVIDER;

19 (5) A PROVISION THAT PROVIDES FOR AN INTERNAL
20 APPEAL MECHANISM FOR A COVERED PERSON WHO DISAGREES WITH A
21 UTILIZATION REVIEW DECISION MADE BY A HEALTH CARE INSURER;
22 EXCEPT AS PROVIDED UNDER (6) OF THIS SECTION, THIS APPEAL
23 MECHANISM MUST PROVIDE FOR A WRITTEN DECISION

24 (A) FROM THE HEALTH CARE INSURER WITHIN 18
25 WORKING DAYS AFTER THE DATE WRITTEN NOTICE OF AN
26 APPEAL IS RECEIVED; AND

27 (B) ON THE APPEAL BY AN EMPLOYEE OR AGENT OF
28 THE HEALTH CARE INSURER WHO HOLDS THE SAME
29 PROFESSIONAL LICENSE AS THE HEALTH CARE PROVIDER WHO IS
30 TREATING THE COVERED PERSON;

31 (6) A PROVISION THAT PROVIDES FOR AN INTERNAL

1 APPEAL MECHANISM FOR A COVERED PERSON WHO DISAGREES WITH A
 2 UTILIZATION REVIEW DECISION MADE BY A HEALTH CARE INSURER IN
 3 ANY CASE IN WHICH DELAY WOULD, IN THE WRITTEN OPINION OF THE
 4 TREATING PROVIDER, JEOPARDIZE THE COVERED PERSON'S LIFE OR
 5 MATERIALLY JEOPARDIZE THE COVERED PERSON'S HEALTH; THE
 6 HEALTH CARE INSURER SHALL

7 (A) DECIDE AN APPEAL DESCRIBED IN THIS
 8 PARAGRAPH WITHIN 72 HOURS AFTER RECEIVING THE APPEAL;
 9 AND

10 (B) PROVIDE FOR A WRITTEN DECISION ON THE
 11 APPEAL BY AN EMPLOYEE OR AGENT OF THE HEALTH CARE
 12 INSURER WHO HOLDS THE SAME PROFESSIONAL LICENSE AS THE
 13 HEALTH CARE PROVIDER WHO IS TREATING THE COVERED
 14 PERSON;

15 (7) A PROVISION THAT DISCLOSES THE EXISTENCE OF THE
 16 RIGHT TO AN EXTERNAL APPEAL OF A UTILIZATION REVIEW DECISION
 17 MADE BY A HEALTH CARE INSURER; THE EXTERNAL APPEAL SHALL BE
 18 CONDUCTED IN ACCORDANCE WITH AS 21.07.050;

19 (8) A PROVISION] that discloses covered benefits, optional
 20 supplemental benefits, and benefits relating to and restrictions on nonparticipating
 21 provider services;

22 (5) [(9) A PROVISION THAT DESCRIBES THE PREAPPROVAL
 23 REQUIREMENTS AND WHETHER CLINICAL TRIALS OR EXPERIMENTAL
 24 OR INVESTIGATIONAL TREATMENT ARE COVERED;

25 (10) A PROVISION] describing a mechanism for assignment of
 26 benefits for health care providers and payment of benefits;

27 (6) [(11) A PROVISION] describing the availability of prescription
 28 medications or a formulary guide, and whether medications not listed are excluded; if
 29 a formulary guide is made available, the guide must be updated annually; and

30 (7) [(12) A PROVISION] describing available translation or interpreter
 31 services, including audiotape or braille information.

1 * **Sec. 7.** AS 21.07.030(d) is amended to read:

2 (d) If a health care insurer that offers a health care insurance policy requires or
3 provides for a designation by a covered person of a participating primary care
4 provider, the health care insurer shall permit the covered person to designate any
5 participating primary care provider, including a pediatrician, that is available to
6 accept the covered person.

7 * **Sec. 8.** AS 21.07.030(e) is amended to read:

8 (e) Except as provided in this subsection and (h) of this section, a health care
9 insurer that offers a health care insurance policy shall permit a covered person to
10 receive medically necessary or appropriate specialty care, subject to appropriate
11 referral procedures, from any qualified participating health care provider that is
12 available to accept the individual for medical care. This subsection does not apply to
13 specialty care if the health care insurer clearly informs covered persons of the
14 limitations on choice of participating health care providers with respect to medical
15 care. In this subsection,

16 (1) "appropriate referral procedures" means procedures for referring
17 patients to other health care providers as set out in the applicable member policy and
18 as described under (a) of this section;

19 (2) "specialty care" means care provided by a health care provider with
20 training and experience in treating a particular injury, illness, or condition.

21 * **Sec. 9.** AS 21.07.030 is amended by adding a new subsection to read:

22 (h) A health care insurer that offers a health care insurance policy that
23 provides coverage for obstetrical and gynecological care and that requires designation
24 by a covered person of a participating primary care provider may not require
25 authorization or referral by any person, including a primary care provider, for a female
26 patient to receive obstetrical and gynecological care from a participating health care
27 professional who specializes in obstetrics or gynecology. A participating health care
28 professional who specializes in obstetrics or gynecology shall agree to adhere to the
29 health care insurer's policies and procedures, including procedures regarding referrals,
30 obtaining prior authorization, and providing services under a treatment plan, if any,
31 approved by the health care insurer. A health care insurer shall treat authorizations by

1 a health care professional who specializes in obstetrical or gynecological care as the
2 authorization of the primary care provider. This section may not be construed to

3 (1) waive any exclusions of coverage under the terms and conditions
4 of the health care insurance policy with respect to coverage of obstetrical and
5 gynecological care; or

6 (2) preclude a health care insurer from requiring that the health care
7 provider who specializes in obstetrical or gynecological care to notify the primary care
8 provider or the health care insurer of treatment decisions.

9 * **Sec. 10.** AS 21.07.250(3) is repealed and reenacted to read:

10 (3) "emergency services" means medical care services or items
11 furnished or required to evaluate and treat an emergency medical condition;

12 * **Sec. 11.** AS 21.07.250(14) is repealed and reenacted to read:

13 (14) "utilization review" means a set of techniques designed to monitor
14 the use of, or evaluate the clinical necessity, appropriateness, efficacy, or efficiency of,
15 health care services, procedures, or settings; techniques may include ambulatory
16 review, prospective review, second opinion certification, concurrent review, case
17 management, discharge planning, or retrospective review.

18 * **Sec. 12.** AS 21.07.250 is amended by adding a new paragraph to read:

19 (15) "emergency medical condition" means a medical condition
20 manifesting itself by acute symptoms of sufficient severity, including severe pain, that
21 a prudent person who possesses an average knowledge of health and medicine could
22 reasonably expect that the absence of immediate medical attention would result in
23 serious impairment of bodily functions, serious dysfunction of a bodily organ or part,
24 or would place the person's health or, with respect to a pregnant woman, the health of
25 the woman or her unborn child, in serious jeopardy.

26 * **Sec. 13.** AS 21.09.320(b) is amended to read:

27 (b) To meet the requirements of (a) of this section, the insurer shall keep the
28 records [AS REQUIRED IN AS 21.69.390(d) OR] as required by the record
29 maintenance requirements of the insurer's domicile jurisdiction[, WHICHEVER IS
30 LONGER].

