TABLE OF CONTENTS

SENATE BILL 83

	PAGE
CHAPTER 3. SCOPE OF CODE.	1
Sec. 010. INSURANCE REGULATED.	1
Sec. 020. APPLICATION OF CODE AS TO PARTICULAR TYPES OF INSURERS.	1
Sec. 030. EXISTING CERTIFICATES OF AUTHORITY AND LICENSES.	1
Sec. 040. EXISTING FORMS AND FILINGS.	2
Sec. 050. EXISTING DOMESTIC INSURERS.	2
CHAPTER 6. THE DIRECTOR OF INSURANCE.	3
Sec. 010. DIRECTOR, DIVISION OF INSURANCE DESIGNATED.	3
Sec. 020. DIVISION OF INSURANCE.	3
Sec. 030. DEPUTIES AND ASSISTANTS.	3
Sec. 040. PROHIBITED INTERESTS, REWARDS.	4
Sec. 050. DELEGATION OF AUTHORITY.	5
Sec. 060. RECORDS.	5
Sec. 070. CERTIFICATES AS EVIDENCE.	5
Sec. 080. GENERAL POWERS, DUTIES.	6
Sec. 090. RULES AND REGULATIONS.	6
Sec. 100. ORDERS, NOTICES.	7
Sec. 110. DIRECTOR'S ANNUAL REPORT.	7
Sec. 120. EXAMINATION OF INSURERS.	8
Sec. 130. EXAMINATION OF AGENTS, MANAGERS, PROMOTERS.	9
Sec. 140. CONDUCT OF EXAMINATION.	10
Sec. 150. EXAMINATION REPORTS.	11
Sec. 160. EXAMINATION EXPENSE.	12
Sec. 170. WITNESSES AND EVIDENCE.	13
Sec. 180. TESTIMONY COMPELLED.	14
Sec. 190. HEARINGS.	15
Sec. 200. STAY OF ACTION.	15
Sec. 210. NOTICE OF HEARING.	16
Sec. 220. HEARING PROCEDURE.	16

		PAGE
Sec. 230.	ORDER ON HEARING.	17
Sec. 240.	APPEALS FROM THE DIRECTOR.	18
Sec. 250.	FEES AND LICENSES.	20
CHAPTER 9.	AUTHORIZATION OF INSURERS AND GENERAL REQUIREMENTS.	24
Sec. 010.	CERTIFICATE OF AUTHORITY REQUIRED -- IN GENERAL.	24
Sec. 020.	EXCEPTIONS, CERTIFICATE OF AUTHORITY REQUIREMENT.	24
Sec. 030.	ADMISSION FOR INVESTMENT ONLY.	25
Sec. 040.	GENERAL ELIGIBILITY OF INSURERS.	25
Sec. 050.	NAME OF INSURER.	26
Sec. 060.	COMBINATIONS OF INSURING POWERS, ONE INSURER.	27
Sec. 070.	CAPITAL FUNDS REQUIRED -- FOREIGN INSURERS AND NEW DOMESTIC INSURERS.	27
Sec. 080.	CAPITAL FUNDS REQUIRED -- OLD DOMESTIC INSURERS.	29
Sec. 090.	DEPOSIT REQUIREMENT.	30
Sec. 100.	MANAGEMENT AND AFFILIATIONS.	31
Sec. 110.	APPLICATION FOR CERTIFICATE OF AUTHORITY.	32
Sec. 120.	ISSUANCE OR REFUSAL OF AUTHORITY -- OWNERSHIP OF CERTIFICATE.	34
Sec. 130.	CONTINUANCE, EXPIRATION, REINSTATEMENT AND AMENDMENT OF CERTIFICATE OF AUTHORITY.	34
Sec. 140.	MANDATORY REVOCATION, SUSPENSION OF CERTIFICATE OF AUTHORITY.	35
Sec. 150.	SUSPENSION OR REVOCATION FOR VIOLATIONS AND SPECIAL GROUNDS.	36
Sec. 160.	NOTICE OF SUSPENSION OR REVOCATION -- EFFECT UPON AGENT'S AUTHORITY.	37
Sec. 170.	DURATION OF SUSPENSION -- INSURER'S OBLIGATIONS -- REINSTATEMENT.	38
Sec. 180.	DIRECTOR ATTORNEY FOR SERVICE OF PROCESS.	39
Sec. 190.	SERVING PROCESS -- TIME TO PLEAD.	40
Sec. 200.	ANNUAL STATEMENT.	40
Sec. 210.	TAX.	41

		PAGE
Sec. 220.	COUNTER SIGNATURE BY RESIDENT AGENT -- APPLICATION OF TITLE.	43
Sec. 230.	EXCEPTION.	44
Sec. 240.	AFFIDAVIT ATTACHED TO ANNUAL STATEMENT.	45
Sec. 250.	UNLAWFUL ACTS DEFINED.	46
Sec. 260.	VIOLATIONS -- PENALTIES.	46
Sec. 270.	RETALIATION.	46
Sec. 280.	GENERAL AGENTS, MANAGERS -- APPOINTMENT -- POWERS -- LICENSING.	48
CHAPTER 12.	KINDS OF INSURANCE -- LIMITS OF RISK -- REINSURANCE.	49
Sec. 010.	LIMIT OF RISK.	49
Sec. 020.	REINSURANCE.	50
Sec. 030.	DEFINITIONS NOT MUTUALLY EXCLUSIVE.	51
Sec. 040.	LIFE INSURANCE DEFINED.	51
Sec. 050.	DISABILITY INSURANCE DEFINED.	52
Sec. 060.	PROPERTY INSURANCE DEFINED.	52
Sec. 070.	CASUALTY INSURANCE DEFINED.	52
Sec. 080.	SURETY INSURANCE DEFINED.	56
Sec. 090.	MARINE, WET MARINE AND TRANSPORTATION INSURANCE DEFINED.	56
Sec. 100.	TITLE INSURANCE DEFINED.	59
CHAPTER 18.	ASSETS AND LIABILITIES	59
Sec. 010.	ALLOWABLE ASSETS.	59
Sec. 020.	ASSETS AS DEDUCTIONS FROM LIABILITIES.	62
Sec. 030.	ASSETS NOT ALLOWED.	62
Sec. 040.	DISALLOWANCE OF WASH TRANSACTIONS.	63
Sec. 050.	LIABILITIES, IN GENERAL.	64
Sec. 060.	UNEARNED PREMIUM RESERVE.	66
Sec. 070.	UNEARNED PREMIUM RESERVE FOR MARINE AND TRANSPORTATION INSURANCE.	67
Sec. 080.	RESERVE FOR DISABILITY INSURANCE.	67
Sec. 090.	LOSS RESERVES, LIABILITY INSURANCE AND WORKMAN'S COMPENSATION.	67

		PAGE
Sec. 100.	INCREASE OF INADEQUATE RESERVES.	69
Sec. 110.	STANDARD VALUATION LAW -- LIFE INSURANCE.	69
Sec. 120.	DEPOSIT OF RESERVES, DOMESTIC LIFE INSURERS.	76
Sec. 130.	VALUATION OF BONDS.	78
Sec. 140.	VALUATION OF OTHER SECURITIES.	79
Sec. 150.	VALUATION OF PROPERTY.	79
Sec. 160.	VALUATION OF PURCHASE MONEY MORTGAGES.	80
CHAPTER 21.	INVESTMENTS.	80
Sec. 010.	SCOPE OF CHAPTER.	80
Sec. 020.	ELIGIBLE INVESTMENTS.	80
Sec. 030.	GENERAL QUALIFICATIONS.	81
Sec. 040.	AUTHORIZATION OF INVESTMENT.	81
Sec. 050.	DIVERSIFICATION OF INVESTMENTS.	82
Sec. 060.	UNITED STATES OR CANADIAN GOVERNMENT OBLIGATIONS.	84
Sec. 070.	LOANS GUARANTEED BY THE UNITED STATES OR CANADA.	84
Sec. 080.	STATE, COUNTY, MUNICIPAL, AND SCHOOL OBLIGATIONS.	84
Sec. 090.	REVENUE BONDS.	85
Sec. 100.	IMPROVEMENT DISTRICT OBLIGATIONS.	85
Sec. 110.	OBLIGATIONS, STOCK OF CERTAIN FEDERAL AGENCIES.	85
Sec. 120.	INTERNATIONAL BANK.	86
Sec. 130.	INTER-AMERICAN DEVELOPMENT BANK.	86
Sec. 140.	CORPORATE BONDS AND DEBENTURES.	86
Sec. 150.	PREFERRED OR GUARANTEED STOCK.	88
Sec. 160.	COMMON STOCKS.	88
Sec. 170.	INSURANCE STOCKS.	89
Sec. 180.	STOCKS OF SUBSIDIARIES.	89
Sec. 190.	EQUIPMENT TRUST CERTIFICATES.	90
Sec. 200.	INVESTMENT TRUST SECURITIES.	90

		PAGE
Sec. 210.	POLICY LOANS.	90
Sec. 220.	COLLATERAL LOANS.	91
Sec. 230.	SAVINGS AND LOAN.	91
Sec. 240.	FOREIGN SECURITIES.	91
Sec. 250.	MISCELLANEOUS INVESTMENTS.	91
Sec. 260.	REAL ESTATE MORTGAGES.	92
Sec. 270.	CHATTEL MORTGAGES.	94
Sec. 280.	REAL ESTATE.	95
Sec. 290.	TIME LIMIT FOR DISPOSAL OF REAL ESTATE.	97
Sec. 300.	TIME LIMIT FOR DISPOSAL OF OTHER INELIGIBLE PROPERTY AND SECURITIES.	98
Sec. 310.	FAILURE TO DISPOSE OF REAL ESTATE, PROPERTY OR SECURITIES.	98
Sec. 320.	PROHIBITED INVESTMENTS AND INVESTMENT UNDERWRITING.	99
Sec. 330.	INVESTMENTS OF FOREIGN INSURERS.	100
CHAPTER 24.	ADMINISTRATION OF DEPOSITS	100
Sec. 010.	AUTHORIZED DEPOSITS OF INSURERS.	100
Sec. 020.	PURPOSE OF DEPOSIT.	100
Sec. 030.	SECURITIES ELIGIBLE FOR DEPOSIT.	101
Sec. 040.	DEPOSITARY OR CUSTODIAN.	102
Sec. 050.	RECORD OF DEPOSITS -- LIABILITY OF DIRECTOR AND STATE.	103
Sec. 060.	RESPONSIBILITY FOR SAFEKEEPING.	103
Sec. 070.	ASSIGNMENT, CONVEYANCE OF ASSETS OR SECURITIES.	103
Sec. 080.	APPRAISAL.	104
Sec. 090.	RIGHTS OF INSURER DURING SOLVENCY.	104
Sec. 100.	EXCESS DEPOSITS.	105
Sec. 110.	LEVY UPON DEPOSIT.	105
Sec. 120.	DEFICIENCY OF DEPOSIT.	105
Sec. 130.	DURATION AND RELEASE OF DEPOSIT.	105

		PAGE
CHAPTER 27.	AGENTS, BROKERS, SOLICITORS, AND ADJUSTERS.	107
Sec. 010.	LICENSE REQUIRED.	107
Sec. 020.	GENERAL QUALIFICATIONS FOR LICENSE.	108
Sec. 030.	CONTROLLED BUSINESS DISQUALIFICATION.	109
Sec. 040.	APPLICATION FOR LICENSE.	109
Sec. 050.	ONE FILING OF PERSONAL DATA SUFFICIENT.	110
Sec. 060.	EXAMINATION OF APPLICANTS.	111
Sec. 070.	SCOPE OF EXAMINATIONS.	111
Sec. 080.	EXAMINATIONS.	112
Sec. 090.	AGENT'S AND BROKER'S QUALIFICATIONS.	112
Sec. 100.	APPOINTMENT OF AGENTS.	114
Sec. 110.	TERM OF APPOINTMENT OF AGENT.	114
Sec. 120.	REVOCATION OF APPOINTMENT.	114
Sec. 130.	CONTENT OF AGENTS', BROKERS', SOLICITORS' LICENSES.	115
Sec. 140.	LICENSES TO FIRMS AND CORPORATIONS.	115
Sec. 150.	LIMITED LICENSES.	116
Sec. 160.	NUMBER OF LICENSES.	116
Sec. 170.	INSURANCE VENDING MACHINES.	116
Sec. 180.	SCOPE OF BROKER'S LICENSE.	118
Sec. 190.	BROKER'S BOND.	118
Sec. 200.	BROKER'S AUTHORITY -- COMMISSIONS.	118
Sec. 210.	AGENT-BROKER COMBINATIONS.	119
Sec. 220.	SOLICITOR'S QUALIFICATIONS.	119
Sec. 230.	SOLICITOR'S LICENSE -- APPLICATION.	119
Sec. 240.	SOLICITOR'S LICENSE FEE - CUSTODY -- CANCELLATION.	120
Sec. 250.	LIMITATIONS UPON SOLICITORS.	120
Sec. 260.	RESPONSIBILITY OF EMPLOYING AGENT OR BROKER.	120
Sec. 270.	NONRESIDENT AGENTS, BROKERS OR ADJUSTERS.	120
Sec. 280.	SERVICE OF PROCESS AGAINST NONRESIDENT AGENT, BROKER, ADJUSTER.	121
Sec. 290.	ADJUSTERS -- QUALIFICATION FOR LICENSE.	122

