

**ALASKA STATE LEGISLATURE
SENATE RULES STANDING COMMITTEE**

May 9, 2019

9:03 a.m.

MEMBERS PRESENT

Senator John Coghill, Chair
Senator Cathy Giessel, Vice Chair
Senator Mia Costello
Senator Natasha von Imhof
Senator Tom Begich

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 78

"An Act relating to insurance; relating to an insurer's corporate annual disclosure; relating to insurance company holding systems; and providing for an effective date."

- MOVED SCS HB 78 (RLS) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 78

SHORT TITLE: INSURER & GROUP INSURANCE DISCLOSURE

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/04/19	(H)	READ THE FIRST TIME - REFERRALS
03/04/19	(H)	L&C
04/22/19	(H)	L&C AT 3:15 PM BARNES 124
04/22/19	(H)	Heard & Held
04/22/19	(H)	MINUTE(L&C)
04/24/19	(H)	L&C AT 3:15 PM BARNES 124
04/24/19	(H)	<Bill Hearing Canceled>
04/26/19	(H)	L&C AT 3:15 PM BARNES 124
04/26/19	(H)	Moved HB 78 Out of Committee
04/26/19	(H)	MINUTE(L&C)
04/27/19	(H)	L&C RPT 5DP
04/27/19	(H)	DP: HANNAN, REVAK, STUTES, TALERICO, LEDOUX

05/03/19 (H) TRANSMITTED TO (S)
05/03/19 (H) VERSION: HB 78
05/06/19 (S) READ THE FIRST TIME - REFERRALS
05/06/19 (S) RLS
05/08/19 (S) RLS AT 4:00 PM BUTROVICH 205
05/08/19 (S) -- MEETING CANCELED --
05/09/19 (S) RLS AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

RYNNIEVA MOSS, Staff
Senator John Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the changes between version A and version M of HB 78.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Presented CSHB 78(RLS).

DAN WILKERSON, Assistant Attorney General
Civil Division
Commercial and Fair Business Division
Department of Law
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to HB 78.

MARIE MARX, Attorney
Legislative Legal Services
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Drafting attorney for HB 78

ACTION NARRATIVE

9:03:48 AM

CHAIR JOHN COGHILL called the Senate Rules Standing Committee meeting to order at 9:03 a.m. Present at the call to order were Senators Begich, Giessel, Costello, von Imhof, and Chair Coghill.

HB 78-INSURER & GROUP INSURANCE DISCLOSURE

[9:04:16 AM](#)

CHAIR COGHILL announced the consideration of HOUSE BILL NO. 78, "An Act relating to insurance; relating to an insurer's corporate annual disclosure; relating to insurance company holding systems; and providing for an effective date."

He noted who was available to answer questions and solicited a motion to adopt the proposed committee substitute.

[9:05:13 AM](#)

SENATOR GIESSEL moved to adopt the proposed Senate committee substitute (SCS) for HB 78(RLS), [work order 31-GH1953\M], as the working document.

CHAIR COGHILL stated that without objection, the CS was the working document before the committee.

SENATOR GIESSEL clarified her motion to adopt work order 31-GS1953\M.

[9:06:22 AM](#)

RYNNIEVA MOSS, Staff, Senator John Coghill, Alaska State Legislature, Juneau, explained that most of the changes in version M were made to conform to the Manual of Legislative Drafting. Legislative Legal Services also added an indirect court rule amendment in Section 7 to reflect court rule changes in Section 3 and Section 5. The phrase "agreements or documentation may not serve as evidence in a proceeding," on page 11, line 27, changes a court rule and subsection (f) on page 13, lines 16-22, also changes a court rule. Section 8 is a new section that adds a conditional effect that Section 3 and Section 5 will only be enacted if the court rule changes in those sections are enacted by a two-thirds majority vote of each house.

CHAIR COGHILL asked Ms. Wing-Heier to offer her perspective of the committee substitute.