31 * **Sec. 14.** AS 21.09.320 is amended by adding new subsections to read:

1 (c) The director may make a request in writing to review records under (a) of
 2 this section. An insurer shall, not later than 10 business days after the date of the
 3 request, provide the requested records to the director or make the records available for
 4 inspection and copying. All records inspected or examined under this subsection are
 5 confidential, but may be used by the director in a proceeding against the insurer.

6 (d) Failure by an insurer to provide information required in this section may
 7 result in a civil penalty of up to \$1,000 for each violation and an additional civil
 8 penalty of up to \$50 for each day the information requested is not provided.

9 * **Sec. 15.** AS 21.12.090(b) is amended to read:

10 (b) For the purposes of this title, "wet marine and transportation" insurance is
 11 that part of marine insurance that includes only

12 (1) insurance on [UPON] vessels, crafts, and hulls, and insurance of
 13 interests in or with relation to vessels, crafts, and hulls;

14 (2) insurance of marine builder's risks, marine war risks, and contracts
 15 of marine protection and indemnity insurance;

16 (3) insurance of freights and disbursements pertaining to a subject of
 17 insurance coming within this section; or [AND]

18 (4) insurance of personal property and interests in personal property, in
 19 the course of exportation from or importation into any country, and in the course of
 20 transportation coastwise or on inland waters, including transportation by land, water,
 21 or air from point of origin to final destination, in respect to, appertaining to, or in
 22 connection with, any and all risks or perils of navigation, transit, or transportation, and
 23 while being prepared for and while awaiting shipment, and during delays, storage,
 24 transshipment, or reshipment incident thereto.

25 * **Sec. 16.** AS 21.27.020(c) is amended to read:

26 (c) To qualify for issuance or renewal of a license as a firm insurance
 27 producer, a firm managing general agent, a firm reinsurance intermediary broker, a
 28 firm reinsurance intermediary manager, a firm surplus lines broker, or a firm
 29 independent adjuster, an applicant or licensee shall

30 (1) comply with (b)(4) and (5) of this section;

31 (2) maintain a lawfully established place of business in this state,

1 except when licensed as a nonresident under AS 21.27.270;

2 (3) designate one or more compliance officers for the firm, **except that**
 3 **not more than one compliance officer may be designated for each class of**
 4 **authority;**

5 (4) provide to the director documents necessary to verify the
 6 information contained in or made in connection with the application; and

7 (5) notify the director, in writing, **not later than** [WITHIN] 30 days
 8 **after** [OF] a change in the firm's compliance officer.

9 * **Sec. 17.** AS 21.27.020(f) is amended to read:

10 (f) The director may adopt regulations establishing additional education or
 11 experience requirements for applicants, [OR] licensees, **and continuing education**
 12 **providers** under this chapter upon due consideration of the availability and
 13 accessibility of education and training opportunities in rural areas of the state.
 14 Regulations adopted under this subsection are subject to the following provisions:

15 (1) additional educational or experience requirements may not apply to
 16 a licensee who has been licensed by the division of insurance before January 1, 1980;

17 (2) a licensee shall complete at least 24 credit hours of approved
 18 continuing education courses during each two-year license period;

19 (3) if a licensee has accumulated more credit hours than required under
 20 (2) of this subsection by the end of the license period, a maximum of eight hours may
 21 be carried over to meet the requirements of (2) of this subsection in the next license
 22 period;

23 (4) a program or seminar may not be approved as an acceptable
 24 continuing education program unless it is a formal program of learning that
 25 contributes to the professional competence of the licensee; individual study programs
 26 or correspondence courses may be used to fulfill continuing education requirements if
 27 approved by the director;

28 (5) a nonresident licensee is exempt from the requirements of this
 29 subsection.

30 * **Sec. 18.** AS 21.27.025(a) is amended to read:

31 (a) A licensee shall notify the director in writing **not later than** [WITHIN] 30

1 days after a change in residence, place of business, legal name, fictitious name or
 2 alias, mailing address, electronic mailing address, [OR] telephone number, or
 3 compliance officer. A licensee shall report to the director in writing any
 4 administrative action taken against the licensee by a governmental agency of another
 5 state, [OR] by a governmental agency of another jurisdiction, or by a financial
 6 industry regulatory authority sanction or arbitration proceeding not later than
 7 [WITHIN] 30 days after the final disposition of the action. A licensee shall submit to
 8 the director the final order and other relevant legal documents in the action. A licensee
 9 shall report to the director any criminal prosecution of the licensee in this or another
 10 state or jurisdiction not later than [WITHIN] 30 days after the date of filing of the
 11 criminal complaint, indictment, information, or citation in the prosecution. The
 12 licensee shall submit to the director a copy of the criminal complaint, calendaring
 13 order, and other relevant legal documents in the prosecution.

14 * **Sec. 19.** AS 21.27.150(a) is amended to read:

15 (a) The director may issue a

16 (1) travel insurance limited producer license to a person who is
 17 appointed under AS 21.27.100 and who sells travel insurance; in this paragraph,
 18 "travel insurance" has the meaning given in AS 21.27.152;

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

22 (3) bail bond limited producer license to a person who is appointed by
 23 and acts on behalf of a surety insurer pertaining to bail bonds;

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

28 (A) rents to others, without operators,

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

31 (ii) cargo motor vehicles, including cargo vans, pickup

1 trucks, and trucks with a gross vehicle weight of less than 26,000
2 pounds that do not require the operator to possess a commercial driver's
3 license;

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

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

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

10 (ii) uninsured or underinsured motorist coverage, with
11 minimum limits described in AS 21.96.020(c) and (d) arising from the
12 use of a vehicle rented from the licensee during the term of the rental
13 agreement;

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

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

25 (v) towing and roadside assistance with respect to
26 vehicles rented from the licensee during the term of the rental
27 agreement; and

28 (vi) other insurance as may be authorized by regulation
29 by the director;

30 (D) notifies the director in writing, **not later than** [WITHIN]
31 30 days **after** [OF] employment, of the name, date of birth, social security

1 number, location of employment, and home address of an employee authorized
2 by the licensee to transact insurance on the licensee's behalf; and

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

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

7 (6) credit insurance limited producer license to a person who sells
8 limited lines credit insurance;

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

12 (8) portable electronics limited producer license to a vendor that sells
13 or offers portable electronics insurance as defined in AS 21.36.515; the following
14 provisions apply to a license issued under this paragraph:

15 (A) a vendor shall file with the director a sworn application for
16 a license under this paragraph on a form prescribed and furnished by the
17 director; the vendor shall provide the name, residence address, location of the
18 vendor's home office, and other information required by the director for an
19 employee or officer that is designated by the vendor as the person responsible
20 for the vendor's compliance with the requirements of this chapter; however, if
21 the vendor derives more than 50 percent of its revenue from the sale of
22 portable electronics insurance, the vendor shall provide the information
23 required under this subparagraph for all officers, directors, and shareholders of
24 record having beneficial ownership of 10 percent or more of any class of
25 securities registered under the federal securities law;

26 (B) a portable electronics limited producer license issued under
27 this paragraph must authorize the employees or authorized representatives of a
28 vendor to transact portable electronics insurance at each location at which a
29 vendor offers portable electronics to customers in this state; and

30 (C) the employees or authorized representatives of the vendor
31 may transact portable electronics insurance and are not required to obtain a