		PAGE
Sec. 300.	ADJUSTER'S LICENSE -- CONTENT.	122
Sec. 310.	AUTHORITY OF ADJUSTER.	123
Sec. 320.	AGENT MAY ADJUST -- NONRESIDENT ADJUSTERS.	123
Sec. 330.	PLACE OF BUSINESS.	123
Sec. 340.	DISPLAY OF LICENSE.	123
Sec. 350.	RECORDS OF AGENTS, BROKERS, ADJUSTERS.	124
Sec. 360.	REPORTING AND ACCOUNTING FOR PREMIUMS.	125
Sec. 370.	SHARING COMMISSIONS.	125
Sec. 380.	EXPIRATION AND RENEWAL OF LICENSES.	126
Sec. 390.	TEMPORARY LICENSES.	127
Sec. 400.	TEMPORARY LICENSES -- DURATION -- LIMITATIONS.	128
Sec. 410.	REFUSAL, SUSPENSION, REVOCATION OF LICENSES.	129
Sec. 420.	PROCEDURE TO SUSPEND, REVOKE OR REFUSE -- EFFECT OF CONVICTION OF FELONY.	130
Sec. 430.	DURATION OF SUSPENSION.	130
Sec. 440.	FINES MAY BE IMPOSED.	131
Sec. 450.	REINSTATEMENT OR RELICENSING.	131
Sec. 460.	FINE IN LIEU OF LICENSE SUSPENSION, REVOCATION, OR REFUSAL.	131
Sec. 470.	RETURN OF LICENSE.	132
Sec. 480.	AGENT DEFINED.	132
Sec. 490.	BROKER DEFINED.	132
Sec. 500.	SOLICITOR DEFINED.	133
Sec. 510.	SERVICE REPRESENTATIVES.	133
Sec. 520.	ADJUSTER DEFINED.	133
Sec. 530.	EXCEPTIONS FROM DEFINITIONS.	133
CHAPTER 33.	UNAUTHORIZED INSURERS AND SURPLUS LINES.	134
Sec. 010.	PURPOSE.	134
Sec. 020.	INSURANCE BUSINESS DEFINED.	135
Sec. 030.	UNAUTHORIZED INSURANCE PROHIBITED.	137
Sec. 040.	SERVICE OF PROCESS ON DIRECTOR.	138
Sec. 050.	SERVICE OF PROCESS ON COMMISSIONER OF COMMERCE.	140

		PAGE
Sec. 060.	UNAUTHORIZED PERSON OR INSURER DEFENSE OF ACTION.	143
Sec. 070.	ATTORNEY FEES.	145
Sec. 080.	VALIDITY OF INSURANCE CONTRACTS.	145
Sec. 090.	INVESTIGATION AND DISCLOSURE OF INSURANCE CONTRACTS.	145
Sec. 100.	REPORTING OF UNAUTHORIZED INSURANCE.	146
Sec. 110.	UNAUTHORIZED INSURANCE PREMIUM TAX.	146
Sec. 120.	INDEPENDENTLY PROCURED INSURANCE.	148
Sec. 130.	PENALTY FOR UNAUTHORIZED INSURANCE.	150
Sec. 140.	SURPLUS LINE INSURANCE.	150
Sec. 150.	AGENT'S AFFIDAVIT.	151
Sec. 160.	ENDORSEMENT OF CONTRACT.	151
Sec. 170.	SURPLUS LINE INSURANCE VALID.	152
Sec. 180.	LICENSING OF SURPLUS LINE AGENT -- FEE -- BOND.	152
Sec. 190.	AGENT'S AUTHORITY UNDER LICENSE -- ACCEPTANCE OF BUSINESS FROM OTHER AGENTS.	153
Sec. 200.	SURPLUS LINES IN SOLVENT INSURERS.	153
Sec. 210.	EVIDENCE OF THE INSURANCE -- CHANGES -- PENALTY.	154
Sec. 220.	LIABILITY OF INSURER AS TO LOSSES AND UNEARNED PREMIUMS.	155
Sec. 230.	RECORDS AND ANNUAL STATEMENT.	156
Sec. 240.	TAX ON SURPLUS LINES.	157
Sec. 250.	PENALTY FOR FAILURE TO FILE STATEMENT, PAY TAX.	157
Sec. 260.	REVOCATION OF AGENT'S LICENSE.	157
Sec. 270.	ACTIONS AGAINST INSURER -- VENUE -- SERVICE OF PROCESS.	158
Sec. 280.	DIRECTOR APPOINTED PROCESS AGENT -- SERVICE OF PROCESS.	158
Sec. 290.	RULES AND REGULATIONS.	159
Sec. 300.	EXEMPTIONS FROM SURPLUS LINE LAW.	159
Sec. 310.	RECORDS OF INSUREDS.	160
Sec. 320.	SURPLUS LINE INSURANCE LAW -- TITLE.	160

		PAGE
CHAPTER 36.	TRADE PRACTICES AND FRAUDS.	161
Sec. 010.	PURPOSES OF TRADE PRACTICES LAW.	161
Sec. 020.	UNFAIR METHODS, DECEPTIVE ACTS PROHIBITED.	161
Sec. 030.	MISREPRESENTATION, FALSE ADVERTISING OF POLICIES.	161
Sec. 040.	FALSE INFORMATION, ADVERTISING.	162
Sec. 050.	TWISTING PROHIBITED.	162
Sec. 060.	FALSE FINANCIAL STATEMENTS.	162
Sec. 070.	DEFAMATION.	163
Sec. 080.	BOYCOTT, COERCION AND INTIMIDATION.	163
Sec. 090.	UNFAIR DISCRIMINATION -- LIFE INSURANCE, ANNUITIES, AND DISABILITY INSURANCE.	163
Sec. 100.	REBATES -- LIFE, DISABILITY AND ANNUITY CONTRACTS.	164
Sec. 110.	EXCEPTIONS TO DISCRIMINATION, REBATES PROVISION -- LIFE, DISABILITY, AND ANNUITY CONTRACTS.	165
Sec. 120.	UNFAIR DISCRIMINATION, REBATES PROHIBITED PROPERTY, CASUALTY, SURETY INSURANCES.	166
Sec. 130.	STOCK OPERATIONS AND ADVISORY BOARD CONTRACTS.	167
Sec. 140.	DESIST ORDERS FOR PROHIBITED PRACTICES.	167
Sec. 150.	PROCEDURES AS TO UNDEFINED PRACTICES.	168
Sec. 160.	FAVORED AGENT OR INSURER.	169
Sec. 170.	INTERLOCKING OWNERSHIP, MANAGEMENT.	169
Sec. 180.	POLITICAL CONTRIBUTIONS PROHIBITED -- PENALTY.	170
Sec. 190.	ILLEGAL DEALING IN PREMIUMS -- IMPROPER CHARGES FOR INSURANCE.	171
Sec. 200.	FICTITIOUS GROUPS.	172
Sec. 210.	FALSE APPLICATIONS, CLAIMS, PROOFS OF LOSS -- PENALTY.	172
CHAPTER 39.	RATES AND RATING ORGANIZATIONS.	173
Sec. 010.	PURPOSE OF CHAPTER.	173
Sec. 020.	SCOPE OF CHAPTER.	173
Sec. 030.	MAKING OF RATES.	174

		PAGE
Sec. 040.	RATE FILINGS.	175
Sec. 050.	DISAPPROVAL OF FILINGS.	178
Sec. 060.	RATING ORGANIZATIONS.	180
Sec. 070.	DEVIATIONS.	184
Sec. 080.	APPEAL BY MINORITY.	185
Sec. 090.	INFORMATION TO BE FURNISHED INSUREDS -- HEARINGS AND APPEALS OF INSUREDS.	185
Sec. 100.	ADVISORY ORGANIZATIONS.	186
Sec. 110.	JOINT UNDERWRITING OR JOINT REINSURANCE.	188
Sec. 120.	EXAMINATIONS.	188
Sec. 130.	RATE ADMINISTRATION.	189
Sec. 140.	FALSE OR MISLEADING INFORMATION.	191
Sec. 150.	ASSIGNED RISKS.	191
Sec. 160.	PENALTIES.	191
Sec. 170.	HEARING PROCEDURE AND JUDICIAL REVIEW.	192
CHAPTER 42.	THE INSURANCE CONTRACT.	193
Sec. 010.	SCOPE OF CHAPTER.	193
Sec. 020.	INSURABLE INTEREST, PERSONAL INSURANCE.	193
Sec. 030.	INSURABLE INTEREST, PROPERTY.	195
Sec. 040.	INTEREST OF NAMED INSURED -- PROPERTY INSURANCE.	195
Sec. 050.	CHANGE OF INTEREST ON DEATH -- PROPERTY INSURANCE.	195
Sec. 060.	TRANSFER OF INTEREST BETWEEN JOINT INSUREDS -- PROPERTY INSURANCE.	195
Sec. 070.	INSURANCE WITHOUT INTEREST, OR OF WAGER, IS VOID.	196
Sec. 080.	POWER TO CONTRACT -- PURCHASE OF INSURANCE BY MINORS.	196
Sec. 090.	APPLICATION REQUIRED -- LIFE AND DISABILITY INSURANCE.	197
Sec. 100.	APPLICATION AS EVIDENCE -- ALTERATION OF APPLICATION.	198
Sec. 110.	REPRESENTATIONS IN APPLICATIONS.	199
Sec. 120.	FILING, APPROVAL OF FORMS.	200

		PAGE
Sec. 130.	GROUNDS FOR DISAPPROVAL.	202
Sec. 140.	STANDARD PROVISIONS, IN GENERAL.	202
Sec. 150.	POLICY MUST CONTAIN ENTIRE CONTRACT.	203
Sec. 160.	CONTENTS OF POLICIES IN GENERAL -- IDENTIFICATION.	203
Sec. 170.	ADDITIONAL POLICY CONTENTS.	204
Sec. 180.	CHARTER, BYLAW PROVISIONS.	204
Sec. 190.	EXECUTION OF POLICIES.	205
Sec. 200.	UNDERWRITERS' AND COMBINATION POLICIES.	205
Sec. 210.	INTEREST IN REINSURANCE.	206
Sec. 220.	VALIDITY OF NONCOMPLYING FORMS.	206
Sec. 230.	CONSTRUCTION OF POLICIES.	206
Sec. 240.	BINDERS.	206
Sec. 250.	DELIVERY OF POLICY.	207
Sec. 260.	RENEWAL BY CERTIFICATE.	207
Sec. 270.	ASSIGNMENT OF POLICIES.	208
Sec. 280.	PAYMENT DISCHARGES INSURER.	208
Sec. 290.	MINOR MAY GIVE ACQUITTANCE.	209
Sec. 300.	FORMS FOR PROOF OF LOSS TO BE FURNISHED.	209
Sec. 310.	CLAIMS ADMINISTRATION NOT WAIVER.	210
Sec. 320.	EXEMPTION OF LIFE INSURANCE PROCEEDS AS TO CREDITORS.	210
Sec. 330.	EXEMPTION OF PROCEEDS, GROUP LIFE.	211
Sec. 340.	EXEMPTION OF PROCEEDS, DISABILITY INSURANCE.	212
Sec. 350.	EXEMPTION OF PROCEEDS, ANNUITY CONTRACTS -- ASSIGNABILITY OF RIGHTS.	212
Sec. 360.	POLICY DEFINED.	214
Sec. 370.	PREMIUM DEFINED.	214
CHAPTER 45.	LIFE INSURANCE AND ANNUITIES.	214
Sec. 010.	SCOPE OF CHAPTER.	214
Sec. 020.	STANDARD PROVISIONS REQUIRED.	214
Sec. 030.	GRACE PERIOD.	215
Sec. 040.	INCONTESTABILITY.	215

		PAGE
Sec. 050.	ENTIRE CONTRACT.	216
Sec. 060.	MISSTATEMENT OF AGE.	216
Sec. 070.	DIVIDENDS.	216
Sec. 080.	POLICY LOAN.	217
Sec. 090.	TABLE OF VALUES.	218
Sec. 100.	TABLE OF INSTALLMENTS.	219
Sec. 110.	REINSTATEMENT.	219
Sec. 120.	PAYMENT OF PREMIUMS.	219
Sec. 130.	PAYMENT OF CLAIMS.	219
Sec. 140.	BENEFICIARY, INDUSTRIAL POLICIES.	219
Sec. 150.	TITLE.	220
Sec. 160.	EXCLUDED OR RESTRICTED COVERAGE.	220
Sec. 170.	STANDARD PROVISIONS -- ANNUITY AND PURE ENDOWMENT CONTRACTS.	221
Sec. 180.	GRACE PERIOD - ANNUITIES.	221
Sec. 190.	INCONTESTABILITY -- ANNUITIES.	222
Sec. 200.	ENTIRE CONTRACT -- ANNUITIES.	222
Sec. 210.	MISSTATEMENT OF AGE OR SEX -- ANNUITIES.	222
Sec. 220.	DIVIDENDS -- ANNUITIES.	223
Sec. 230.	REINSTATEMENT -- ANNUITIES.	223
Sec. 240.	STANDARD PROVISIONS -- REVERSIONARY ANNUITIES.	224
Sec. 250.	LIMITATION OF LIABILITY.	225
Sec. 260.	PROHIBITED PROVISIONS, INDUSTRIAL LIFE INSURANCE.	226
Sec. 270.	INCONTESTABILITY, LIMITATION OF LIABILITY AFTER REINSTATEMENT.	227
Sec. 280.	POLICY SETTLEMENTS.	228
Sec. 290.	INDEBTEDNESS DEDUCTED FROM PROCEEDS.	228
Sec. 300.	STANDARD NONFORFEITURE LAW -- LIFE INSURANCE.	228
Sec. 310.	NONFORFEITURE RIGHTS, OLD POLICIES.	238
Sec. 320.	PROHIBITED POLICY PLANS.	239
Sec. 330.	INDUSTRIAL LIFE INSURANCE DEFINED.	240

		PAGE
CHAPTER 48.	GROUP LIFE INSURANCE.	240
Sec. 010.	GROUP REQUIREMENTS FOR GROUP CONTRACTS.	240
Sec. 020.	EMPLOYEE GROUPS.	240
Sec. 030.	LABOR UNION GROUPS.	242
Sec. 040.	TRUSTEE GROUPS.	243
Sec. 050.	PUBLIC EMPLOYEE ASSOCIATIONS.	246
Sec. 060.	DEBTOR GROUPS.	247
Sec. 070.	CREDIT UNION GROUP.	249
Sec. 080.	LIMIT AS TO AMOUNT.	250
Sec. 090.	DEPENDENTS' COVERAGE.	251
Sec. 100.	PROVISIONS REQUIRED IN GROUP CONTRACTS.	253
Sec. 110.	GRACE PERIOD.	254
Sec. 120.	INCONTESTABILITY.	254
Sec. 130.	APPLICATION -- STATEMENTS DEEMED REPRESENTATIONS.	255
Sec. 140.	INSURABILITY.	255
Sec. 150.	MISSTATEMENT OF AGE.	255
Sec. 160.	PAYMENT OF BENEFITS.	255
Sec. 170.	CERTIFICATE.	256
Sec. 180.	CONVERSION ON TERMINATION OF ELIGIBILITY.	256
Sec. 190.	CONVERSION ON TERMINATION OF POLICY.	257
Sec. 200.	DEATH PENDING CONVERSION.	258
Sec. 210.	NOTICE AS TO CONVERSION RIGHT.	258
Sec. 220.	EMPLOYEE LIFE INSURANCE DEFINED.	259
Sec. 230.	VIOLATIONS.	259
CHAPTER 51.	DISABILITY INSURANCE POLICIES.	259
Sec. 010.	SCOPE OF CHAPTER.	259
Sec. 020.	SCOPE, FORMAT OF POLICY.	260
Sec. 030.	REQUIRED PROVISIONS -- CAPTIONS -- OMISSIONS -- SUBSTITUTIONS.	262
Sec. 040.	ENTIRE CONTRACT -- CHANGES.	262
Sec. 050.	TIME LIMIT ON CERTAIN DEFENSES.	263