[9:08:40 AM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), Juneau, described HB 78 as an accreditation bill. She explained that the division receives an accreditation from the National Association of Insurance Commissioners, which means that Alaska and other jurisdictions have adopted substantially similar laws regarding the financial solvency of an insurance company. For example,

when an insurance company from Pennsylvania comes to Alaska, the director of insurance knows that company is being examined and held to the same standards as Alaska National, Umialik, or another Alaska insurance company. Conversely, when these insurance companies are doing business in the Lower 48, the commissioners or directors in those states know that the Alaska companies have been examined and held to the same standards.

MS. WING-HEIER said the first part of the bill deals with corporate governance. She explained that by statute, the division examines the financials of an insurance company every three years, but they do not receive the corporate governance documentation in the off years, just during the examination. HB 78 asks insurance companies to provide the division with corporate governance documentation every year. This will keep the division informed about any material change in the board, the financial solvency of the company, new acquisitions, mergers, or divestitures, and whether the board is aware of these changes.

[9:10:55 AM](#)

MS. WING-HEIER said the second part of the bill deals with group-wide international holding companies. She explained that with changing economics worldwide, places like Asia and Dubai are entering the insurance market and buying insurance companies that transacts business in the United States. The bill says the division can examine any holding company that is doing business in Alaska if it is owned at the parent or holding company level.

She said international companies allow the division to conduct financial examinations as a tradeoff for being allowed to do business here. She said she can't imagine that an insurance company like Alaska National or Umialik would be owned by an international insurance company, but it could happen. On the other hand, there are internationally owned insurance companies not domiciled here but doing business in Alaska. The bill lays out who would be the lead supervisor of an examination in this circumstance. The division would always have the choice of participating in an examination but it might not be the lead supervisor. She said she finds that acceptable unless the majority of the premium is Alaskan businesses. In that circumstance, she said she would assert her right to lead.

She said other than the court rules, that sums up the bill.

[9:12:56 AM](#)

SENATOR BEGICH asked her to explain how Alaska would be protected if an international or non-NAIC company was doing business in Alaska.

MS. WING-HEIER explained that if an international company from Japan, for instance, were to take the lead on an examination, the division would find it acceptable to work with that company if they trusted Japan to use the same standards. In the other circumstance the division may be working with a state that has chosen not to seek NAIC accreditation. She cited the example of California and New York, both of which have many insurance companies that don't necessarily seek NAIC accreditation. If the division was working on an examination and it was determined that the majority of the business was in California, the division could work with that company if they were technically using the same standards.

SENATOR BEGICH asked if HB 78 protects Alaska in that instance.

MS. WING-HEIER said yes.

[9:14:38 AM](#)

SENATOR BEGICH offered his understanding that there are a series of disclosures so information could not be subpoenaed from the division unless it is a federal or grand jury subpoena.

MS. WING-HEIER said that's correct. She noted that attorneys Dan Wilkerson and Erin Egan were available to answer any questions about that.

SENATOR BEGICH asked if the idea is that it doesn't prohibit subpoenas being issued to other parties. It just protects the division's control of confidential information.

MS. WING-HEIER that's correct. In the event of a lawsuit, nothing would preclude somebody from going directly to the insurance company to get the records. It's just that the division would be unable to provide those records.

SENATOR BEGICH questioned the need in Section 5 for paragraph (f)(1) on page 13, line 1, of the original bill. He commented that it's redundant because that's what the bill does.

MS. WING-HEIER agreed that is what the bill compels her to do as the director.

SENATOR GIESSEL advised that Sec. 21.22.117 relating to Group-wide supervision of internationally active insurance groups is now in Section 3 of the bill.

[9:17:45 AM](#)

SENATOR BEGICH read paragraph (f)(1) on page 12, line 6, of version M:

(1) the director's cooperation is in compliance with the laws of this state; and

He reiterated that it seems redundant.