1 limited producer license if

2 (i) the employees or authorized representatives are not
3 compensated based primarily on the number of customers enrolled for
4 coverage; however, an employee or authorized representative may
5 receive compensation for activities under the license that is incidental
6 to the employee's or authorized representative's overall compensation;

7 (ii) the insurer issuing the portable electronics insurance
8 provides a training program for employees and authorized
9 representatives of the portable electronics limited producer licensee that
10 includes instruction about the portable electronics insurance offered to
11 customers and the disclosures required under AS 21.36.515; and

12 (iii) the vendor maintains a register of each location in
13 the state where the vendor offers portable electronics insurance and
14 submits the register to the director **not later than** [WITHIN] 30 days
15 after the director requests the register;

16 **(9) crop insurance limited producer license to a person who sells or**
17 **offers crop insurance coverage for damage to crops from unfavorable weather**
18 **conditions, fire or lightning, flood, hail, insect infestation, disease, or other yield-**
19 **reducing conditions or perils provided by the private insurance market or that is**
20 **subsidized by the Federal Crop Insurance Corporation, including multi-peril**
21 **crop insurance.**

22 * **Sec. 20.** AS 21.27.380(a) is amended to read:

23 (a) Except as provided in this title, the director may renew a license biennially
24 on a date set by the director if the licensee continues to be qualified under this chapter
25 and, on or before [THE CLOSE OF BUSINESS OF] the **license expiration**
26 [RENEWAL] date, meets all renewal requirements established by regulation, **submits**
27 **a renewal application,** and pays the renewal license fees set under AS 21.06.250 for
28 each license **authority** to the director. A licensee is responsible for knowing the date
29 that a license **expires** [LAPSES] and for renewing a license before expiration. The
30 director shall notify the licensee of the license renewal 30 days before the renewal
31 date.

1 * **Sec. 21.** AS 21.27.380(b) is amended to read:

2 (b) If a license is not renewed on or before the renewal date set by the director,
3 the license **expires** [LAPSES]. A licensee may not act as or represent to be an
4 insurance producer, managing general agent, reinsurance intermediary broker,
5 reinsurance intermediary manager, surplus lines broker, or independent adjuster during
6 the time a license has **expired** [LAPSED]. The director may reinstate **an expired** [A
7 LAPSED] license if the person continues to qualify for the license **and** [,] pays
8 renewal license fees [,] and a delayed renewal penalty. Reinstatement does not exempt
9 a person from a penalty provided by law for transacting business while unlicensed. A
10 license may not be renewed if it has **expired** [LAPSED] for two years or longer.

11 * **Sec. 22.** AS 21.27.380(d) is amended to read:

12 (d) **The director shall mail a notice** [NOTICE] of **expiration** [LAPSE
13 FROM THE DIRECTOR] stating the reason for the **expiration** [LAPSE SHALL BE
14 MAILED] to a licensee at the licensee's last address on record with the director. The
15 director shall obtain a certificate of mailing from the United States Postal Service.

16 * **Sec. 23.** AS 21.27.640(b) is amended to read:

17 (b) To qualify for issuance or renewal of a registration, an applicant or
18 registrant shall comply with this title, regulations adopted under AS 21.06.090, and

19 (1) be a trustworthy person;

20 (2) have active working experience in administrative functions that, in
21 the director's opinion, exhibits the ability to competently perform the administrative
22 functions of a third-party administrator;

23 (3) not have committed an act that is a cause for denial, nonrenewal,
24 suspension, or revocation of a registration or license in this state or another
25 jurisdiction;

26 (4) maintain a lawfully established place of business as described in
27 AS 21.27.330 in this state, unless licensed as a nonresident under AS 21.27.270;

28 (5) disclose to the director all owners, officers, directors, or partners, if
29 any;

30 (6) designate a compliance officer for the firm;

31 (7) provide in or with its application

1 (A) all basic organizational documents of the third-party
2 administrator, including articles of incorporation, articles of association,
3 partnership agreement, trade name certificate, trust agreement, shareholder
4 agreement, and other applicable documents and all endorsements to the
5 required documents;

6 (B) the bylaws, rules, regulations, or similar documents
7 regulating the internal affairs of the administrator;

8 (C) the names, mailing addresses, physical addresses, official
9 positions, and professional qualifications of persons who are responsible for
10 the conduct of affairs of the third-party administrator, including the members
11 of the board of directors, board of trustees, executive committee, or other
12 governing board or committee; the principal officers in the case of a
13 corporation, or the partners or members in the case of a partnership, limited
14 liability company, limited liability partnership, or association; shareholders
15 holding directly or indirectly 10 percent or more of the voting securities of the
16 third-party administrator; and any other person who exercises control or
17 influence over the affairs of the third-party administrator;

18 (D) certified financial statements for the preceding two years,
19 or for each year and partial year that the applicant has been in business if less
20 than two years, prepared by an independent certified public accountant
21 establishing that the applicant is solvent, that the applicant's system of
22 accounting, internal control, and procedure is operating effectively to provide
23 reasonable assurance that money is promptly accounted for and paid to the
24 person entitled to the money, and any other information that the director may
25 require to review the current financial condition of the applicant; and

26 (E) a statement describing the business plan, including
27 information on staffing levels and activities proposed in this state and in other
28 jurisdictions and providing details establishing the third-party administrator's
29 capability for providing a sufficient number of experienced and qualified
30 personnel in the areas of claims handling, underwriting, and record keeping;

31 (8) provide to the director documents necessary to verify the

1 statements contained in or in connection with the application; and

2 (9) notify the director, in writing, **not later than** [WITHIN] 30 days
3 **after** [OF]

4 (A) a change in compliance officer, residence, place of
5 business, mailing address, or phone number;

6 (B) **the final disposition of an administrative action taken**
7 **against the registrant by a governmental agency of another state, by a**
8 **governmental agency of another jurisdiction, or by a financial industry**
9 **regulatory authority sanction or arbitration proceeding; in addition, a**
10 **registrant shall submit to the director documents relating to the final**
11 **disposition on, including the final order and other relevant legal**
12 **documents in the action** [THE SUSPENSION OR REVOCATION OF AN
13 INSURANCE LICENSE OR REGISTRATION BY ANOTHER STATE OR
14 JURISDICTION]; or

15 (C) a conviction of a misdemeanor or felony of the third-party
16 administrator, its officers, directors, partners, owners, or employees.

17 * **Sec. 24.** AS 21.27.650 is amended by adding a new subsection to read:

18 (r) An insurer shall review its books and records quarterly to determine
19 whether a person or insurance producer has acted as the insurer's third-party
20 administrator. If an insurer determines that a person or insurance producer has acted as
21 the insurer's third-party administrator, the insurer shall promptly notify the person or
22 insurance producer and the director of this determination. The insurer and the person
23 or insurance producer must fully comply with the provisions of this chapter not later
24 than 30 days after notification.