		PAGE
Sec. 060.	GRACE PERIOD.	264
Sec. 070.	REINSTATEMENT.	264
Sec. 080.	NOTICE OF CLAIM.	266
Sec. 090.	CLAIM FORMS.	267
Sec. 100.	PROOFS OF LOSS.	267
Sec. 110.	TIME OF PAYMENT OF CLAIMS.	268
Sec. 120.	PAYMENT OF CLAIMS.	268
Sec. 130.	PHYSICAL EXAMINATION, AUTOPSY.	269
Sec. 140.	LEGAL ACTIONS.	270
Sec. 150.	CHANGE OF BENEFICIARY.	270
Sec. 160.	OPTIONAL POLICY PROVISIONS.	270
Sec. 170.	CHANGE OF OCCUPATION.	271
Sec. 180.	MISSTATEMENT OF AGE.	272
Sec. 190.	OTHER INSURANCE IN THIS INSURER.	272
Sec. 200.	INSURANCE WITH OTHER INSURERS.	272
Sec. 210.	INSURANCE WITH OTHER INSURERS.	274
Sec. 220.	RELATION OF EARNINGS TO INSURANCE.	275
Sec. 230.	UNPAID PREMIUMS.	277
Sec. 240.	CONFORMITY WITH STATE STATUTES.	277
Sec. 250.	ILLEGAL OCCUPATION.	277
Sec. 260.	INTOXICANTS AND NARCOTICS.	277
Sec. 270.	RENEWAL AT OPTION OF INSURER.	277
Sec. 280.	ORDER OF CERTAIN PROVISIONS.	278
Sec. 290.	THIRD-PARTY OWNERSHIP.	278
Sec. 300.	REQUIREMENT OF OTHER JURISDICTIONS.	279
Sec. 310.	CONFORMING TO STATUTE.	279
Sec. 320.	AGE LIMIT.	279
Sec. 330.	FAMILY EXPENSE DISABILITY INSURANCE DEFINED.	280
Sec. 340.	FRANCHISE DISABILITY INSURANCE LAW.	281
Sec. 350.	VIOLATIONS.	281
CHAPTER 54.	GROUP AND BLANKET DISABILITY INSURANCE.	282

		PAGE
Sec. 010.	REQUIRED PROVISIONS OF GROUP POLICIES.	282
Sec. 020.	DIRECT PAYMENT OF HOSPITAL, MEDICAL SERVICES.	282
Sec. 030.	REQUIRED PROVISIONS OF BLANKET POLICIES.	283
Sec. 040.	APPLICATION AND CERTIFICATES NOT REQUIRED.	285
Sec. 050.	INSURABLE INTEREST -- FACILITY OF PAYMENT.	285
Sec. 060.	GROUP DISABILITY INSURANCE DEFINED -- ELIGIBLE GROUPS.	286
Sec. 070.	BLANKET DISABILITY INSURANCE DEFINED.	288
CHAPTER 57.	CREDIT LIFE AND DISABILITY INSURANCE.	290
Sec. 010.	PURPOSE.	290
Sec. 020.	SCOPE OF CHAPTER.	290
Sec. 030.	FORMS OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE.	290
Sec. 040.	AMOUNT OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE.	291
Sec. 050.	TERM OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE.	291
Sec. 060.	PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE -- DISCLOSURE TO DEBTORS.	292
Sec. 070.	DELIVERY OF POLICY OR CERTIFICATE.	293
Sec. 080.	FILING, APPROVAL AND WITHDRAWAL OF FORMS.	293
Sec. 090.	PREMIUMS AND REFUNDS.	295
Sec. 100.	ISSUANCE OF POLICIES.	296
Sec. 110.	CLAIMS.	296
Sec. 120.	EXISTING INSURANCE -- CHOICE OF INSURER.	297
Sec. 130.	ENFORCEMENT.	297
Sec. 140.	JUDICIAL REVIEW.	297
Sec. 150.	PENALTIES.	297
Sec. 160.	DEFINITIONS.	298
Sec. 170.	SHORT TITLE.	299
CHAPTER 60.	PROPERTY INSURANCE CONTRACTS.	299
Sec. 010.	OVER-INSURANCE PROHIBITED.	299
Sec. 020.	REPLACEMENT INSURANCE.	299

		PAGE
CHAPTER 63.	SURETY INSURANCE CONTRACTS.	299
Sec. 010.	RIGHTS OF SURETY INSURER.	300
Sec. 020.	MAY BE SOLE SURETY ON OFFICIAL BONDS.	300
Sec. 030.	RELEASE FROM LIABILITY ON OFFICIAL BONDS.	301
CHAPTER 66.	TITLE INSURANCE COMPANIES.	301
Sec. 010.	PAID IN CAPITAL REQUIRED: GUARANTY FUND.	301
Sec. 020.	DEPOSITS IN GUARANTY FUND.	302
Sec. 030.	SECURITIES AUTHORIZED AS DEPOSITS.	302
Sec. 040.	SPECIAL GUARANTY FUND: CONDITIONS.	303
Sec. 050.	TITLE INSURANCE UNEARNED PREMIUM RESERVE FUND.	307
Sec. 060.	DIVIDENDS.	309
Sec. 070.	FILING SCHEDULE OF RATES AND POLICY FORMS.	309
Sec. 080.	FILING ANNUAL STATEMENT: FILING FEE.	309
Sec. 090.	APPLICATION FOR CERTIFICATE OF AUTHORITY: FEE.	310
Sec. 100.	ISSUANCE OF CERTIFICATE OF AUTHORITY BY DIRECTOR.	310
Sec. 110.	ANNUAL TAX ON TITLE INSURANCE PREMIUMS.	311
Sec. 120.	EXAMINATION BY DIRECTOR.	311
Sec. 130.	EXPENSES OF EXAMINATION.	312
Sec. 140.	FINE OR INJUNCTION FOR DOING BUSINESS DURING SUSPENSION OF CERTIFICATE: REINSTATEMENT	312
Sec. 150.	APPLICATION OF ACT.	312
Sec. 160.	PENALTIES.	312
CHAPTER 69.	ORGANIZATION AND CORPORATE PROCEDURES.	313
Sec. 010.	SCOPE OF CHAPTER.	313
Sec. 020.	APPLICABILITY OF GENERAL CORPORATION STATUTES.	313
Sec. 030.	INCORPORATION.	313
Sec. 040.	ARTICLES OF INCORPORATION, FILING AND APPROVAL.	316
Sec. 050.	AMENDMENT OF ARTICLES OF INCORPORATION.	317
Sec. 060.	SOLICITATION PERMIT.	319

		PAGE
Sec. 070.	APPLICATION FOR SOLICITATION PERMIT.	319
Sec. 080.	PROCEDURE UPON APPLICATION.	321
Sec. 090.	ISSUANCE OF PERMIT -- BOND.	321
Sec. 100.	DURATION OF PERMIT -- CONTENTS.	321
Sec. 110.	PERMIT AS INDUCEMENT.	322
Sec. 120.	SOLICITOR'S LICENSES.	323
Sec. 130.	MODIFICATION, REVOCATION OF PERMIT.	323
Sec. 140.	BOND -- CASH DEPOSIT.	323
Sec. 150.	ESCROW OF FUNDS.	324
Sec. 160.	LIABILITY OF ORGANIZERS -- ORGANIZATION EXPENSE.	325
Sec. 170.	PAYMENT FOR SUBSCRIPTIONS -- FORFEITURE.	326
Sec. 180.	INSURANCE APPLICATIONS -- MUTUAL AND RECIPROCAL INSURERS.	326
Sec. 190.	PROCEDURE ON FAILURE TO COMPLETE ORGANIZATION OR TO QUALIFY.	327
Sec. 200.	SUBSEQUENT FINANCING.	327
Sec. 210.	PENALTY FOR EXHIBITING FALSE ACCOUNTS, ETC.	328
Sec. 220.	INITIAL QUALIFICATIONS -- DOMESTIC MUTUALS.	328
Sec. 230.	FORMATION OF MUTUAL INSURER -- BOND.	330
Sec. 240.	APPLICATIONS FOR INSURANCE IN FORMATION OF MUTUAL INSURER.	331
Sec. 250.	FORMATION OF MUTUALS -- TRUST DEPOSIT OF PREMIUMS -- ISSUANCE OF POLICIES.	333
Sec. 260.	FORMATION OF MUTUALS -- FAILURE TO QUALIFY.	333
Sec. 270.	ADDITIONAL KINDS OF INSURANCE, MUTUALS.	333
Sec. 280.	MEMBERSHIP IN MUTUALS.	334
Sec. 290.	BYLAWS OF MUTUAL.	335
Sec. 300.	BYLAWS OF STOCK INSURER -- MODIFICATION.	336
Sec. 310.	MEETINGS OF STOCKHOLDERS OR MEMBERS.	337
Sec. 320.	PROXIES.	339
Sec. 330.	CORRUPT PRACTICES -- PENALTY.	339
Sec. 340.	DIRECTORS -- NUMBER, ELECTION.	339
Sec. 350.	PARTICIPATION OF POLICYHOLDERS IN ELECTION OF DIRECTORS OF STOCK INSURER.	340

		PAGE
Sec. 360.	BOND OF OFFICERS OF MUTUAL.	340
Sec. 370.	PROHIBITED PECUNIARY INTEREST OF OFFICIALS.	340
Sec. 380.	MANAGEMENT AND EXCLUSIVE AGENCY CONTRACTS.	341
Sec. 390.	HOME OFFICE AND RECORDS -- PENALTY FOR UNLAWFUL REMOVAL OF RECORDS.	342
Sec. 400.	VOUCHERS FOR EXPENDITURES.	344
Sec. 410.	AGREEMENT NOT TO SELL PROPERTY PROHIBITED.	345
Sec. 420.	SOLICITATIONS IN OTHER STATES.	345
Sec. 430.	CONTINGENT LIABILITY OF MUTUAL MEMBERS.	346
Sec. 440.	LEVY OF CONTINGENT LIABILITY.	346
Sec. 450.	ENFORCEMENT OF CONTINGENT LIABILITY.	347
Sec. 460.	NONASSESSABLE POLICIES, MUTUAL INSURERS.	348
Sec. 470.	NONASSESSABLE POLICIES, REVOCATION OF AUTHORITY.	348
Sec. 480.	PARTICIPATING POLICIES.	349
Sec. 490.	DIVIDENDS TO STOCKHOLDERS.	350
Sec. 500.	DIVIDENDS TO MUTUAL POLICYHOLDERS.	350
Sec. 510.	ILLEGAL DIVIDENDS -- PENALTY.	350
Sec. 520.	BORROWED SURPLUS.	351
Sec. 530.	IMPAIRMENT OF CAPITAL OR ASSETS.	352
Sec. 540.	ASSESSMENT OF STOCKHOLDERS OR MEMBERS.	353
Sec. 550.	DIRECTORS' LIABILITY FOR LOSSES DURING DEFICIENCY.	354
Sec. 560.	STOCK TRANSFER DURING IMPAIRMENT OF CAPITAL.	355
Sec. 570.	MUTUALIZATION OF STOCK INSURERS.	355
Sec. 580.	CONVERTING MUTUAL INSURER.	356
Sec. 590.	MERGERS AND CONSOLIDATIONS OF STOCK INSURERS.	356
Sec. 600.	MERGERS AND CONSOLIDATIONS, MUTUAL INSURERS.	358
Sec. 610.	BULK REINSURANCE, STOCK INSURERS.	359
Sec. 620.	BULK REINSURANCE, MUTUAL INSURERS.	360
Sec. 630.	MUTUAL MEMBER'S SHARE OF ASSETS ON LIQUIDATION.	361
Sec. 640.	EXTINGUISHMENT OF UNUSED CORPORATE CHARTERS.	362

		PAGE
Sec. 650.	STOCK INSURER DEFINED.	362
Sec. 660.	MUTUAL INSURER DEFINED.	363
CHAPTER 72.	BENEVOLENT ASSOCIATIONS.	362
Sec. 010.	SCOPE OF CHAPTER -- PROVISIONS EXCLUSIVE.	363
Sec. 020.	NEW BENEVOLENT ASSOCIATIONS PROHIBITED -- FOREIGN ASSOCIATIONS.	363
Sec. 030.	AMENDMENTS FILED WITH DIRECTOR.	363
Sec. 040.	OFFICERS -- NUMBER -- BOND.	364
Sec. 050.	AGENTS -- LICENSE.	364
Sec. 060.	OFFICERS AS AGENTS.	364
Sec. 070.	RECEIPTS FOR PAYMENT TO ASSOCIATION.	364
Sec. 080.	MINIMUM MEMBERSHIP.	365
Sec. 090.	EXPENSES -- ASSESSMENT FOR EXPENSES -- SHOWN IN ANNUAL STATEMENT.	365
Sec. 100.	PAYMENTS OF DEATH CLAIMS.	366
Sec. 110.	ASSESSMENT FOR DEATH BENEFIT -- NOTICE -- PROCEDURE.	366
Sec. 120.	ANNUAL STATEMENT.	366
Sec. 130.	BENEVOLENT ASSOCIATION DEFINED.	368
Sec. 140.	MEMBER -- MEMBER IN GOOD STANDING -- DEFINED.	369
Sec. 150.	MEMBERSHIP CONTRACT.	369
Sec. 160.	OFFICER DEFINED.	370
Sec. 170.	OTHER PROVISIONS APPLICABLE.	370
CHAPTER 75.	RECIPROCAL INSURERS.	371
Sec. 010.	SCOPE OF CHAPTER.	371
Sec. 020.	INSURING POWERS OF RECIPROCALS.	372
Sec. 030.	NAME, SUITS.	372
Sec. 040.	ATTORNEY.	372
Sec. 050.	SURPLUS FUNDS REQUIRED.	373
Sec. 060.	ORGANIZATION OF RECIPROCAL INSURER.	373
Sec. 070.	CERTIFICATE OF AUTHORITY.	375
Sec. 080.	POWER OF ATTORNEY.	375
Sec. 090.	MODIFICATIONS.	376