MS. WING-HEIER said she didn't disagree.

CHAIR COGHILL asked Mr. Wilkerson to comment.

[9:18:34 AM](#)

DAN WILKERSON, Assistant Attorney General, Civil Division, Commercial and Fair Business Division, Department of Law, Anchorage, said it seems to clarify that the Alaska director of insurance can cooperate with a regulatory official from a nonaccredited jurisdiction as long as the Alaska director is in compliance with Alaska laws.

SENATOR BEGICH said he understands that.

[9:19:53 AM](#)

CHAIR COGHILL asked Ms. Marks to talk about why she added a section about a court rule amendment.

[9:20:08 AM](#)

MARIE MARX, Attorney, Legislative Legal Services, Alaska State Legislature, Juneau, said it was a close call, but provisions [in Sections 3 and 5] change discovery and evidence rules and create a testimonial privilege. That has the effect of changing the practice and procedure of a court rule. If this isn't specifically mentioned in the bill and there is a conflict, the court rule will override anything that is contrary in the bill, she said. The fact that the provisions are added raises a legitimate question and it's easier to resolve the potential conflict now.

CHAIR COGHILL expressed satisfaction with the answer. He recognized that there was a conceptual amendment.

[9:22:27 AM](#)

SENATOR GIESSEL moved to adopt Conceptual Amendment 1 that states:

The director of the Division of Insurance may adopt regulations necessary to implement the most recent version of the Financial Analysis Handbook adopted by the National Association of Insurance Commissioners.

CHAIR COGHILL objected for an explanation.

MS. WING-HEIER explained that the Division of Insurance receives updated manuals from the National Association of Insurance Commissioners on an annual basis and the division was under the impression that AS 21.06.140, which compels the division to use the current manuals, provided that authority. However, it is the opinion of Legislative Legal Services that the division does not have that authority. The proposed conceptual amendment allows the division to implement regulations to adopt the current manual.

CHAIR COGHILL asked Ms. Marx if she agreed with the explanation and that this would resolve the issue.

[9:24:01 AM](#)

MS. MARX agreed that the legislature needs to grant the department explicit authority to adopt future amended versions of the NAIC manuals. She suggested that the new statutory provision should state that by the authority granted in AS 44.62.245(a)(2), the Department of Commerce, Community and Economic Development (DCCED) may incorporate future amended versions of the Financial Analysis Handbook published by the National Association of Insurance Commissioners.

SENATOR GIESSEL clarified that the conceptual amendment encapsulates the concept that Ms. Marx articulated. She suggested including a statement that Legislative Legal Services has the authority to make conforming changes. That would allow the drafters to include the reference to the specific statute and language.

CHAIR COGHILL asked Ms. Marx if she heard the language suggested in the conceptual amendment.

MS. MARX answered no, but with authority from the committee she would be happy ensure the appropriate language is included.

[9:27:32 AM](#)

SENATOR GIESSEL clarified that the authority to make conforming changes comes from the chair of the committee.

[9:27:44 AM](#)

CHAIR COGHILL restated the language in the conceptual amendment:

The director of insurance may adopt regulations necessary to implement the most recent versions of the Financial Analysis Handbook adopted by the National Association of Insurance Adjusters.

CHAIR COGHILL withdrew his objection and authorized Legislative Legal Services to make necessary conforming changes.

Without further objection, Conceptual Amendment 1 was adopted.

[9:28:33 AM](#)

SENATOR GIESSEL moved to report SCS HB 78(RLS), work order 31-GH1953\M as amended, from committee [with individual recommendations] and attached fiscal note(s).

CHAIR COGHILL stated that without objection, SCS HB 78(RLS) passed from the Senate Rules Standing Committee with authority for Legislative Legal Services to make conforming changes.

[9:29:24 AM](#)

There being no further business to come before the committee, Chair Coghill adjourned the Senate Rules Standing Committee meeting at 9:29 a.m.