25 * **Sec. 25.** AS 21.27.690(b) is amended to read:

26 (b) An insurer may use a nonresident reinsurance intermediary broker who is
27 not licensed under this chapter if **the reinsurance intermediary broker has filed a**
28 **certification with the director that the reinsurance intermediary broker is**
29 **operating only for a foreign insurer and** the person is licensed in good standing as a
30 resident reinsurance intermediary broker by an insurance regulator of another state that
31 is accredited by the National Association of Insurance Commissioners. Upon written

1 request, the director may grant written permission for a domestic insurer to use an
 2 alien reinsurance intermediary broker not licensed by and without a place of business
 3 in a jurisdiction subject to accreditation by the National Association of Insurance
 4 Commissioners if the alien reinsurance intermediary broker **has filed a certification**
 5 **with the director that the reinsurance intermediary broker is operating only for a**
 6 **domestic insurer and** is licensed in good standing by its domiciliary insurance
 7 regulator. The domestic insurer and unlicensed reinsurance intermediary broker are
 8 subject to all other requirements of this section.

9 * **Sec. 26.** AS 21.34.035(b) is amended to read:

10 (b) The rates and rating methods for health care insurance placed and written
 11 under this section are subject to **AS 21.51.405 and AS 21.54.015** [AS 21.87.190]. The
 12 surplus lines broker shall make the filings required under **AS 21.51.405 and**
 13 **AS 21.54.015** [AS 21.87.190] and maintain the records and accounts as required under
 14 AS 21.87.230.

15 * **Sec. 27.** AS 21.34.050(a) is amended to read:

16 (a) In addition to meeting the requirements of AS 21.34.040, a nonadmitted
 17 insurer shall be considered an eligible surplus lines insurer if it [PAYS FEES
 18 REQUIRED BY REGULATION AND] appears on the most recent list of eligible
 19 surplus lines insurers published by the director. The list is to be published at least
 20 semiannually by

21 (1) posting the list on the division's Internet website; and

22 (2) providing a copy of the list to a person on request to the division.

23 * **Sec. 28.** AS 21.34.050(c) is amended to read:

24 (c) A nonadmitted insurer shall be removed from the list of eligible surplus
 25 lines insurers if the nonadmitted insurer [FAILS TO PAY, BEFORE JULY 1 OF
 26 EACH YEAR, THE FEE AUTHORIZED UNDER THIS SECTION OR] fails to meet
 27 the requirement under AS 21.34.040(d). However, the director may reinstate a
 28 nonadmitted insurer on the list of eligible surplus lines insurers if

29 [(1) THE NONADMITTED INSURER INADVERTENTLY FAILED
 30 TO PAY THE FEE OR MEET THE REQUIREMENT UNDER AS 21.34.040(d);

31 (2)] the nonadmitted insurer has remedied the reason for removal from

1 the list [; AND

2 (3) THE NONADMITTED INSURER PAYS A LATE FEE AS
3 ESTABLISHED BY REGULATION].

4 * **Sec. 29.** AS 21.34.180(a) is amended to read:

5 (a) In addition to collecting the full amount of gross premiums written by an
6 insurer for surplus lines insurance, the surplus lines broker shall collect and pay to the
7 director a tax of 2.7 percent on the net premium, which is the total gross premiums
8 written, less any return premiums, for the insurance. Where the **home state of the**
9 **insured is this state and the** insurance covers properties, risks, or exposures located
10 or to be performed both in and out of this state, the tax payable shall be computed
11 based on an amount equal to 2.7 percent on that portion of the net premiums allocated
12 under (f) of this section to this state, plus an amount equal to the portion of the
13 premiums allocated under (f) of this section to other states or territories based on the
14 tax rates and fees applicable to other properties, risks, or exposures located or to be
15 performed outside of this state.

16 * **Sec. 30.** AS 21.36.025 is amended by adding new subsections to read:

17 (b) A person may not sell a membership in an association or labor union for
18 the purpose of qualifying an individual for group insurance.

19 (c) A person that sells a membership in an association may not offer group
20 insurance for purposes of selling membership in an association or labor union.

21 * **Sec. 31.** AS 21.36.185 is amended to read:

22 **Sec. 21.36.185. Maintenance of complaint handling records. Except for**
23 **records subject to health carrier grievance reporting and recordkeeping**
24 **requirements established under AS 21.07.005, an** [AN] insurer shall maintain a
25 complete record of all the complaints received by the insurer since the date of the
26 insurer's last market conduct examination under AS 21.06.120 or for four years,
27 whichever occurs first. This record must indicate the total number of complaints, the
28 classification of each complaint by line of insurance, the nature of each complaint, the
29 disposition of each complaint, and the time it took to process each complaint. For
30 purposes of this section, "complaint" means any written communication primarily
31 expressing a grievance.

1 * **Sec. 32.** AS 21.36.225 is amended to read:

2 **Sec. 21.36.225. Notice of health insurance coverage cancellation, coverage**
 3 **change, or premium change.** (a) Except for a health care insurance policy subject to
 4 AS 21.51.400 or AS 21.54.130, an insurer may not cancel a health insurance policy
 5 unless the insurer provides written notice to a **policyholder** [COVERED
 6 INDIVIDUAL] at least 45 days before the effective date of the cancellation.

7 (b) An insurer shall provide written notice to a **policyholder** [COVERED
 8 INDIVIDUAL] of **the specific** changes in coverage or **the exact change in** premium
 9 at least 45 days before the effective date of the change in coverage or premium.

10 * **Sec. 33.** AS 21.36.360(b) is amended to read:

11 (b) A fraudulent insurance act is committed by a person who, with intent to
 12 injure, defraud, or deceive

13 (1) collects a sum as premium or charge for insurance if the insurance
 14 has not been provided or is not in due course to be provided, subject to acceptance of
 15 the risk by the insurer, by an insurance policy authorized under this title;

16 (2) presents to an insurer a written or oral statement in support of a
 17 claim for payment or other benefit under an insurance policy, knowing that the
 18 statement contains false, incomplete, or misleading information **or omits information**
 19 concerning a matter material to the claim;

20 (3) assists or conspires with another to prepare or make a written or
 21 oral statement that is presented to an insurer in support of a claim for a benefit under
 22 an insurance policy, knowing that the statement contains false, incomplete, or
 23 misleading information **or omits information** concerning a matter material to the
 24 claim;

25 (4) wilfully collects as premium or charge for insurance a sum in
 26 excess of the premium or charge applicable to the insurance as specified in the policy
 27 by the insurer in accordance with the applicable classifications and rates approved by
 28 the director, or in cases where classifications and rates are not subject to approval, the
 29 premiums and charges applicable to the insurance as specified in the policy and fixed
 30 by the insurer;

31 (5) fails to make disposition of funds received or held or

1 misappropriates funds received or held representing premiums or return premiums;
2 [OR]

3 (6) fails to pay its tax liability under this title when due; **or**

4 **(7) makes a written or oral statement in response to an insurer's**
5 **inquiries related to another person's claim for payment or other benefit under an**
6 **insurance policy, knowing that the statement contains false, incomplete, or**
7 **misleading information or omits information concerning a matter material to the**
8 **claim.**

9 * **Sec. 34.** AS 21.36.360(q) is amended to read:

10 (q) A fraudulent or criminal insurance act described in

11 (1) (b) of this section that is committed to obtain \$10,000 or more is a
12 class B felony;

13 (2) (c), (d), or (p)(4) of this section is a class B felony;

14 (3) (b) of this section that is committed to obtain \$500 or more but less
15 than \$10,000 is a class C felony;

16 (4) (e), (f), [OR] (g), **or (p)(2) or (3)** of this section is a class C felony;

17 (5) (b) of this section that is committed to obtain less than \$500 is a
18 class A misdemeanor;

19 (6) (i), (j), (k), (l), (m), or (n) of this section is a class A misdemeanor;

20 (7) (o) of this section is a class B misdemeanor; **and**

21 (8) (p)(1) of this section is a class B misdemeanor unless another
22 specific penalty is provided for the violation of the provision [; AND

23 (9) (p)(2) AND (3) OF THIS SECTION MAY BE PROSECUTED
24 UNDER AS 11.46].