		PAGE
Sec. 100.	ATTORNEY'S BOND.	376
Sec. 110.	ACTION ON BOND.	377
Sec. 120.	SERVICE OF PROCESS -- JUDGMENT.	377
Sec. 130.	ANNUAL STATEMENT.	378
Sec. 140.	CONTRIBUTIONS TO INSURER.	378
Sec. 150.	FINANCIAL CONDITION -- METHOD OF DETERMINING.	378
Sec. 160.	WHO MAY BE SUBSCRIBERS.	379
Sec. 170.	SUBSCRIBERS' ADVISORY COMMITTEE.	380
Sec. 180.	SUBSCRIBERS' LIABILITY.	381
Sec. 190.	SUBSCRIBERS' LIABILITY ON JUDGMENT.	381
Sec. 200.	ASSESSMENTS.	382
Sec. 210.	TIME LIMIT FOR ASSESSMENTS.	382
Sec. 220.	AGGREGATE LIABILITY.	383
Sec. 230.	NONASSESSABLE POLICIES.	383
Sec. 240.	DISTRIBUTION OF SAVINGS.	384
Sec. 250.	SUBSCRIBERS' SHARE IN ASSETS.	384
Sec. 260.	MERGER OR CONVERSION.	385
Sec. 270.	IMPAIRED RECIPROCALS.	385
Sec. 280.	RECIPROCAL INSURANCE DEFINED.	386
Sec. 290.	RECIPROCAL INSURER DEFINED.	386
CHAPTER 78.	REHABILITATION AND LIQUIDATION.	387
Sec. 010.	JURISDICTION OF DELINQUENCY PROCEEDINGS -- VENUE -- EXCLUSIVENESS OF REMEDY -- APPEAL.	387
Sec. 020.	COMMENCEMENT OF DELINQUENCY PROCEEDINGS.	387
Sec. 030.	INJUNCTIONS.	388
Sec. 040.	GROUNDS FOR REHABILITATION -- DOMESTIC INSURERS.	388
Sec. 050.	GROUNDS FOR LIQUIDATION.	390
Sec. 060.	GROUNDS FOR CONSERVATION -- FOREIGN INSURERS.	391
Sec. 070.	GROUNDS FOR CONSERVATION -- ALIEN INSURERS.	391
Sec. 080.	GROUNDS FOR ANCIALLARY LIQUIDATION -- FOREIGN INSURERS.	392
Sec. 090.	ORDER OF REHABILITATION -- TERMINATION.	392
Sec. 100.	ORDER OF LIQUIDATION -- DOMESTIC INSURERS.	392
Sec. 110.	ORDER OF LIQUIDATION -- ALIEN INSURERS.	393
Sec. 120.	ORDER OF CONSERVATION OR ANCILLARY LIQUIDATION OF FOREIGN OR ALIEN INSURERS.	393

		PAGE
Sec. 130.	CONDUCT OF DELINQUENCY PROCEEDINGS AGAINST DOMESTIC AND ALIEN INSURERS.	394
Sec. 140.	CONDUCT OF DELINQUENCY PROCEEDINGS AGAINST FOREIGN INSURERS.	395
Sec. 150.	CLAIMS OF NONRESIDENTS AGAINST DOMESTIC INSURERS.	397
Sec. 160.	CLAIMS AGAINST FOREIGN INSURERS.	397
Sec. 170.	FORM OF CLAIM -- NOTICE -- HEARING.	399
Sec. 180.	PRIORITY OF CERTAIN CLAIMS.	400
Sec. 190.	ATTACHMENT AND GARNISHMENT OF ASSETS.	401
Sec. 200.	UNIFORM INSURERS LIQUIDATION ACT.	401
Sec. 210.	DEPOSIT OF MONEYS COLLECTED.	402
Sec. 220.	EXEMPTION FROM FEES.	402
Sec. 230.	BORROWING ON PLEDGE OF ASSETS.	402
Sec. 240.	DATE RIGHTS FIXED ON LIQUIDATION.	403
Sec. 250.	VOIDABLE TRANSFERS.	403
Sec. 260.	PRIORITY OF CLAIMS FOR COMPENSATION.	404
Sec. 270.	OFFSETS.	405
Sec. 280.	ALLOWANCE OF CERTAIN CLAIMS.	405
Sec. 290.	TIME TO FILE CLAIMS.	407
Sec. 300.	REPORT AND PETITION FOR ASSESSMENT.	408
Sec. 310.	ORDER AND LEVY OF ASSESSMENT.	408
Sec. 320.	ASSESSMENT PRIMA FACIE CORRECT -- NOTICE -- PAYMENT -- PROCEEDINGS TO COLLECT.	409
Sec. 330.	DEFINITIONS.	411
CHAPTER 81.	TRUSTEED ASSETS OF ALIEN INSURERS.	413
Sec. 010.	SCOPE OF CHAPTER.	413
Sec. 020.	REQUIRED DEPOSIT OF ASSETS.	413
Sec. 030.	EXISTING TRUSTS.	414
Sec. 040.	PURPOSE AND DURATION.	414
Sec. 050.	TRUST AGREEMENT -- APPROVAL.	414
Sec. 060.	AUTHORITY TO EXECUTE TRUST AGREEMENT.	415
Sec. 070.	AMENDMENT OF TRUST AGREEMENT.	415
Sec. 080.	WITHDRAWAL OF APPROVAL.	415

		PAGE
Sec. 090.	TITLE TO TRUSTEED ASSETS.	415
Sec. 100.	ASSETS KEPT SEPARATE.	415
Sec. 110.	STATEMENT OF TRUSTEE.	415
Sec. 120.	EXAMINATION OF ASSETS.	416
Sec. 130.	WITHDRAWAL OF ASSETS.	416
Sec. 140.	SUBSTITUTION OF TRUSTEE.	418
Sec. 150.	CANADIAN INSURERS.	418
CHAPTER 84.	FRATERNAL BENEFIT SOCIETIES.	418
Sec. 010.	CHAPTER EXCLUSIVE -- APPLICABILITY OF OTHER LAWS.	418
Sec. 020.	EXEMPTED SOCIETIES.	418
Sec. 030.	ANNUAL LICENSE.	420
Sec. 040.	FOREIGN OR ALIEN SOCIETY -- ADMISSION.	421
Sec. 050.	SUSPENSION, REVOCATION OR REFUSAL OF LICENSE OF FOREIGN OR ALIEN SOCIETY.	422
Sec. 060.	ORGANIZATION -- INCORPORATION.	422
Sec. 070.	FILING ARTICLES AND DOCUMENTS -- PRELIMINARY CERTIFICATE.	423
Sec. 080.	TIME FOR COMPLETING ORGANIZATIONS.	424
Sec. 090.	INITIAL SOLICITATIONS AND QUALIFICATIONS.	424
Sec. 100.	CERTIFICATE OF COMPLIANCE -- CERTIFIED COPY AS EVIDENCE.	426
Sec. 110.	CONSTITUTION AND LAWS -- GENERAL POWERS.	426
Sec. 120.	CORPORATE POWERS RETAINED.	427
Sec. 130.	EXISTING VOLUNTARY ASSOCIATIONS -- MAY INCORPORATE.	427
Sec. 140.	ARTICLES OF INCORPORATION, CONSTITUTION AND LAWS -- AMENDMENTS -- SYNOPSIS -- CERTIFIED COPIES AS EVIDENCE.	428
Sec. 150.	WAIVER.	429
Sec. 160.	LOCATION OF OFFICE -- PLACE OF MEETING -- RECORDS IN ENGLISH LANGUAGE.	430
Sec. 170.	INSTITUTIONS.	430
Sec. 180.	QUALIFICATIONS FOR MEMBERSHIP.	431
Sec. 190.	MEMBER'S SHARE OF DEFICIENCY.	431

		PAGE
Sec. 200.	BENEFITS.	432
Sec. 210.	BENEFITS ON LIVES OF CHILDREN.	432
Sec. 220.	NONFORFEITURE BENEFITS, CASH SURRENDER VALUES, CERTIFICATE LOANS AND OTHER OPTIONS.	433
Sec. 230.	BENEFICIARIES.	434
Sec. 240.	BENEFITS NOT ATTACHABLE.	435
Sec. 250.	NO PERSONAL LIABILITY.	435
Sec. 260.	THE CONTRACT.	435
Sec. 270.	STANDARD PROVISIONS.	436
Sec. 280.	PROHIBITED PROVISIONS.	440
Sec. 290.	PREMIUMS DEFINED.	441
Sec. 300.	ACCIDENT AND HEALTH INSURANCE AND TOTAL AND PERMANENT DISABILITY INSURANCE CERTIFICATES -- FILING AND APPROVAL.	441
Sec. 310.	REINSURANCE.	442
Sec. 320.	FUNDS.	443
Sec. 330.	INVESTMENTS.	443
Sec. 340.	ANNUAL STATEMENT.	444
Sec. 350.	ANNUAL VALUATION OF CERTIFICATES.	444
Sec. 360.	ANNUAL STATEMENT -- PENALTY FOR FAILURE TO FILE OR TO COMPLY.	449
Sec. 370.	EXAMINATION OF DOMESTIC SOCIETIES.	449
Sec. 380.	EXAMINATION OF FOREIGN AND ALIEN SOCIETIES.	450
Sec. 390.	NO ADVERSE PUBLICATIONS.	450
Sec. 400.	TAXATION.	451
Sec. 410.	LICENSING OF AGENTS.	451
Sec. 420.	AGENT LICENSE REQUIRED.	452
Sec. 430.	QUALIFICATIONS, APPLICATION FOR AGENT'S LICENSE.	453
Sec. 440.	AGENTS' LICENSES -- EXPIRATION, RENEWAL.	454
Sec. 450.	NOTICE OF TERMINATION OF AGENT APPOINTMENT.	454
Sec. 460.	SUSPENSION, REVOCATION OF AGENT'S LICENSE.	454
Sec. 470.	MISREPRESENTATION.	455
Sec. 480.	DISCRIMINATION AND REBATES.	457

		PAGE
Sec. 490.	SERVICE OF PROCESS.	457
Sec. 500.	CONSOLIDATIONS AND MERGERS.	458
Sec. 510.	CONSOLIDATIONS AND MERGERS -- EFFECT.	460
Sec. 520.	CONVERSION INTO MUTUAL LIFE INSURER.	460
Sec. 530.	INJUNCTION -- LIQUIDATION -- RECEIVERSHIP OF DOMESTIC SOCIETY.	461
Sec. 540.	INJUNCTION.	463
Sec. 550.	REVIEW.	463
Sec. 560.	FRATERNAL BENEFIT SOCIETIES DEFINED.	463
Sec. 570.	LODGE SYSTEM DEFINED.	464
Sec. 580.	REPRESENTATIVE FORM OF GOVERNMENT DEFINED.	464
Sec. 590.	OTHER PROVISIONS APPLICABLE.	465
CHAPTER 87.	HOSPITAL AND MEDICAL SERVICE CORPORATIONS.	466
Sec. 010.	SCOPE OF CHAPTER.	466
Sec. 020.	PURPOSE AND INTERPRETATION.	467
Sec. 030.	PROVISIONS EXCLUSIVE.	467
Sec. 040.	INCORPORATION -- CERTIFICATE OF AUTHORITY REQUIRED.	467
Sec. 050.	INCORPORATION -- LAWS APPLICABLE -- APPROVAL OF ARTICLES OF INCORPORATION -- AMENDMENT.	467
Sec. 060.	NAME OF CORPORATION.	468
Sec. 070.	QUALIFICATIONS FOR CERTIFICATE OF AUTHORITY.	469
Sec. 080.	APPLICATION FOR CERTIFICATE OF AUTHORITY.	470
Sec. 090.	ISSUANCE OR REFUSAL OF CERTIFICATE OF AUTHORITY.	471
Sec. 100.	CONTINUANCE OR EXPIRATION OF CERTIFICATE OF AUTHORITY.	472
Sec. 110.	SUSPENSION OR REVOCATION OF CERTIFICATE OF AUTHORITY.	473
Sec. 120.	SERVICES AND BENEFITS WHICH MAY BE PROVIDED -- MEDICAL SERVICE CORPORATIONS.	473
Sec. 130.	SERVICES AND BENEFITS WHICH MAY BE PROVIDED -- HOSPITAL SERVICE CORPORATIONS.	474
Sec. 140.	MEDICAL SERVICE AGREEMENTS.	475
Sec. 150.	HOSPITAL SERVICE AGREEMENTS.	476
Sec. 160.	SUBSCRIBER'S CONTRACTS.	477

		PAGE
Sec. 170.	SERVICE AGREEMENTS AND SUBSCRIBER'S CONTRACTS MUST PROVIDE SUBSTANTIAL SERVICE BENEFITS.	479
Sec. 180.	FILING AND APPROVAL OF AGREEMENTS AND CONTRACTS.	480
Sec. 190.	CHARGES AND RATES.	481
Sec. 200.	RESERVES.	481
Sec. 210.	SURPLUS FUND.	482
Sec. 220.	INVESTMENTS.	483
Sec. 230.	RECORDS AND ACCOUNTS.	484
Sec. 240.	ANNUAL STATEMENT.	485
Sec. 250.	EXAMINATION.	485
Sec. 260.	TAXATION.	486
Sec. 270.	JOINT OPERATIONS.	486
Sec. 280.	COMBINED CORPORATION.	487
Sec. 290.	CONTRACTS COVERING WORKMEN'S COMPENSATION RISKS.	487
Sec. 300.	ANNUAL ADJUSTMENT OF SERVICE PAYMENTS -- DISPOSITION OF EXCESS FUNDS.	487
Sec. 310.	FIDELITY BOND.	488
Sec. 320.	FEE AND LICENSES.	488
Sec. 330.	DEFINITIONS.	489
CHAPTER 90.	GENERAL PROVISIONS.	491
Sec. 010.	PARTICULAR PROVISIONS PREVAIL.	491
Sec. 020.	EXEMPTED ORGANIZATIONS, ACTIVITIES.	491
Sec. 030.	GENERAL PENALTY.	492
Sec. 040.	INSURANCE DEFINED.	492
Sec. 050.	INSURER DEFINED.	492
Sec. 060.	PERSON DEFINED.	492
Sec. 070.	COMMISSIONER, DEPARTMENT DEFINED.	492
Sec. 080.	DOMESTIC, FOREIGN, ALIEN INSURER AND STATE DEFINED.	493
Sec. 090.	AUTHORIZED, UNAUTHORIZED INSURER DEFINED.	493
Sec. 100.	TRANSACTING INSURANCE DEFINED.	493
Sec. 110.	COURT DEFINED.	493
Sec. 120.	SHORT TITLE.	494

Introduced: 2/16/63
Referred: Judiciary and Commerce

IN THE SENATE

RULES COMMITTEE
BY REQUEST OF THE GOVERNOR

SENATE BILL NO. 83

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRD LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act to revise the insurance law of Alaska; and providing for an effective date."

