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IN THE SENATE

BY THE COMMERCE AND LABOR COMMITTEE

SENATE BILL NO. 125

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIRST LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act to require fire and marine insurance companies to maintain unearned premium and loss reserves; requiring fire insurance policies to be written on standard forms approved by the Commissioner of Insurance or on combination policies or supplemental or comprehensive contracts approved by the Commissioner of Insurance and requiring other types of policies to be approved by the Commissioner of Insurance before their use in the State of Alaska, and repealing Section 42--1-25, ACLA 1949."

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

Section 1. UNEARNED PREMIUM RESERVE FOR FIRE INSURANCE.

Every company authorized in Alaska to transact Fire and Marine insurance shall maintain an unearned premium reserve on all policies in force, which reserve shall be charged as a liability. The portions of the gross premiums in force, after deduction for reinsurance in authorized companies, which shall be held as a premium reserve, shall be computed according to the following table; provided, however, that the Commissioner may require that such reserve shall be equal to the unearned portions of the gross premiums in force after deduction for rein-

1 surance in authorized companies, in which case the reserve shall  
2 be computed on each respective risk from the date of the issu-  
3 ance of the policy:

4	TERM FOR WHICH	RESERVE FOR UN-
5	<u>POLICY IS WRITTEN</u>	<u>EARNED PREMIUM</u>
6	One Year . . . . .	1st year 1/2
7	Two Years. . . . .	1st year 3/4
8		2nd year 1/4
9	Three years. . . . .	1st year 5/6
10		2nd year 1/2
11		3rd year 1/6
12	Four Years . . . . .	1st year 7/8
13		2nd year 5/8
14		3rd year 3/8
15		4th year 1/8
16	Five Years . . . . .	1st year 9/10
17		2nd year 7/10
18		3rd year 1/2
19		4th year 3/10
20		5th year 1/10
21	Over Five Years. . . . .	Pro rata

22 Section 2. LOSS RESERVES. (a) Each Fire and Marine  
23 company shall maintain a reserve for unpaid loss claims at  
24 least equal to the aggregate estimated amounts due or to become  
25 due on account of all losses or claims of which the company has  
26 received notice; provided, that such loss reserve shall also  
27 include the estimated liability arising out of the occurrence  
28 of any event which may result in a loss and of which the company  
29 has received notice, and the estimated liability for all losses

1 which have occurred but of which no notice has been received.  
2 For the purpose of such reserves, the company shall keep a  
3 complete and itemized record showing all losses and claims on  
4 which it has received notice, including all notices received by  
5 it of the occurrence of any event which may result in a loss.

6 (b) Whenever the loss experience of the company shows  
7 the reserve calculated in accordance with the foregoing provi-  
8 sion to be inadequate the Commissioner may require such company  
9 to maintain additional loss reserves.

10 Section 3. STANDARD FIRE POLICY. (a) The standard fire  
11 insurance policy known as the 1943 Edition, New York Standard  
12 Form of Fire Insurance Policy, and any changes thereto made  
13 subsequently and approved by the Commissioner is hereby adopted  
14 as the standard form of fire insurance policy for Alaska. The  
15 Commissioner shall, as of the effective date of this act, file  
16 in his office and thereafter maintain on file, a true copy of  
17 such standard form of fire insurance policy for Alaska, with the  
18 Commissioner's certificate certifying the same as such standard  
19 form of policy and the date of filing. As any changes are made  
20 in such form and the same approved by the Commissioner, supple-  
21 mental standard forms of such policy bearing such certificate  
22 and date of filing shall be filed and maintained by the Commis-  
23 sioner. All such 1943 New York Standard Form of Fire Insurance  
24 Policies issued or outstanding in Alaska from and after said  
25 date until such time as the Commissioner otherwise rules, shall  
26 be valid. No fire insurance policy, or any renewal of any such  
27 policy on property in Alaska shall be issued or delivered in  
28 Alaska after the effective date of this act in other than such  
29 standard form, except only as provided in this and the following

1 sections of this article, and except that there may be issued  
2 riders, endorsements, clauses, permits, forms or other memoran-  
3 da, to be attached to and made a part of such fire insurance  
4 policy not inconsistent therewith. This subsection shall not  
5 be applicable to policies of insurance on any vehicle, motor  
6 or otherwise, to marine and transportation policies or to  
7 policies of reinsurance between companies.

8 (b) Insurers issuing the standard policy pursuant to  
9 this section are hereby authorized to affix thereto or include  
10 therein a written statement that the policy does not cover loss  
11 or damage caused by nuclear reaction or nuclear radiation or  
12 radioactive contamination, all whether directly or indirectly  
13 resulting from an insured peril under said policy: provided,  
14 however, that nothing herein contained shall be construed to  
15 prohibit the attachment to any such policy of an endorsement or  
16 endorsements specifically assuming coverage for loss or damage  
17 caused by nuclear reaction or nuclear radiation or radioactive  
18 contamination.

19 (c) COMBINATION POLICIES. Two or more companies author-  
20 ized to transact business in Alaska may issue a combination or  
21 group form of policy, using a distinctive title therefor, which  
22 title shall appear at the head of such policy followed by the  
23 titles of the companies obligated thereupon, and which policy  
24 shall be executed by the officers of each such companies; pro-  
25 vided, that before such companies shall issue such combination  
26 or group policy, the title of such proposed policy and the  
27 terms of the additional provisions thereof, hereby authorized,  
28 shall have been filed with the Commissioner, which terms, in  
29 addition to the provisions of the standard policy and not in-

1 consistent therewith, shall provide under a separate title  
2 therein, substantially as follows:

3 (A) That each company executing such policy shall  
4 be liable for the full amount of any loss or damage, according  
5 to the terms of the policy, or a specific percentage thereof;

6 (B) That service of processor of any notice or  
7 proof of loss required by the said policy upon any of the com-  
8 panies executing the same shall be deemed to be service upon  
9 all; and provided further, that the unearned premium liability  
10 on each policy so issued shall be maintained by each of such  
11 companies on the basis of the liability of each to the insured  
12 thereunder.

13 (d) SUPPLEMENTAL OR COMPREHENSIVE CONTRACTS. Forms for  
14 supplemental contracts or comprehensive contracts whereby the  
15 property described may be insured against one or more risks, in  
16 addition to the risk of direct loss or damage by fire, and forms  
17 of fire policies on farm property, may be approved by the Com-  
18 missioner, and their use in connection with the standard fire  
19 insurance policy may be authorized by the Commissioner.

20 Section 4. Every insurance company, domestic or foreign,  
21 doing business in the State, shall submit to the Commissioner a  
22 copy of every policy it will issue in the State and every  
23 policy insuring risks in the State and shall secure his approval  
24 thereof before issuing any such policy.

25 Section 5. Section 42-1-25 ACLA 1949 is hereby repealed.  
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