25 * **Sec. 35.** AS 21.36.390(b) is amended to read:

26 (b) An insurer or licensee that has reason to believe that an insurance producer
27 with which it is doing business is involved in a defalcation, embezzlement, or
28 violation of the provisions of **AS 21.36.030, 21.36.050, or 21.36.360** [AS 21.36.360]
29 shall immediately send the director a report disclosing the basis for that belief and any
30 other information that the director may require.

31 * **Sec. 36.** AS 21.39.040(a) is amended to read:

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

8 (1) shall be made under the applicable filing procedures in
 9 AS 21.39.041, 21.39.210, or 21.39.220;

10 (2) must state the proposed effective date; **the effective date may be**

11 **(A) a specific date;**

12 **(B) the date the filing is approved by the director; or**

13 **(C) a date conditioned on some other event when approved**

14 **by the director;** and

15 (3) must indicate the character and extent of the coverage
 16 contemplated.

17 * **Sec. 37.** AS 21.39.070(a) is repealed and reenacted to read:

18 (a) Each member of or subscriber to a rating organization shall adhere to the
 19 filings made on its behalf by the organization except that an insurer may file with the
 20 director, in accordance with AS 21.39.040(a), a deviation from the class rates,
 21 schedules, rating plans, or rules respecting a kind of insurance, or class of risk within a
 22 kind of insurance, or a combination of them.

23 * **Sec. 38.** AS 21.42.160(d) is amended to read:

24 (d) Each policy and annuity contract issued by an insurer, and the forms
 25 thereof filed with the director, must have printed on them an appropriate designating
 26 letter or figure, or combination of letters or figures, or terms identifying the respective
 27 forms of policies or contracts [, TOGETHER WITH THE YEAR OF ADOPTION OF
 28 THE FORM]. When a change is made in the form, the designating letters, figures, or
 29 terms [AND YEAR OF ADOPTION] must be correspondingly changed.

30 * **Sec. 39.** AS 21.42.250(c) is amended to read:

31 (c) An insurer may provide **an** [A PROPERTY AND CASUALTY] insurance

1 policy or **endorsement** [ENDORSEMENTS] by posting the policy or endorsement on
 2 the insurer's Internet website and clearly identifying the posted policy or **endorsement**
 3 [ENDORSEMENTS] purchased by the insured in the declaration page provided to the
 4 insured. **An** [A PROPERTY AND CASUALTY] insurance policy or endorsement
 5 posted under this subsection

6 (1) must contain the standard or uniform provisions [FOR PROPERTY
 7 AND CASUALTY INSURANCE] required by AS 21.42.140;

8 (2) must be in a form approved by the director under AS 21.42.120;

9 (3) must be posted in a manner that reasonably allows the insured to
 10 retrieve and print or save the policy or endorsement from the website without paying a
 11 fee;

12 (4) must remain posted on the insurer's Internet website during the
 13 time that the policy or endorsement is in effect, be retained by the insurer for not less
 14 than three years after the policy or endorsement is no longer in effect, and be made
 15 available to the insured on request; and

16 (5) may not include personally identifiable information.

17 * **Sec. 40.** AS 21.45.020(d) is amended to read:

18 (d) For a variable life insurance policy or variable annuity contract, the refund
 19 under (c) of this section must equal the sum of

20 (1) the difference between the premiums paid, including any policy or
 21 contract fees or other charges **and the amounts allocated to any separate accounts**
 22 **under the policy or contract;** and

23 (2) the **value of** amounts allocated to any separate accounts [UNDER
 24 THE POLICY OR CONTRACT] on the date the returned policy is received by the
 25 insurer or its insurance producer.

26 * **Sec. 41.** AS 21.48.010(a) is amended to read:

27 (a) A group life insurance policy may not be **issued for delivery**
 28 [DELIVERED] in this state [INSURING THE LIVES OF MORE THAN ONE
 29 INDIVIDUAL] unless **the group is a bona fide association as defined in**
 30 **AS 21.97.900 or**

31 [(1)] the **group** [POLICYHOLDER] was formed for purposes other

1 than obtaining insurance or is a trust established, **adopted, or participated in** by one
 2 or more employers or labor unions or by one or more employers and labor unions, **and**

3 **(1)** [; (2)] the policy covers at least two individuals at the date of issue;

4 **(2)** [(3)] an individual eligible for coverage is subject to uniformly
 5 applied standards of insurability as may be imposed by the insurer;

6 **(3)** [(4)] amounts of group life insurance are determined based on
 7 some plan that will preclude individual selection;

8 **(4)** [AND (5)] the group life insurance **policy** [CONTRACT] is in
 9 compliance with the other applicable provisions of this chapter; **and**

10 **(5) the group meets other requirements established by the director**
 11 **in regulation.**

12 * **Sec. 42.** AS 21.48.010(b) is amended to read:

13 (b) **This** [THE PROVISIONS OF (a) OF THIS] section **does** [DO] not apply
 14 to life insurance policies

15 (1) insuring only individuals related by blood, marriage, or legal
 16 adoption;

17 (2) insuring only individuals having a common interest through
 18 ownership of a business enterprise, or a substantial legal interest or equity in a
 19 business enterprise, and who are actively engaged in its management; or

20 (3) insuring only individuals otherwise having an insurable interest in
 21 each other's lives.

22 * **Sec. 43.** AS 21.48.010 is amended by adding new subsections to read:

23 (e) A group life insurance policy may be issued to a group that does not meet
 24 one or more of the requirements under (a) of this section only if the director finds that
 25 issuance

26 (1) is in the best interests of the public;

27 (2) results in economies of acquisition or administration; and

28 (3) meets other requirements established by the director in regulation.

29 (f) An insurer shall submit to the director information satisfactory to the
 30 director that the group meets the requirements of (a) or (e) of this section, and the
 31 director must affirmatively approve of the group before an insurer may issue a group

1 life policy to a group under (a) or (e) of this section.