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

* Section 1. AS 21 is amended by adding new chapters to read:

CHAPTER 3. SCOPE OF CODE

Sec. 21.03.010. INSURANCE REGULATED. All persons transacting a business of insurance in Alaska, or relative to a subject resident, located or to be performed in Alaska, shall comply with the applicable provisions of this title.

Sec. 21.03.020. APPLICATION OF CODE AS TO PARTICULAR TYPES OF INSURERS. This title does not apply to:

(1) domestic benevolent associations (as identified in chapter 72), except as stated in chapter 72 (benevolent associations) of this title; and

(2) fraternal benefit societies, except as stated in chapter 84 (fraternal benefit societies) of this title.

Sec. 21.03.030. EXISTING CERTIFICATES OF AUTHORITY AND LICENSES. (a) The expiration dates of certificates of authority and licenses in force immediately prior to the effective date of this title, and lawfully existing under any law repealed by this title, are extended as follows:

(1) licenses or certificates of authority of insurers shall expire at midnight on June 30 next following such effective date;

(2) licenses of resident agents, solicitors, adjusters and nonresident adjusters shall expire at midnight, June 30 next following such effective date;

(3) licenses of resident brokers shall expire at midnight, December 31 next following such effective date;

(4) licenses of nonresident agents and brokers expire at midnight one year from date of issuance, next following such effective date.

(b) Such certificates of authority and licenses, upon first renewal made under this title, shall be replaced by certificates of authority or licenses in form as provided by this title, and shall thereafter be subject to continuation suspension, revocation or termination as though originally issued under this title.

Sec. 21.03.040. EXISTING FORMS AND FILINGS. Every form of insurance document and every rate or other filing lawfully in use immediately prior to the effective date of this title may continue to be so used or be effective until the director otherwise prescribes pursuant to this title; except, that before expiration of one year from and after such effective date neither this title nor the director shall prohibit the use of any such document, rate, or filing because of any power, prohibition, or requirement contained in this title which did not exist under laws in force immediately prior to such effective date.

Sec. 21.03.050. EXISTING DOMESTIC INSURERS. Any domestic insurer having a subsisting certificate of authority to transact insurance in this state immediately prior to the effective date of this title, whose law of incorporation or

law under which formed is repealed by this title, shall continue to have a corporate existence (if a corporation) or existence (if other than a corporation) as though incorporated or formed under like provisions of this title; but all amendments to articles of incorporation shall be made hereafter in compliance with the applicable provisions of this title, and all such insurers shall be otherwise governed by the provisions of this title.

CHAPTER 6. THE DIRECTOR OF INSURANCE

Sec. 21.06.010. DIRECTOR, DIVISION OF INSURANCE DESIGNATED. The Commissioner of Commerce, shall appoint the director, division of insurance, Department of Commerce. The director shall serve at the pleasure of the commissioner.

Sec. 21.06.020. DIVISION OF INSURANCE. (a) There is created within the Department of Commerce a division of insurance, which shall be located in or convenient to the office occupied by the Commissioner of Commerce.

(b) The division of insurance, shall be under the control of the Commissioner of Commerce, and the supervision of his appointee, the director, division of insurance.

Sec. 21.06.030. DEPUTIES AND ASSISTANTS. (a) The director may appoint a chief deputy, who shall be in charge of the division of insurance, under the direction and control of the director.

(b) The director may appoint additional deputies for such purposes as he may designate.

(c) The director may employ a competent insurance actuary, to perform actuarial duties, if any, of the division to take charge of or assist in the examination of insurers,

and to perform other duties assigned to him.

(d) The director may appoint or employ such examiners to conduct or assist in examinations of insurers and others provided for under the title, as may be competent, because of experience or special education or training, to fulfill the responsibilities of an insurance examiner.

(e) The director may appoint and employ a field investigator whose primary duty shall be, to make investigations in this state of violations or claimed violations of this title.

(f) The director may appoint a chief clerk for the division, and employ such other assistants and clerks as may be necessary to assist him properly to discharge the duties imposed upon him under this title.

(g) The director may from time to time contract for and procure, on a fee or part time basis, or both, such actuarial, technical or other professional services as he may require for the discharge of his duties.

Sec. 21.06.040. PROHIBITED INTERESTS, REWARDS. (a) The director or any deputy, examiner, assistant or employee of the director shall not be financially interested, directly or indirectly, in any insurer, insurance agency, or insurance transaction except as a policyholder or claimant under a policy; except, that as to such matters wherein a conflict of interests does not exist on the part of any such individual, the director may employ or retain from time to time insurance actuaries, attorneys, or other technicians who are independently practicing their professions even though similarly employed or retained by insurers or others.

(b) The director or any deputy, examiner, or employee of the director, shall not be given nor receive any fee compensation, loan, gift, or other thing of value in addition to the compensation and expense allowance provided by law, for any service rendered or to be rendered as such director, deputy, examiner, or employee or in connection therewith.

Sec. 21.06.050. DELEGATION OF AUTHORITY. (a) The director may delegate to any deputy, assistant, examiner or employee of his division, the exercise or discharge in the director's name of any power, duty, or function, whether ministerial or discretionary, vested by this title in the director.

(b) The director shall be responsible for the official acts of his deputy, assistant, examiner or employee acting in the director's name and by his authority.

Sec. 21.06.060. RECORDS. The director shall enter in permanent form records of his official transactions, examinations, investigations, and proceedings, and keep such records in his office. Such records and insurance filings in his office shall be open to public inspection, except as otherwise provided in this title with respect to particular records or filings.

Sec. 21.06.070. CERTIFICATES AS EVIDENCE. (a) Copies of records or documents in his office certified to by the director shall be received in evidence in all courts as if they were the originals.

(b) The director shall furnish, when required, his certificate as to the authority of any person to transact

insurance, and such certificate shall be evidence of the facts set forth therein.

Sec. 21.06.080. GENERAL POWERS, DUTIES. (a) The director shall enforce the provisions of this title, and shall execute the duties imposed upon him by this title.

(b) The director shall have the powers and authority expressly conferred upon him by or reasonably implied from the provisions of this title.

(c) The director may conduct such examinations and investigations of insurance matters, in addition to examinations and investigations expressly authorized, as he may deem proper to determine whether any person has violated any provision of this title or to secure information useful in the lawful administration of any such provision.

(d) The director shall have such additional powers and duties as may be provided by other laws of this state.

Sec. 21.06.090. RULES AND REGULATIONS. (a) The director may make reasonable rules and regulations to effectuate this title. No such rule or regulation shall extend, modify, or conflict with any law of this state or the reasonable implications thereof. Any such rule or regulation affecting persons or matters other than the personnel or the internal affairs of the director's office shall be made or amended only after a hearing thereon of which notice was given as required by sec. 210 of this chapter. If reasonably possible the director shall set forth the proposed rule or regulation or amendment in or with the notice of hearing. No such rule or regulation or amendment as to which a hearing is required shall be effective until it has

been on file as a public record in the director's office for at least 10 days.

(b) In addition to any other penalty provided, willful violation of any such rule or regulation shall subject the violator to such administrative penalties as may be applicable under this title as for violation of the provision as to which such rule or regulation relates.

Sec. 21.06.100. ORDERS, NOTICES. (a) Orders and notices of the director shall not be effective unless in writing signed by him or by his authority.

(b) Every such order shall state its effective date and shall concisely state:

(1) its intent or purpose;

(2) the grounds on which based;

(3) the provisions of this title pursuant to which action is so taken or proposed to be taken; but failure to so designate a particular provision shall not deprive the director of the right to rely thereon.

(c) Except as may be provided in this title respecting particular procedures, an order or notice may be given by delivery to the person to be ordered or notified or by mailing it, postage prepaid, addressed to him at his principal place of business as last of record in the director's office. Such order or notice shall be deemed to have been given when so mailed.

Sec. 21.06.110. DIRECTOR'S ANNUAL REPORT. As early in the calendar year as reasonably possible the director annually shall prepare and deliver a report to the legislature and the governor, showing, with respect to the preceding

calendar year:

(1) list of the authorized insurers transacting insurance in Alaska, with such summary of their financial statement as he deems appropriate;

(2) names of all insurers whose business was closed during the year, the cause thereof, and amount of assets and liabilities as ascertainable;

(3) names of insurers against which delinquency or similar proceedings were instituted, and a concise statement of the facts with respect to each such proceeding and the status thereof;

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

(5) the receipts and expenses of the division for the year;

(6) recommendations of the director as to amendments or supplementation of laws affecting insurance, as to matters affecting the office of director; and

(7) such other pertinent information and matters as the director deems proper.

Sec. 21.06.120. EXAMINATION OF INSURERS. (a) The director shall examine the affairs, transactions, accounts, records, and assets of each authorized insurer as often as he deems advisable. He shall so examine each domestic insurer not less frequently than every three years. Examination of an alien insurer may be limited to its insurance transactions and affairs in the United States. Examination of a reciprocal insurer may also include examination of its attorney-in-fact

in so far as the transactions of the attorney-in-fact relate to the insurer.

(b) The director shall in like manner examine each insurer applying for an initial certificate of authority to do business in this state.

(c) In lieu of making his own examination, the director may, in his discretion, accept a full report of the last recent examination of a foreign or alien insurer, certified to by the insurance supervisory official of another state, territory, commonwealth, or district of the United States.

Sec. 21.06.130. EXAMINATION OF AGENTS, MANAGERS, PROMOTERS. (a) For the purpose of ascertaining compliance with this title, the director may as often as he deems advisable examine or require a written report of the accounts, records, documents, and transactions, pertaining to or affecting its insurance affairs or proposed insurance affairs, of:

(1) any insurance agent, broker, solicitor, surplus line agent, general agent, or adjuster;

(2) any person having a contract under which he enjoys in fact the exclusive or dominant right to manage or control an insurer;

(3) any person holding the shares of voting stock or policyholder proxies of a domestic insurer, for the purpose of controlling the management thereof, as voting trustee or otherwise;

(4) any person engaged in or proposing to be engaged in or assisting in the promotion or formation of a domestic insurer or insurance holding corporation, or corporation to finance a domestic insurer or the production of its

business.

(b) The director may withold from public inspection, any information obtained under the provisions of this section, for so long as he deems the witholding to be necessary for the protection of the person examined against unwarranted injury or to be in the public interest.

Sec. 21.06.140. CONDUCT OF EXAMINATION. (a) The director shall conduct any such examination at the home office (if a domestic or foreign insurer) or United States branch office (if an alien insurer) of the insurer, or in any of its branch or agency offices; or with respect to persons other than insurers, at the office or other place of business of such person or at any place or places where his records are kept.

(b) Every person being examined, its officers, employees agents, and representatives shall produce and make freely available to the director or his examiners the accounts, records, documents, files, information, assets, and matters in his possession or control relating to the subject of the examination; and shall otherwise facilitate and aid such examination as far as reasonably possible.

(c) If the director finds accounts to be inadequate or inadequately kept or posted, he may employ experts to rewrite, post, or balance them at the expense of the person being examined.

(d) If the director deems it necessary to value any real estate involved in any such examination, he may make written request of the person being examined to appoint one or more competent appraisers approved by the director, for the purpose

of appraising such property. If no such appointment is made within 10 days after such request was delivered to such person the director may appoint the appraiser or appraisers. Any such appraisal shall be made promptly, and a copy of the report thereof shall be furnished to the director. The reasonable expense of the appraisal shall be borne by the person being examined.

Sec. 21.06.150. EXAMINATION REPORTS. (a) The director or his examiner shall make a full and true report of each examination, verified by his oath.

(b) The report shall comprise only facts appearing from the books, papers, records, or documents of the person being examined, or ascertained from the testimony, under oath, of individuals concerning its affairs, and conclusions and recommendations as warranted by such facts.

(c) The director shall furnish a copy of the proposed report to the person examined not less than 20 days prior to filing the same in his office. If such person so requests in writing within such 20-day period, the director shall grant a hearing with respect to the report, and shall not so file the report until after the hearing and after such modifications, if any, have been made therein as the director deems proper.

(d) The director and his examiners may at any time testify and offer other proper evidence as to information secured during the course of an examination, whether or not a written report of the examination has at that time been either made, served, or filed in the director's office.

(e) The director may withhold from public inspection

any examination or investigation report for so long as he deems the witholding to be necessary for the protection of the person examined against unwarranted injury or to be in the public interest.

(f) If he deems it to be in the public interest the director may publish any such examination report or a summary thereof in one or more newspapers in the state.

Sec. 21.06.160. EXAMINATION EXPENSE. (a) Each person so examined, other than as to examinations pursuant to sec. 140 of this chapter, shall pay the actual travel expenses, a reasonable living expense allowance, and a per diem as compensation of examiners, as necessarily incurred on account of the examination, all at reasonable rates customary therefor and as established or adopted by the director, upon presentation of a detailed account of such charges and expenses by the director or pursuant to his written authorization. Such an account may be so presented periodically during the course of the examination or at the termination of the examination, as the director deems proper. No person shall pay and no examiner shall accept any additional emolument on account of any such examination.

(b) The director shall pay into the general fund of the state all moneys received pursuant to (a) of this section. In lieu of making a deposit into the general fund, the director may give written authorization for the payment, by the person examined, of such travel expenses and living allowance direct to the examiner. The travel expense and living allowance of examiners shall be as fixed by the director pursuant to this subsection.