2 * **Sec. 44.** AS 21.51.020 is amended to read:

3 **Sec. 21.51.020. Scope, format of policy.** A policy of health insurance may not
4 be delivered or issued for delivery to a person in this state unless it otherwise complies
5 with this title, and complies with the following:

6 (1) the entire money and other considerations must be expressed in the
7 policy;

8 (2) the time the insurance takes effect and terminates must be
9 expressed in the policy;

10 (3) it must insure only one person, except that a policy may insure,
11 originally or by subsequent amendment, upon the application of an adult member of a
12 family, who shall be considered the policyholder, any two or more eligible members
13 of that family, including husband, wife, dependent children, or any children under a
14 specified age, which may [SHALL] not exceed 25 [23] years, and any other person
15 dependent on [UPON] the policyholder;

16 (4) the style, arrangement, and over-all appearance of the policy must
17 give no undue prominence to any portion of the text, and every printed portion of the
18 text of the policy and of endorsements or attached papers must be plainly printed in
19 light-faced type of a style in general use, the size of which must be uniform and not
20 less than 10 point with a lower case unspaced alphabet length not less than 120 point;
21 in this paragraph, text includes all printed matter except the name and address of the
22 insurer, name or title of the policy, the brief description, if any, and captions and
23 subcaptions;

24 (5) the exceptions and reductions of indemnity must be set out in the
25 policy and, other than those contained in AS 21.51.040 - 21.51.260, must be printed, at
26 the insurer's option, either included with the benefit provision to which they apply, or
27 under an appropriate caption such as "Exceptions," or "Exceptions and Reductions,"
28 except that if an exception or reduction specifically applies only to a particular benefit
29 of the policy, a statement of the exception or reduction must be included with the
30 benefit provision to which it applies;

31 (6) each form, including riders and endorsements, must be identified

1 by a form number in the lower left-hand corner of the first page;

2 (7) the policy may not contain a provision making a portion of the
3 charter, rules, constitution, or bylaws of the insurer a part of the policy unless the
4 portion is set out in full in the policy; this paragraph does not apply to the
5 incorporation of, or reference to, a statement of rates or classification of risks, or short-
6 rate table filed with the director.

7 * **Sec. 45.** AS 21.51.070(a) is amended to read:

8 (a) **Except for a policy offered or renewed in this state on a health care**
9 **exchange and subject to federal regulations on reinstatement, there** [THERE]
10 shall be a provision as follows:

11 "Reinstatement: If (1) a renewal premium is not paid within the time
12 granted the insured for payment, (2) a subsequent acceptance of premium by
13 the insurer or by an agent authorized by the insurer to accept the premium
14 occurs, without requiring in connection therewith an application for
15 reinstatement, and (3) the insurer issues a conditional receipt for the premium
16 tendered, the policy will be reinstated upon approval of the application by the
17 insurer or, lacking approval, upon the 45th day following the date of the
18 conditional receipt unless the insurer has previously notified the insured in
19 writing of its disapproval of the application. The reinstated policy shall cover
20 only loss resulting from the accidental injury that may be sustained after the
21 date of reinstatement and loss due to the sickness that may begin more than 10
22 days after that date. In all other respects, the insured and insurer shall have the
23 same rights thereunder as they had under the policy immediately before the
24 due date of the defaulted premium, subject to any provisions endorsed hereon
25 or attached hereto in connection with the reinstatement. A premium accepted
26 in connection with a reinstatement shall be applied to a period for which
27 premium has not been previously paid, but not to a period more than 60 days
28 before the date of reinstatement."

29 * **Sec. 46.** AS 21.51.500 is amended by adding a new paragraph to read:

30 (4) "health care exchange" means an American Health Benefit
31 Exchange established under 42 U.S.C. 18031.

1 * **Sec. 47.** AS 21.53.068 is amended to read:

2 **Sec. 21.53.068. Limitations related to producers and third-party**
 3 **administrators.** An insurer that authorizes issuance of a long-term care insurance
 4 policy by a producer or a third-party administrator under the underwriting authority of
 5 the insurer granted to the producer or [A] third-party administrator using the insurer's
 6 underwriting guidelines may issue a long-term care insurance policy through the
 7 producer or [A] third-party administrator only if the insurer **does not compensate**
 8 [COMPENSATES] the issuer based on the number of policies issued.

9 * **Sec. 48.** AS 21.54.015(b) is amended to read:

10 (b) A health care insurer may decline to cover or may restrict the coverage
 11 offered to a self-employed individual under an association plan authorized under
 12 **AS 21.54.060(6)** [AS 21.54.060(7)].

13 * **Sec. 49.** AS 21.54.060 is amended to read:

14 **Sec. 21.54.060. Group health insurance defined.** Group health insurance is
 15 that form of health insurance covering groups of persons as defined below, with or
 16 without one or more members of their families or one or more of their dependents, or
 17 covering one or more members of the families or one or more dependents of the
 18 groups of persons and issued **on** [UPON] the following basis:

19 (1) under a policy issued to an employer or trustees of a fund
 20 established by an employer, who shall be considered the policyholder, insuring
 21 employees of the employer for the benefit of persons other than the employer; in this
 22 paragraph the term "employees" includes the officers, managers, and employees of the
 23 employer, the individual proprietor or partner if the employer is an individual
 24 proprietor or partnership, the officers, managers, and employees of subsidiary or
 25 affiliated corporations, the individual proprietors, partners, and employees of
 26 individuals and firms if the business of the employer and the individual or firm is
 27 under common control through stock ownership, contract, or otherwise; in this
 28 paragraph, "employees" may include retired employees; a policy issued to insure
 29 employees of a public body may provide that the term "employees" includes elected or
 30 appointed officials; the policy may provide that the term "employees" includes the
 31 trustees or their employees, or both, if their duties are principally connected with the

1 trusteeship; a policy issued to insure employees of a corporation may provide that the
2 term "employees" includes directors of the corporation, whether or not the directors
3 receive compensation;

4 (2) under a policy issued to an association, including a labor union,
5 that **is a bona fide association that** has a constitution and bylaws and that **insures**
6 [HAS BEEN ORGANIZED AND IS MAINTAINED IN GOOD FAITH FOR
7 PURPOSES OTHER THAN THAT OF OBTAINING INSURANCE, INSURING]
8 members, employees, or employees of members of the association for the benefit of
9 persons other than the association or its officers or trustees; in this paragraph, the term
10 "employees" may include retired employees;

11 (3) under a policy issued to the trustees of a fund established, **adopted,**
12 **or participated in** by two or more employers [IN THE SAME OR RELATED
13 INDUSTRY] or by one or more labor unions or by one or more employers and one or
14 more labor unions or by an association as defined in (2) of this section, which trustees
15 shall be considered the policyholder, to insure employees of the employers or
16 members of the unions or of the association, or employees of members of the
17 association, for the benefit of persons other than the employers or the unions or the
18 association; in this paragraph, the term "employees" may include the officers,
19 managers, and employees of the employer, and the individual proprietor or partners if
20 the employer is an individual proprietor or partnership; in this paragraph, the term
21 "employees" may include retired employees; the policy may provide that the term
22 "employees" includes the trustees or their employees, or both, if their duties are
23 principally connected with the trusteeship;

24 (4) under a policy issued to a person or organization to which a policy
25 of group life insurance may be issued or delivered in this state to insure a class or
26 classes of individuals that could be insured under the group life policy;

27 (5) [UNDER A POLICY ISSUED TO COVER ANY OTHER
28 SUBSTANTIALLY SIMILAR GROUP THAT, IN THE DISCRETION OF THE
29 DIRECTOR, MAY BE SUBJECT TO THE ISSUANCE OF A GROUP HEALTH
30 INSURANCE POLICY OR CONTRACT;

31 (6)] a group health insurance policy that contains provisions for the

1 payment by the insurer of benefits for expenses incurred on account of hospital,
 2 nursing, medical, or surgical services for members of the family or dependents of a
 3 person in the insured group may provide for the continuation of the benefit provisions,
 4 or a part or parts of them, after the death of the person in the insured group;

5 (6) [(7)] under a policy issued to an association of employers covering
 6 the employees and dependents of the employees, or issued to an association of self-
 7 employed individuals covering self-employed individuals and dependents of the self-
 8 employed individuals, or issued to an association that includes a combination of
 9 employers and self-employed individuals; for purposes of this paragraph,

10 (A) an association described under this paragraph shall comply
 11 with the following requirements:

12 (i) the association shall have a constitution and bylaws;

13 (ii) the association shall be maintained in good faith for
 14 the benefit of persons other than the association or its officers or
 15 trustees;

16 (iii) membership in the association shall be restricted to
 17 large or small employers, or self-employed individuals, who are
 18 residents of the state; however, an employer domiciled in another state
 19 may become a member of the association for purposes of obtaining
 20 coverage through the association only for the employees and
 21 dependents of the employees of that employer who are residents of this
 22 state;

23 (iv) except as provided under AS 21.54.015, the
 24 association may not condition membership in the association or
 25 coverage under a health insurance policy issued to the association on
 26 any of the factors listed under AS 21.54.100(a);

27 (B) "self-employed individual" means an individual who
 28 derives a substantial portion of the individual's income from a trade or business
 29 through which the individual has attempted to earn taxable income and for
 30 which the individual has filed the appropriate Internal Revenue Service form
 31 and schedule for the previous taxable year.

1 * **Sec. 50.** AS 21.54.060 is amended by adding new subsections to read:

2 (b) An insurer may issue a group health insurance policy to a group that does
3 not meet one or more of the requirements under (a)(1) - (4) and (6) of this section on a
4 finding by the director that issuance of a group policy to the group

5 (1) is in the best interests of the public;

6 (2) results in economies of acquisition or administration; and

7 (3) meets other requirements adopted by the director by regulation.

8 (c) An insurer must submit to the director information satisfactory to the
9 director that the group meets the requirements of (b) of this section and the director
10 must affirmatively approve of the group before an insurer may issue a group health
11 insurance policy under (b) of this section.

12 * **Sec. 51.** AS 21.54.500(4) is repealed and reenacted to read:

13 (4) "bona fide association" has the meaning given in AS 21.97.900;

14 * **Sec. 52.** AS 21.56.110(a) is amended to read:

15 (a) A health care insurance plan offered, issued for delivery, delivered, or
16 renewed to small employers in this state is subject to the provisions of this chapter,
17 **except as prohibited under federal law.**

18 * **Sec. 53.** AS 21.56.120(e) is amended to read:

19 (e) In determining the premium rates for a small employer covered under an
20 association health insurance policy authorized under **AS 21.54.060(6)**
21 [AS 21.54.060(7)], a small employer insurer may not use the claims experience of the
22 small employer while the employer was covered under another health insurance policy
23 and may use only that underwriting information obtained through the insurer's normal
24 application process for new small employer groups that are not written under the
25 association plan.

26 * **Sec. 54.** AS 21.56.250(6) is amended to read:

27 (6) "bona fide association" has the meaning given in **AS 21.97.900**
28 [AS 21.54.500];

29 * **Sec. 55.** AS 21.59.150 is amended to read:

30 **Sec. 21.59.150. Provider license renewal, expiration [LAPSE],**
31 **reinstatement.** (a) A provider may renew a license issued under AS 21.59.110 -

1 21.59.290 biennially on a date set by the director if the licensee continues to be
 2 qualified under AS 21.59.110 - 21.59.290 and, on or before the close of business of
 3 the renewal date, meets all renewal requirements established by regulation, and pays
 4 the renewal license fees set by the director. A licensee is responsible for knowing the
 5 date that a license will **expire** [LAPSE] and for renewing a license on or before that
 6 date. The director shall notify the licensee of the impending **expiration** [LAPSE] 30
 7 days before the **expiration** [LAPSE] date. The director may not renew a license
 8 except in compliance with AS 21.59.110 - 21.59.290 and may not renew the license of
 9 a person, or to be exercised by a person, found by the director to be untrustworthy,
 10 incompetent, or financially irresponsible, or who has not established to the satisfaction
 11 of the director that the person is qualified under AS 21.59.110 - 21.59.290.

12 (b) If a provider's license is not renewed on or before the **expiration** [LAPSE]
 13 date set by the director, the license **expires** [LAPSES]. A licensee may not act as or
 14 represent to be a provider during the time a license has **expired** [LAPSED]. The
 15 director may reinstate **an expired** [A LAPSED] license if the person continues to
 16 qualify for the license and pays license renewal fees and a delayed renewal penalty.
 17 Reinstatement does not exempt a person from a penalty provided by law for
 18 transacting business while unlicensed. A license that has **expired** [LAPSED] for two
 19 years or longer may not be renewed.

20 * **Sec. 56.** AS 21.59.170(a) is amended to read:

21 (a) A motor vehicle service contract must allow the service contract holder to
 22 cancel the motor vehicle service contract **not later than** [WITHIN] 30 days after the
 23 date that the motor vehicle service contract was delivered to the service contract
 24 holder, **not later than** [WITHIN] 10 days after the date of delivery if the motor
 25 vehicle service contract is delivered to the service contract holder at the time of sale,
 26 or within a longer period, as set out in the motor vehicle service contract. If the service
 27 contract holder returns the motor vehicle service contract to the provider within the
 28 applicable time period and a claim has not been made under the motor vehicle service
 29 contract before the contract is returned to the provider, the motor vehicle service
 30 contract is void, and the provider shall refund the full amount of the provider fee to the
 31 service contract holder or credit the account of the service contract holder **not later**

1 **than** [WITHIN] 45 days after the return of the contract to the provider. If the provider
 2 does not pay or credit a refund owed under this subsection **not later than** [WITHIN]
 3 45 days after a service contract holder returns a motor vehicle service contract, a
 4 penalty in the amount of 10 percent of the [UNEARNED] provider fee paid by the
 5 service contract holder for each month the refund remains unpaid shall be added to the
 6 refund. The right to void the motor vehicle service contract provided in this subsection
 7 is not transferable and applies only to the original service contract holder for a contract
 8 under which a claim is not made before the contract is returned to the provider.

9 * **Sec. 57.** AS 21.59.170(b) is amended to read:

10 (b) After the time specified in (a) of this section, or if a claim has been made
 11 under the motor vehicle service contract within that time, a service contract holder
 12 may cancel the motor vehicle service contract, and the provider shall refund to or
 13 credit the account of the contract holder the prorated amount of the unearned provider
 14 fee, less any claims paid, **not later than** [WITHIN] 45 days after the return of the
 15 service contract to the provider. If the provider does not pay or credit a refund owed
 16 under this subsection **not later than** [WITHIN] 45 days after a service contract holder
 17 returns a motor vehicle service contract, a penalty in the amount of 10 percent of the
 18 unearned provider fee paid by the service contract holder for each month the refund
 19 remains unpaid shall be added to the refund. A provider may charge a reasonable
 20 cancellation fee not to exceed 7.5 percent of the **unearned** provider fee paid by the
 21 service contract holder.