(c) If any such person fails to pay the charges and expenses, as referred to in (a) above, the amount may be recovered by suit by the attorney general on behalf of the State of Alaska, and restored to the general fund, the amount so paid shall be a first lien upon all of the assets and property in this state of such person.

Sec. 21.06.170. WITNESSES AND EVIDENCE. (a) With respect to the subject of any examination, investigation, or hearing being conducted by him the director or his examiner, if general written authority therefor has been given the examiner by the director, may subpoena witnesses and administer oaths or affirmations and examine any individual under oath, and may compel the production of records, books, papers, contracts, and other documents by attachments, if necessary. If in connection with any examination of an insurer the director desires to examine any officer, director or manager thereof who is then outside this state, the director is authorized to conduct and to enforce by all appropriate and available means any such examination under oath in any other state or territory of the United States in which such officer, director or manager may then presently be, to the full extent permitted by the laws of such other state or territory, this special authorization considered.

(b) Witness fees and mileage, if claimed, shall be allowed the same as for testimony in a court. Witness fees, mileage, and the actual expenses necessarily incurred in securing attendance of witnesses and their testimony shall be itemized, and shall be paid by the person being examined if such person is found to have been in violation of the law as

to the matter with respect to which such witness was subpoenaed, or by the person, if other than the director, at whose request the hearing is held.

(c) Subpoenas of witnesses shall be served in the same manner as if issued from a court. If any individual fails to obey a subpoena lawfully served, the director shall immediately report such disobedience, together with a copy of the subpoena and proof of service, to the court in the judicial district in which the individual was required to appear, and such court shall forthwith cause such individual to be produced and shall impose penalties as though he had disobeyed a subpoena issued out of such court.

(d) Any person willfully testifying falsely under oath as to any matter material to any such examination, investigation, or hearing, shall upon conviction thereof be guilty of perjury and punished accordingly.

(e) Any person willfully failing to attend, answer or produce records, documents or other evidence requested by the director, or who willfully fails to give the director full and truthful information and answer in writing to any material written inquiry of the director, relative to subject of any such examination, investigation, or hearing, or willfully fails to appear and testify under oath before the director, shall upon conviction thereof, in addition to or in lieu of any other penalty or penalties applicable, be deemed guilty of a misdemeanor.

Sec. 21.06.180. TESTIMONY COMPELLED. No person shall be excused from attending and testifying or producing any evidence upon any examination, investigation, or hearing

conducted by or under authority of the director, on the ground that his testimony or the evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. No person shall be prosecuted or punished in any criminal action or proceeding for or on account of any act, transaction, matter or thing concerning which he is so compelled to produce evidence or to testify under oath, except for perjury committed in such testimony.

Sec. 21.06.190. HEARINGS. (a) The director may hold hearings for any purpose within the scope of this title deemed by him to be necessary.

(b) The director shall hold a hearing if required by any provision, or upon written demand therefor by a person aggrieved by any act, threatened act or failure of the director to act, or by any report, rule, regulation or order of the director (other than an order for the holding of a hearing, or an order on hearing or pursuant thereto). Any such demand shall specify the grounds to be relied upon as a basis for the relief to be demanded at the hearing, and unless postponed by mutual consent, such hearing shall be held within 30 days after receipt by the director of demand therefor.

(c) If within such 30-day period the director does not either (1) grant the hearing, or (2) issue his order refusing the hearing, as to such previous report, rule, regulation, or order as to which such person so claims to be aggrieved, then the hearing shall thereby be deemed to have been refused.

Sec. 21.06.200. STAY OF ACTION. (a) Such a demand for

a hearing received by the director prior to the effective date of any order issued by him or within 10 days after such order is delivered, shall stay the effectiveness of such order pending the hearing and an order made thereon, except as to action taken or proposed (1) under an order on hearing, or (2) under an order pursuant and supplemental to an order on hearing, or (3) under an order based upon impairment of assets or unsound financial condition of an insurer.

(b) If an automatic stay is not provided for and the director after written request therefor fails to grant a stay, the person aggrieved may apply to the Superior Court, First Judicial District for a stay of the director's proposed action.

Sec. 21.06.210. NOTICE OF HEARING. Not less than 20 days in advance the director shall give notice of the time and place of the hearing, stating the matters to be considered thereat. If the persons to be given notice are not specified in the provision pursuant to which the hearing is held, the director shall give such notice to all persons whose pecuniary interests are to be directly and immediately affected by such hearing.

Sec. 21.06.220. HEARING PROCEDURE. (a) The director shall allow any party to the hearing to appear in person and by counsel, to be present during the giving of all evidence, to have a reasonable opportunity to inspect all documentary evidence and to examine witnesses, to present evidence in support of his interest, and to have subpoenas issued by the director to compel attendance of witnesses and production of evidence in his behalf.

(b) The director shall permit to become a party to the hearing by intervention, if timely, any person who was not an original party thereto and whose pecuniary interests are to be directly and immediately affected by the director's order made upon the hearing.

(c) Formal rules of pleading or evidence need not be observed at any hearing.

(d) Upon written request seasonably made by a party to the hearing and at such person's expense, the director shall cause a full stenographic record of the proceedings to be made by a competent reporter. If transcribed a copy of such stenographic record shall be furnished to the director, without cost to the director or the state, and shall be a part of the director's record of the hearing. If so transcribed a copy of such stenographic record shall be furnished to any other party to such hearing at the request and expense of such other party. If no stenographic record is made or transcribed, the director shall prepare an adequate record of the evidence and of the proceedings.

(e) Upon written request of a party to a hearing filed with the director within 30 days after any order made pursuant to a hearing has been mailed or delivered to the persons entitled to receive the same, the director may, in his discretion, grant a rehearing or reargument of the matters involved in such hearing, and notice of such rehearing or reargument shall be given as provided in sec. 210 of this chapter.

Sec. 21.06.230. ORDER ON HEARING. (a) In conducting any such hearing the director shall sit in a quasi judicial

capacity. Within 30 days after termination of the hearing or of any rehearing thereof or reargument thereon, he shall make his order on hearing, covering matters involved in such hearing and in any rehearing or reargument thereof, and shall give a copy of such order to the same persons given notice of the hearing.

(b) The order shall contain a concise statement of the facts as found by the director, and his conclusions therefrom, and the matters required by sec. 100 of this chapter.

(c) The order may affirm, modify, or nullify action theretofore taken or may constitute the taking of new action within the scope of the notice of hearing.

Sec. 21.06.240. APPEALS FROM THE DIRECTOR. (a) An appeal from the director shall be taken only from an order on hearing or with respect to a matter as to which the director has refused a hearing. Any person who was a party to such hearing, or whose pecuniary interests are directly and immediately affected by any such order or refusal and who is aggrieved thereby may, within 30 days after (1) the order has been mailed or delivered to the persons entitled to receive the same, or (2) the director's order denying rehearing or reargument has been so mailed or delivered, or (3) the director's refusal to grant a hearing, appeal from such order on hearing or such refusal of a hearing. The appeal shall be taken to the Superior Court, First Judicial District in Juneau, by filing written notice of appeal in such court and by filing a copy of such notice with the director; except, that in appeals from the suspension or revocation of the certificate of authority of a domestic insurer or of the

license of an agent, solicitor, or surplus line agent, the person taking the appeal may, at his option, in lieu of the Superior Court, First Judicial District in Juneau, take the appeal to the superior court in the judicial district in which the insurer has its principal place of business or the licensee resides.

(b) Upon filing of the notice of appeal therein the court shall have full jurisdiction, and shall determine whether such filing shall operate as a stay of the order or action appealed from, except that in the following instances the filing of the notice of appeal shall automatically stay the order appealed from pending the judgment of the court on the appeal:

(1) appeal from suspension or revocation of the license of an agent, solicitor, broker, adjuster or surplus line agent;

(2) appeal from suspension or revocation of the certificate of authority of an insurer.

(c) Within 20 days after filing of the copy of the notice of appeal in his office, the director shall make and return to the court in which the appeal is pending a copy of his order appealed from and a full and complete transcript, duly certified by the director, of his record of the hearing upon which the order was issued, together with all exhibits and documentary evidence introduced thereat. If the appeal is from an action of the director with respect to which a hearing was refused, the director shall within such 20-day period make and return to the court a full and complete transcript, duly certified by him, of all documents on file

in his office directly relating to the matter as to which such appeal is taken.

(d) Upon receipt of such transcripts and evidence the court shall hear the matter de novo as soon as reasonably possible thereafter. Upon the hearing of the appeal the court shall consider the evidence contained in the transcript, exhibits, and documents therein filed by the director, together with such additional proper evidence as may be offered by any party to the appeal.

(e) After hearing the appeal the court may affirm, modify or reverse the order or action of the director in whole or in part, or remand the action to the director for further proceedings in accordance with the court's direction.

(f) Costs shall be awarded as in civil actions.

(g) Appeal may be taken to the supreme court from the judgment of the superior court as in other civil cases to which the state is a party. A stay of the effectiveness of any such judgment may be made only by order of the supreme court upon the giving of such security as that court deems proper.

(h) This section shall not apply to appeals as to matters covered by chapter 39 of this title (rates and rating organizations), and for which appeal is provided for under chapter 39.

Sec. 21.06.250. FEES AND LICENSES. (a) The director shall collect in advance, and the persons so served shall so pay to the director, the following fees and licenses:

(1) certificate of authority

(A) application for original certificate of

authority; for filing applications for certificate of authority, articles of incorporation and other charter documents, bylaws, financial statement, examination report, power of attorney to the director, and all other documents and filings required in connection with such application, and for issuance of an original certificate of authority, if issued

domestic insurers. 50.00

foreign insurers 50.00

(B) annual continuation of certificate of authority 15.00

(C) reinstatement of certificate of authority. 15.00

(2) filing amendment of articles of incorporation, domestic and foreign insurers 10.00

(3) filing bylaws or amendment thereto, where required. 10.00

(4) filing annual statement of insurer, other than as part of application for original certificate of authority 5.00

(5) agent's license, property, casualty, surety, title insurance agents, and including disability insurance without additional license or fee when written by property, casualty, or surety insurer otherwise represented by the agent

(A) application for original license, and including issuance of license, if issued. . 25.00

(B) annual renewal or continuation of license. 25.00

(C) appointment of agent, each insurer 2.00

(D) annual renewal or appointment of agent. each insurer. 2.00

(E) temporary license. 25.00

(6) non-resident agent's license. . . 250.00

(A) annual renewal or continuation of license 250.00

(7) broker's license:

(A) application for original license and including issuance of license, if issued resident. 100.00

(B) annual renewal or continuation of license 100.00

(C) application for original license and including issuance of license, if issued, non-resident. 250.00

(D) annual renewal or continuation of license, non-resident. 250.00

(8) solicitor's license

(A) application for original license, including issuance of license, if issued. . 10.00

(B) annual continuation of license 10.00

(9) agent's license, life, disability insurance

(A) application for original license, including issuance of license, if issued. . . 25.00

(B) annual renewal or continuation of license 25.00

(C) appointment of agent, each insurer 2.00

(D) annual renewal or appointment of agent, each insurer 2.00

(10) examination for license as agent, broker, solicitor or adjuster, each examination. 10.00

(11) surplus line agent's license

(A) application for original license and for issuance of license, if issued - resident . . .100.00

(B) application for original license and for issuance of license, if issued - nonresident 300.00

(C) annual renewal or continuation of license resident. 100.00

(D) annual renewal or continuation of license - nonresident 300.00

(12) adjuster's license

(A) application for original license and for issuance of license if issed - resident. . . . 25.00

(B) annual renewal or continuation of license - resident. 25.00

(C) application for original license and for issuance of license, if issued - nonresident. . 50.00

(D) annual renewal or continuation of license - nonresident 50.00

(13) insurance vending machine license, each machine, each year 25.00

(14) for issuing any other certificate required or permissible under law 5.00

(15) for accepting service of process 2.00

(16) for copy of insurance code, actual printing cost plus postage

(17) for copy of insurance report, actual printing cost plus postage

(18) for any printed material furnished by the director not mentioned above; the director may charge the actual cost of printing plus handling and postage;

(19) for limited license (travel insurance agent); $25.00;

(20) for general agent's license (resident and non-resident), $25.00;

(21) rating bureaus (for a three-year license), $100.00.

(b) The director shall promptly deposit with the Comissioner of Revenue to the credit of the general fund of this state all fees received by him under this section.

CHAPTER 9

AUTHORIZATION OF INSURERS AND GENERAL REQUIREMENTS

Sec. 21.09.010. CERTIFICATE OF AUTHORITY REQUIRED -- IN GENERAL. (a) No person shall act as an insurer and no insurer shall transact insurance in this state except as authorized by a subsisting certificate of authority issued to it by the director, except as to such transactions as are expressly otherwise provided for in this title.

(b) No insurer shall have or maintain in Alaska any office, representative, or other facilities for the solicitation or servicing of any kind of insurance in any other state unless it is then authorized to transact the same kind of

insurance in this state.

Sec. 21.09.020. EXCEPTIONS, CERTIFICATE OF AUTHORITY REQUIREMENT. A certificate of authority shall not be required of an insurer, not otherwise authorized in this state, as to the following transactions:

(1) transactions relative to its policies lawfully written in Alaska, or liquidation of assets and liabilities of the insurer (other than collection of new premiums), all as resulting from its former authorized operations in Alaska;

(2) transactions relative thereto subsequent to issuance of a policy covering only subjects of insurance not resident, located, or expressly to be performed in Alaska at time of issuance, and which coverage was lawfully solicited, written, and delivered outside Alaska;

(3) transactions pursuant to surplus lines coverages lawfully written pursuant to chapter 33 of this title;

(4) reinsurance, except as to domestic reinsurers.

Sec. 21.09.030. ADMISSION FOR INVESTMENT ONLY. A foreign insurer may transact business in this state without certificate of authority, for the purpose and to the extent only of investing its funds in Alaska real estate or in securities secured thereby by complying with the applicable laws of this state other than this title. Such an insurer shall not be subject to any other provision of this title.