22 * **Sec. 58.** AS 21.59.180(a) is amended to read:

23 (a) To ensure the faithful performance of a provider's obligations to its service
 24 contract holders, a provider shall either

25 (1) obtain from an insurer or risk retention group authorized to transact
 26 the business of insurance in the state insurance that either reimburses the provider for
 27 obligations arising from a provider's motor vehicle service contract issued in the state
 28 or, if the provider fails to perform its obligations under a motor vehicle service
 29 contract issued in the state, pays to the service contract holder the provider's covered
 30 contractual obligations under the terms of the service contract on behalf of the
 31 provider; **an** [A PROVIDER] insurer issuing a policy under this paragraph must

1 satisfy one of the following:

2 (A) maintain surplus as to policyholders and paid-in capital of
3 at least \$15,000,000 and annually file with the director copies of the provider's
4 financial statements, its annual statement to the National Association of
5 Insurance Commissioners, and the statement of actuarial opinion and opinion
6 summary required by and filed in the provider's state of domicile; or

7 (B) maintain surplus as to policyholders and paid-in capital at
8 least equal to \$10,000,000, but not more than \$15,000,000, and demonstrate to
9 the satisfaction of the director that the company maintains a ratio of net written
10 premiums, wherever written, to surplus as to policyholders and paid-in capital
11 of not greater than 3 to 1 and annually files with the director copies of the
12 provider's audited financial statements, its annual statement to the National
13 Association of Insurance Commissioners, and the statement of actuarial
14 opinion and opinion summary required by and filed in the provider's state of
15 domicile; or

16 (2) maintain, solely or together with the parent company, a net worth
17 or stockholders' equity of \$100,000,000 and, upon request by the director, provide the
18 director with a copy of the provider's or the parent company's most recent annual
19 report filed with the United States Securities and Exchange Commission within the
20 last calendar year or, if the company does not file with the United States Securities and
21 Exchange Commission, a copy of the company's audited financial statements, which
22 show a net worth of the provider or its parent company of at least \$100,000,000; if the
23 parent company's annual report or financial statements are filed to meet the provider's
24 financial stability requirement, then the parent company shall agree to guarantee the
25 obligations of the provider relating to motor vehicle service contracts sold by the
26 provider in this state.

27 * **Sec. 59.** AS 21.69.310(a) is amended to read:

28 (a) Meetings of stockholders or members of a domestic insurer shall be held in
29 the city or town of its principal office or place of business [IN THIS STATE]. The
30 meetings may be held, for good cause, in another location [WITHIN THE STATE]
31 upon approval of the director.

1 * **Sec. 60.** AS 21.69.310(c) is amended to read:

2 (c) Each insurer shall, during the first six months of each calendar year, hold
 3 the annual meeting of its stockholders or members to fill vacancies existing or
 4 occurring in the board of directors, receive and consider reports of the insurer's
 5 officers as to its affairs, and transact other business which may properly be brought
 6 before it. **The director may approve a later date for the annual meeting upon**
 7 **written request by the insurer and with good cause shown. The request for a later**
 8 **annual meeting date shall be made in writing to the director at least 30 days**
 9 **before the end of the six-month requirement. Not** [NO] less than 20 days' notice
 10 shall be given of the meeting in the manner provided in the bylaws, except where
 11 notice of the annual meeting of a mutual insurer is contained in its policies.

12 * **Sec. 61.** AS 21.69.390(b) is amended to read:

13 (b) A person determined by the director, following an appropriate hearing as
 14 provided in AS 21.06.170 - 21.06.230, to have removed or attempted to remove any
 15 records from the place where they are required to be kept under (a) [OR (d)] of this
 16 section with the intent to wrongfully remove them, or to have concealed or attempted
 17 to conceal them from the director, is subject to a civil penalty of not more than
 18 \$25,000. If a domestic insurer violates a provision of this section the director may
 19 institute delinquency proceedings against the insurer under the provisions of AS 21.78.

20 * **Sec. 62.** AS 21.85.500(5) is amended to read:

21 (5) "multiple employer welfare arrangement" has the meaning given in
 22 29 U.S.C. 1002; ["MULTIPLE EMPLOYER WELFARE ARRANGEMENT" DOES
 23 NOT INCLUDE A GROUP THAT THE DIRECTOR DESIGNATES UNDER
 24 AS 21.54.060(5) AS SUBJECT TO ISSUANCE OF A GROUP HEALTH
 25 INSURANCE POLICY;]

26 * **Sec. 63.** AS 21.97.020 is amended to read:

27 **Sec. 21.97.020. General penalty.** A person determined by the director,
 28 following an appropriate hearing as provided in AS 21.06.170 - 21.06.230, to have
 29 **wilfully** violated a provision of this title or a regulation adopted under it [, FOR
 30 WHICH VIOLATION A GREATER PENALTY IS NOT PROVIDED IN THIS
 31 TITLE,] is subject to a civil penalty of not more than **\$25,000** [\$2,500].

1 * **Sec. 64.** AS 21.97.900 is amended by adding a new paragraph to read:

2 (47) "bona fide association" means an association

3 (A) that has actively been in existence for five years;

4 (B) that has been formed and maintained in good faith for
5 purposes other than obtaining insurance;

6 (C) for which insurance is not required to become a member of
7 the association;

8 (D) in which members of the association share a common
9 enterprise or economic social affinity or relationship;

10 (E) that does not condition membership in the association on a
11 health status factor relating to an individual;

12 (F) that makes insurance available to all members and
13 dependents of members regardless of a health status factor in relation to the
14 member or dependent;

15 (G) in which an individual eligible for coverage is subject to
16 uniformly applied standards of insurability as may be imposed by the insurer;

17 (H) in which premiums for the group insurance policy are
18 actuarially sound;

19 (I) that does not offer an insurance policy to an individual other
20 than in connection with a member of the association; and

21 (J) that meets other requirements established by the director in
22 regulations.

23 * **Sec. 65.** AS 28.20.445 is amended by adding a new subsection to read:

24 (i) The director of the division of insurance shall ensure that policies that
25 provide the uninsured and underinsured motorists coverage required under this chapter
26 clearly state that the uninsured and underinsured motorists coverage provides coverage
27 for the insured for injuries sustained as a pedestrian or bicyclist by a motor vehicle.

28 * **Sec. 66.** AS 21.06.087; AS 21.07.250(9); AS 21.54.500(4); and AS 21.69.390(d) are
29 repealed.

30 * **Sec. 67.** AS 21.07.050, 21.07.060, 21.07.070, 21.07.250(1), 21.07.250(2), and
31 21.07.250(7) are repealed.

1 * **Sec. 68.** AS 21.27.115(8) and 21.27.115(9) are repealed.

2 * **Sec. 69.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 TRANSITION: REGULATIONS. The Department of Commerce, Community, and
5 Economic Development may adopt regulations necessary to implement this Act, except that
6 the effective date of the regulations may not be earlier than the effective date of the statutes
7 being implemented.

8 * **Sec. 70.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 REVISOR'S INSTRUCTION. The revisor of statutes is requested to change the catch
11 line of AS 21.27.380 from "License renewal, lapse, and reinstatement" to "License renewal,
12 expiration, and reinstatement."

13 * **Sec. 71.** Section 69 of this Act takes effect immediately under AS 01.10.070(c).

14 * **Sec. 72.** Section 67 of this Act takes effect January 1, 2017.

15 * **Sec. 73.** AS 21.27.150(a)(9), enacted by sec. 19 of this Act, and sec. 68 of this Act take
16 effect March 1, 2017.

17 * **Sec. 74.** Section 65 of this Act takes effect January 1, 2019.