Sec. 21.09.040. GENERAL ELIGIBILITY OF INSURERS. To qualify for andhold authority to transact insurance in this state an insurer must be otherwise in compliance with this title and with its charter powers, and must be an incorporated stock insurer, or an incorporated mutual insurer, or a

reciprocal insurer, all of the same general type as may hereafter be formed as a domestic insurer under this title; except that:

(1) no foreign insurer shall be authorized to transact insurance in Alaska which does not maintain reserves as required by chapter 18 of this title applicable to the kind or kinds of insurance transacted by such insurer, wherever transacted in the United States; or which transacts business anywhere in the United States on the assessment plan, or stipulated premium plan, or any similar plan;

(2) no foreign insurer which is directly or indirectly owned or controlled in whole or in substantial part by any government or governmental agency shall be authorized to transact insurance in Alaska; membership or subscribership in a mutual or reciprocal insurer by virtue of being a policyholder thereof, or ownership of stock or other security which does not have voting rights with respect to the management of the insurer, or supervision of an insurer by public authority, shall not be deemed to be an ownership or control of the insurer for the purposes of this provision.

Sec. 21.09.050. NAME OF INSURER. (a) No insurer shall be authorized to transact insurance in this state which has or uses a name so similar to that of another insurer already so authorized as likely to mislead the public.

(b) No life insurer shall be authorized which has or uses a name deceptively similar to that of another insurer authorized to transact insurance in this state within the preceding 10 years if life insurance policies originally issued by such other insurer are still outstanding in this state.

(c) No insurer shall be so authorized which has or uses a name which tends to deceive or mislead as to the type of organization of the insurer.

(d) In case of conflict of names between two insurers, or a conflict otherwise prohibited under the foregoing subsections of this section, the director may permit or require the more recently authorized insurer to use in Alaska such supplementation or modification of its name or such business name as may reasonably be necessary to avoid such conflict.

Sec. 21.09.060. COMBINATIONS OF INSURING POWERS, ONE INSURER. An insurer which otherwise qualifies therefor may be authorized to transact any one kind or combination of kinds of insurance as defined in chapter 12 of this title, except:

(1) a life insurer may also grant annuities, but shall not be authorized to transact any other kind of insurance other than disability; except, that if the insurer is otherwise qualified therefor the director shall continue to so authorize any life insurer which, immediately prior to the effective date of this title, was lawfully authorized to transact in this state a kind or kinds of insurance in addition to life and disability;

(2) a reciprocal insurer shall not transact life insurance;

(3) a title insurer shall be a stock insurer.

Sec. 21.09.070. CAPITAL FUNDS REQUIRED -- FOREIGN INSURERS AND NEW DOMESTIC INSURERS. (a) To qualify for authority to transact any one kind of insurance (as defined in chapter 12) or combination of kinds of insurance as shown below, a foreign insurer, or a domestic insurer applying for its

original certificate of authority in this state, or any insurer re-applying for a certificate of authority in this state after having withdrawn from this state for any cause, shall possess and thereafter maintain unimpaired basic paid-in capital stock (if a stock insurer) or unimpaired basic surplus (if a foreign mutual insurer or foreign reciprocal insurer), and shall possess when first so authorized additional funds in surplus as follows:

Kind or kinds of insurance	Basic capital or basic surplus	Additional surplus
Life		
Domestic stock insurers	$200,000	$100,000
Foreign stock, mutual insurers	300,000	150,000
Disability		
Domestic stock insurers	200,000	100,000
Foreign stock, mutual, reciprocal insurers	300,000	150,000
Life and disability		
Domestic stock insurers	200,000	150,000
Foreign stock, mutual insurers	300,000	225,000
Property	200,000	100,000
Casualty		
Without workmen's compensation	200,000	100,000
With workmen's compensation	250,000	150,000
Marine and transportation	200,000	100,000
Surety	250,000	150,000
Title	100,000	100,000
Multiple lines (any two or more kinds of insurance, other than		

life or title insurances)..... 400,000 200,000

(b) Capital and surplus requirements are based upon all the kinds of insurance transacted by the insurer in all areas in which it operates or proposes to operate, whether or not only a portion of such kinds are to be transacted in this state.

(c) If within three years after its initial certificate of authority in this state such an insurer requests authority to transact an additional kind or kinds of insurance, it shall not be so authorized unless it then possesses basic surplus or additional surplus in such an amount as would be required under this section as for an original certificate of authority covering all kinds of insurance the insurer then proposes to transact.

(d) As to surplus required for qualification to transact one or more kinds of insurance and thereafter to be maintained, domestic mutual insurers hereafter formed are governed by chapter 69 of this title and domestic reciprocal insurers hereafter formed are governed by chapter 75.

Sec. 21.09.080. CAPITAL FUNDS REQUIRED -- OLD DOMESTIC INSURERS. (a) A domestic insurer holding a valid certificate of authority to transact insurance in this state immediately prior to the effective date of this title may continue to transact the same kinds of insurance as permitted by such certificate of authority by maintaining thereafter unimpaired not less than the same amount of paid-in capital stock (if a stock insurer) or not less than the same amount of surplus (if a mutual or reciprocal insurer) as required under the laws of this state for such authority in force immediately prior

to such effective date, and as if such laws had continued in force; except that in no case shall any such domestic insurer be thereby required to have and maintain a larger amount of capital and/or surplus than a like domestic insurer transacting the same kinds of insurance and formed under this title.

(b) Such an insurer shall not hereafter be granted authority to transact any other or additional kind of insurance unless it then fully complies with the requirements as to capital and surplus, as applied to all the kinds of insurance it then proposes to transact, as provided under sec. 70 of this chapter as to new domestic insurers.

Sec. 21.09.090. DEPOSIT REQUIREMENT. (a) This section shall apply as to all insurers other than title insurers.

(b) The director shall not authorize any insurer to transact insurance in this state unless it makes and thereafter maintains in trust in this state through the director for the protection of all its policyholders or of all its policyholders and creditors, a deposit of cash or securities eligible for deposit under AS 21.24.030 in the amount of $200,000, except that:

(1) insurers authorized to transact insurance and transacting insurance immediately prior to the effective date of this title, shall have a period of one year from such effective date within which to comply with any increase in deposit required under this section;

(2) as to foreign insurers, in lieu of such deposit or part thereof in this state, the director shall accept the certificate in proper form of the public official having supervision over insurers in any other state to the effect that a

like deposit or part thereof by such insurer is being maintained in public custody or control pursuant to law in such state in trust for the protection generally of the insurer's policyholders or its policyholders and creditors, in Alaska;

(3) as to alien insurers, in lieu of such deposit or part thereof in this state, the director shall accept evidency satisfactory to him that the insurer maintains within the United States by way of trust deposits with public depositaries, or in trust institutions acceptable to the director, assets available for discharge of its United States insurance obligations, which assets shall be in amount not less than the outstanding liabilities of the insurer arising out of its insurance transactions in the United States together with a surplus equal to the larger of the following sums:

(A) the largest deposit required by this code to be made by a foreign insurer transacting like kinds of insurance; or

(B) $300,000.00; such surplus shall for all purposes under this title be deemed to be the "capital" or "surplus" of the insurer.

(c) Deposits of foreign or alien insurers in another state shall be in cash and/or securities of substantially as high quality as those eligible for deposit in this state under AS 21.24.030.

(d) All such deposits in this state are subject to the applicable provisions of chapter 24 (administration of deposits).

Sec. 21.09.100. MANAGEMENT AND AFFILIATIONS. The director shall not grant or continue authority to transact insurance in this state as to any insurer the principal management

personnel of which is found by him to be untrustworthy or not of good character, or so lacking in insurance company managerial experience as to make the proposed operation hazardous to the insurance-buying public or to its stockholders; or which he has good reason to believe is affiliated directly or indirectly through ownership, control, management, reinsurance transactions or other insurance or business relations, with any person or persons whose business operations, to the detriment of insurers, stockholders, or creditors, are or have been marked by manipulation of assets, of accounts, or of reinsurance, or by bad faith.

Sec. 21.09.110. APPLICATION FOR CERTIFICATE OF AUTHORITY. To apply for an original certificate of authority an insurer shall file with the director its application therefor (accompanied) by the applicable fees as specified in AS 21.06.250 showing its name, location of its home office or principal office in the United States (if an alien insurer), kinds of insurance to be transacted, date of organization or incorporation, form of organization, state or country of domicile, and such additional information as the director may reasonably require, together with the following documents, as applicable:

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

(2) if a mutual insurer, a copy of its bylaws as amended, certified by its secretary or other officer having custody thereof;

(3) if a reciprocal insurer, copies of the power of

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

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

(5) copy of report of last examination, if any, made of the insurer, certified by the insurance supervisory official of its state of domicile or of entry into the United States;

(6) appointment of the director pursuant to sec. 180 of this chapter, as its attorney to receive service of legal process;

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

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

(9) if a foreign insurer, certificate as to deposit if to be tendered pursuant to sec. 90 of this chapter;

(10) specimen copies of policies proposed to be offered in this state, together with premiums or premium rates applicable, or a declaration that such rates as applicable will be those promulgated by designated rating organizations authorized to file such rates in this state on behalf of the

insurer.

Sec. 21.09.120. ISSUANCE OR REFUSAL OF AUTHORITY -- OWNERSHIP OF CERTIFICATE. (a) If upon completion of its application the director finds that the insurer has met the requirements for and is entitled thereto under this title, he shall issue to the insurer a proper certificate of authority; if he does not so find, the director shall issue his order refusing such certificate. The director shall act upon an application for a certificate of authority within 30 days after its completion.

(b) The certificate, if issued, shall specify the kind or kinds of insurance the insurer is authorized to transact in Alaska. At the insurer's request, the director may issue a certificate of authority limited to particular types of insurance or insurance coverages within the scope of a kind of insurance as defined in chapter 12 of this title.

(c) Although issued to the insurer the certificate of authority is at all times the property of the State of Alaska. Upon any expiration, suspension, or termination thereof the insurer shall promptly deliver the certificate of authority to the director.

Sec. 21.09.130. CONTINUANCE, EXPIRATION, REINSTATEMENT AND AMENDMENT OF CERTIFICATE OF AUTHORITY. (a) Certificates of authority issued or renewed under this title shall continue in force as long as the insurer is entitled thereto under this title and until suspended or revoked, or otherwise terminated; subject, however, to continuance of the certificate by the insurer each year by payment prior to June 30 of the continuation fee provided in AS 21.06.250.

(b) If not so continued by the insurer, its certificate of authority shall expire at midnight on June 30 next following such failure of the insurer so to continue it in force. The director shall promptly notify the insurer of the occurrence of any such failure resulting in impending expiration of its certificate of authority.

(c) The director may, in his discretion, reinstate a certificate of authority which the insurer has inadvertently permitted to expire, after the insurer has fully cured all its failures which resulted in such expiration, and upon payment by the insurer of the fee for reinstatement in addition to the current continuation fee, as provided in AS 21.06.250. Otherwise, the insurer shall be granted another certificate of authority only after filing application therefor and meeting all other requirements as for an original certificate of authority in this state.

(d) The director may amend a certificate of authority at any time to accord with changes in the insurer's charter of insuring powers.

Sec. 21.09.140. MANDATORY REVOCATION, SUSPENSION OF CERTIFICATE OF AUTHORITY. (a) The director shall suspend or revoke an insurer's certificate of authority:

(1) if such action is required by any provision of this title;

(2) if the insurer no longer meets the requirements for the authority originally granted, on account of deficiency of assets or otherwise; or

(3) if the insurer's authority to transact insurance is suspended or revoked by its state of domicile, or state of

entry into the United States if an alien insurer.

(b) Except in cases of insolvency or impairment of required capital or surplus, or suspension or revocation by another state as referred to in (a) (3) of this section, the director shall give the insurer at least 15 days' notice in advance of any such suspension or revocation under this section.

Sec. 21.09.150. SUSPENSION OR REVOCATION FOR VIOLATIONS AND SPECIAL GROUNDS. (a) The director may, in his discretion, suspend or revoke an insurer's certificate of authority if, after a hearing, he finds that the insurer has violated any lawful order of the director or any provision of this title other than those for which suspension or revocation is mandatory.

(b) The director shall, after a hearing, suspend or revoke an insurer's certificate of authority if he finds that the insurer:

(1) is in unsound condition, or in such condition, or using such methods or practices in the conduct of its business, as to render its further transaction of insurance in Alaska injurious or hazardous to its policyholders or to the public;

(2) has refused to be examined or to produce its accounts, records, and files for examination, or that any of its officers have refused to give information with respect to its affairs, when required by the director;

(3) has failed to pay any final judgment rendered against it in Alaska within 30 days after the judgment became final;

(4) with such frequency as to indicate its general business practice in Alaska, has without just cause refused to

pay proper claims arising under its policies, whether any such claim is in favor of an insured or is in favor of a third person with respect to the liability of an insured to such third person, or without just cause compels such insured or claimant to accept less than the amount due them or to employ attorneys or to bring suit against the insurer or such an insured to secure full payment or settlement of such claims;

(5) is affiliated with and under the same general management or interlocking directorate or ownership as another insurer which transacts direct insurance in Alaska without having a certificate of authority therefor, except as permitted as to a surplus line insurer under chapter 33.

(6) has failed, after written request therefor by the director, to remove or discharge an officer or director who has been convicted of any crime involving fraud, dishonesty, or moral turpitude.

(c) The director may, in his discretion and without advance notice or a hearing thereon, immediately suspend the certificate of authority of any insurer as to which proceedings for receivership, conservatorship, rehabilitation, or other delinquency proceedings, have been commenced in any state.

Sec. 21.09.160. NOTICE OF SUSPENSION OR REVOCATION -- EFFECT UPON AGENT'S AUTHORITY. (a) Upon suspending or revoking an insurer's certificate of authority the director shall forthwith give notice thereof to the insurer and to its agents in this state of record in the director's office.

(b) Such suspension or revocation shall likewise automatically suspend or revoke, as the case may be, the authority

of all such agents to act as agents of the insurer in this state, and the director shall so state in the notice to agents provided for in (a) of this section.

(c) The director may also publish notice of such revocation in one or more newspapers of general circulation in this state.

Sec. 21.09.170. DURATION OF SUSPENSION -- INSURER'S OBLIGATIONS -- REINSTATEMENT. (a) Suspension of an insurer's certificate of authority shall be for such period as is fixed by the director, in the order of suspension, but not to exceed one year. During the suspension the director may shorten the period thereof by his further order.

(b) During the period of the suspension the insurer shall file its annual statement, pay fees, licenses and taxes as required under this title as if the certificate had continued in full force.

(c) Upon expiration of the suspension period (if within such period the certificate of authority has not been terminated) the insurer's certificate of authority shall automatically reinstate, unless the director finds that the causes of the suspension have not been removed, or that the insurer is otherwise not in compliance with the requirements of this title, and of which the director shall give the insurer notice not less than 30 days in advance of the expiration of such period. If not so automatically reinstated the certificate of authority shall be deemed to have expired as at the end of the suspension period or upon failure of the insurer to continue the certificate during the suspension period, whichever even shall first occur.

(d) Upon reinstatement of the insurer's certificate of authority, the authority of its agents in this state to represent the insurer shall likewise reinstate.

(e) The director shall forthwith notify both the insurer and its agents in this state, as shown by his records, of such reinstatement.

Sec. 21.09.180. DIRECTOR ATTORNEY FOR SERVICE OF PROCESS (a) Each insurer applying for authority to transact insurance in this state shall appoint the director, and his successors in office, as its attorney to receive service of legal process issued against it in Alaska. The appointment shall be made on a form as designated and furnished by the director. The appointment shall be irrevocable, shall bind the insurer and any successor in interest or to the assets or liabilities of the insurer, and shall remain in effect as long as there is in force in Alaska any contract made by the insurer or obligations arising therefrom.

(b) Service of such process against a foreign or alien insurer shall be made only by service of process upon the director, or upon a deputy or other person in charge of his office during his absence. Service of process against a domestic insurer may be made either upon the director or upon the insurer corporation in the manner provided by laws applying to corporations generally, or upon the insurer's attorney-in-fact if a domestic reciprocal insurer.

(c) Each insurer at time of application for a certificate of authority shall file with the director designation of the name and address of the person to whom process against it served upon the director is to be forwarded. The insurer may

change such designation by a new filing.

Sec. 21.09.190. SERVING PROCESS -- TIME TO PLEAD. (a) Duplicate copies of legal process against an insurer for whom the director is attorney pursuant to sec. 180 of this chapter, shall be served upon the director, or upon his deputy or other person in charge of his office during his absence. At the time of service the plaintiff shall pay to the director $2.00, taxable as costs in the action. Upon receiving such service the director shall promptly forward a copy thereof by certified or registered mail to the person last so designated by the insurer to receive the same.

(b) Where process is served upon the director as an insurer's attorney, the insurer shall have 30 days within which to appear, answer, or plead after date of mailing of the copy thereof by the director, exclusive of date of mailing, as provided by (a) of this section.

(c) Process served upon the director and copy thereof forwarded as in this section provided shall constitute service thereof upon the insurer.

Sec. 21.09.200. ANNUAL STATEMENT. (a) Each authorized insurer shall annually before March 2 file with the director a full and true statement of its financial condition, transactions, and affairs as of the December 31 preceding. The statement shall be in a general form and context acceptable to the director, and in current use for similar reports to states in general with respect to the type of insurer and kinds of insurance to be reported upon, and as supplemented for additional information required by the director. The statement shall be verified by the oath of the insurer's president or

vice-president, and secretary, or, if a reciprocal insurer, by the oath of the attorney-in-fact or its like officers if a corporation.

(b) The statement of an alien insurer shall relate only to its transactions and affairs in the United States unless the director requires otherwise. If the director requires a statement as to an alien insurer's affairs throughout the world, the insurer shall file such statement with the director as soon as reasonably possible. The statement shall be verified by the insurer's United States manager or other officer duly authorized.

(c) The director may refuse to accept fee for continuance of the insurer's certificate of authority, as provided in sec. 130 of this chapter, or may in his discretion suspend or revoke the certificate of authority of any insurer calling to file its annual statement when due.

(d) At time of filing, the insurer shall pay to the director the fee for filing its statement as prescribed in AS 21.06.250.

Sec. 21.09.210. TAX. (a) Each authorized insurer, and each formerly authorized insurer with respect to premiums so received while an authorized insurer in this state, shall file with the director, before March 2 in each year, a report of all insurance business written or contracted in the state (with proper proportionate allocation of premium as to such property, subjects, or risks in the state insured under policies or contracts covering property, subjects, or risks located or resident in more than one state) during the preceding year ending December 31. The report shall show:

(1) the amounts paid policyholders on losses;

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

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

(4) the amounts paid policyholders as dividends.

(b) Each insurer, and each formerly authorized insurer with respect to premiums so received while an authorized insurer in this state, shall pay a tax on the total direct premium income received during the year ending on the preceding December 31 and paid for the insurance of property or risks resident or located in the state, after deducting from such total direct premium income applicable cancellations, returned premiums, the unabsorbed portion of any deposit premium, all policy dividends, refunds, savings, savings coupons and other similar returns paid or credited to policyholders with respect to their policies. No deductions shall be made of cash surrender of policies. Considerations received on annuity contracts shall not be included in the direct premium income and shall not be subject to tax. The tax shall be paid to the director annually before April 1, and is computed at the rate of:

(1) for domestic companies, 1 1/2 per cent;

(2) for title insurance companies, 1 per cent;

(3) for companies other than domestic and title, 3 per cent.

(c) A domestic company is exempt from taxation under this section for a period of five years from the date of its organization.

(d) The state hereby pre-empts the field of imposing excise or privilege taxes upon insurers, other than title insurers, and no political subdivision shall have the right to impose any such taxes upon such insurers.

(e) The state hereby pre-empts the field of imposing excise, privilege, franchise, income, license and similar taxes, licenses, and fees upon insurers and their general agents and agents as such, and on the intangible property of insurers or such agents; and no political subdivision or agency in the state shall levy upon insurers, or upon their general agents and agents as such, any such tax, license, or fee additional to such as are levied by the legislature of Alaska in this title.

(f) The director may suspend or revoke the certificate of authority of any insurer which fails to pay its taxes as required under this section.

Sec. 21.09.220. COUNTER SIGNATURE BY RESIDENT AGENT -- APPLICATION OF TITLE. No company, association, reciprocal exchange, person or persons authorized to transact insurance or offer indemnity contracts in this state excepting reciprocal mutuals organized under the laws of this state and life insurance companies on life insurance contracts and health and accident contracts written therein, shall make, write, place

or cause to be made, written or placed, any policy or contract of insurance or indemnity of any kind or character, or a general or floating policy covering risks on property located in the State of Alaska, liability created by or accruing under the laws of this state, or undertakings to be performed in this state, except through their licensed resident insurance agents, who shall countersign all policies (and dailies) or indemnity contracts so issued and collect the premiums therefor, or see to their collection in due course, and who shall keep a record of the same, which shall contain the usual and customary information concerning the risk undertaken, including the full premium paid or to be paid therefor, to the end that the state may receive the taxes required by law to be paid on premiums collected for insurance on property or undertakings located in this state; and no agent shall pay or forward any premium or application for insurance or in any manner secure, help or aid in the placing of any insurance, or effect any contract of insurance or indemnity upon property, liability or undertakings located in this state with any such insurer which is not authorized to transact its business in this state. The practice of signing policies in blank is likewise prohibited.

Sec. 21.09.230. EXCEPTION. Nothing contained in sec. 220 of this chapter shall be construed as preventing the free and unlimited right to negotiate wholly outside this state contracts of insurance by licensed nonresident agents and brokers, provided the policies, dailies, endorsements or evidence of such contracts covering properties or insurable interests in this state are countersigned by the resident agent of this state, in which event the countersigning agent shall receive a

commission of not less than 5 per cent of the premium paid; provided, however, that the countersigning commission shall not exceed one-half of the total commission and provided further that for countersigning such insurance policies the resident agent shall not be paid more than $50.00 nor less than $1.00 for countersigning any such policy or bond; and provided further, that where the said licensed nonresident agent or broker or the insurer assuming the risk desires the resident agent to render additional services during the life of a policy then in such cases the compensation to be paid to such countersigning resident agent shall be a matter of contract between the parties in interest. Secs. 220 through 250, of this chapter, shall not apply to the following contracts:

(1) policies covering property in transit while in the possession or custody of any common carrier, or the rolling stock or other property of any common carrier used and employed by it as a common carrier of freight and passengers in interstate commerce; or issued by insurers not using agents in the general solicitation of business;

(2) contracts of reinsurance or retrocessions made by and for admitted companies;

(3) contracts of life and disability insurance;

(4) contracts of title insurance;

(5) bid bonds issued in connection with any public or private contract.

Sec. 21.09.240. AFFIDAVIT ATTACHED TO ANNUAL STATEMENT. At the time of the filing of the annual statement of every such company with the director there shall be attached thereto an affidavit of the president, manager or chief

executive officer in the United States stating that this title (secs 220 through 250 of this chapter) have not been violated.

Sec. 21.09.250. UNLAWFUL ACTS DEFINED. It shall be unlawful for any insurer doing business in this state to make, write, place or cause to be made, written or placed in this state any policy, duplicate policy or contract of insurance of any kind or character, or general or floating policy upon persons or property resident, situated or located in this state, from or through a broker, agent, surplus line broker or any person who has not secured a license in this state. No insurer may pay a commission or any form of remuneration to a person, firm or organization for the writing or placing of insurance coverage in this state unless that person, firm or organization shall first hold a license issued by the director or his successor.

Sec. 21.09.260. VIOLATIONS -- PENALTIES. Any insurer violating any of the provisions of this title (secs 220 through 250 of this chapter) is guilty of a misdemeanor and upon conviction thereof shall be punishable by a fine not exceeding $500.00 for each violation thereof. In the event of such conviction the insurance director may suspend or revoke the license of such an insurer, but such violation shall not invalidate the insurance contract.

Sec. 21.09.270. RETALIATION. (a) When by or pursuant to the laws of any other state or foreign country any taxes, licenses and other fees, in the aggregate, and any fines, penalties, deposit requirements or other material obligations, prohibitions or restrictions are or would be imposed upon Alaska insurers, or upon the agents or representatives of such

insurers, which are in excess of such taxes, licenses and other fees, in the aggregate, or which are in excess of the fines, penalties, deposit requirements or other obligations, prohibitions, or restrictions directly imposed upon similar insurers, or upon the agents or representatives of such insurers, of such other state or country under the statutes of this state, so long as such laws of such other state or country continue in force or are so applied, the same taxes, licenses and other fees, in the aggregate, or fines, penalties or deposit requirements or other material obligations, prohibitions, or restrictions of whatever kind shall be imposed by the director upon the insurers, or upon the agents or representatives of such insurers, of such other state or country doing business or seeking to do business in Alaska. Any tax, license or other fee or other obligation imposed by any city, county, or other political subdivision or agency of such other state or country on Alaska insurers or their agents or representatives shall be deemed to be imposed by such state or country within the meaning of this section.

(b) This section shall not apply as to personal income taxes, nor as to ad valorem taxes on real or personal property nor as to special purpose obligations or assessments imposed by another state in connection with particular kinds of insurance other than property insurance; except that deductions from premium taxes or other taxes otherwise payable, allowed on account of real estate or personal property taxes paid shall be taken into consideration by the director in determining the propriety and extent of retaliatory action under this section.

(c) For the purposes of this section the domicile of an

alien insurer, other than insurers formed under the laws of Canada, shall be that state designated by the insurer in writing filed with the director at time of admission to this state or within six months after the effective date of this title, whichever date is the later, and may be any one of the following states:

(1) that in which the insurer was first authorized to transact insurance;

(2) that in which is located the insurer's principal place of business in the United States;

(3) that in which is held the larger deposit of trusteed assets of the insurer for the protection of its policyholders and creditors in the United States.

(d) If the insurer makes no such designation its domicile shall be deemed to be that state in which is located its principal place of business in the United States.

Sec. 21.09.280. GENERAL AGENTS, MANAGERS -- APPOINTMENT -- POWERS -- LICENSING. (a) An insurer appointing any person as its general agent or manager to represent it as such in this state shall file notice of the appointment with the director on forms prescribed and furnished by the director.

(b) Any such general agent or manager shall have such authority, consistent with this title, as may be conferred by the insurer. A general agent resident or nonresident, and licensed, as in this section provided, may exercise the powers conferred by this title upon agents licensed for the kinds of insurance which the general agent is authorized to transact for the insurer so appointing him.

(c) The appointment of a resident or nonresident general

agent shall not be effective unless the person so appointed is licensed as the general agent of such insurer by the director upon application and payment of the fee therefor as provided in AS 21.06.250.

(d) Every such license shall expire at close of business on the 30th day of June next following the date of issue, and may be renewed for an additional year upon application and payment of the fee therefor.

(e) The director may deny, suspend, or revoke any such license for any cause specified in AS 21.27.410 in the manner provided in AS 21.27.420.

CHAPTER 12

KINDS OF INSURANCE -- LIMITS OF RISK -- REINSURANCE

Sec. 21.12.010. LIMIT OF RISK. (a) No insurer shall retain any risk on any one subject of insurance, whether located or to be performed in this state or elsewhere, in an amount exceeding 10 per cent of its surplus to policyholders.

(b) A "subject of insurance" for the purposes of this section, as to insurance against fire and hazards other than windstorm, earthquake, and other catastrophe hazards, includes all properties insured by the same insurer which are customarily considered by underwriters to be subject to loss or damage from the same fire or the same occurrence of such other hazard insured against.

(c) Reinsurance ceded as authorized by sec. 20 of this chapter shall be deducted in determining risk retained. As to surety risks, deduction shall also be made of the amount assumed by any established incorporated cosurety and the value of any security deposited, pledged, or held subject to the surety's

consent and for the surety's protection.

(d) As to alien insurers, this section shall relate only to risks and surplus to policyholders of the insurer's United States branch.

(e) "Surplus to policyholders" for the purposes of this section, in addition to the insurer's capital and surplus shall be deemed to include any voluntary reserves which are not required pursuant to law, and shall be determined from the last sworn statement of the insurer on file with the director, or by the last report of examination of the insurer, whichever is the more recent at time of assumption of risk.

(f) This section shall not apply to life or disability insurance, title insurance, insurance of wet marine and transportation risks, workmen's compensation insurance, employer's liability coverages, sprinklered risks, nor to any policy or type of coverage as to which the maximum possible loss to the insurer is not readily ascertainable on issuance of the policy.

Sec. 21.12.020. REINSURANCE. (a) An insurer may accept reinsurance only of such kinds of risks, and retain risk thereon within such limits, as it is otherwise authorized to insure.

(b) An insurer may reinsure all or part of any particular risk with any solvent insurer authorized to transact insurance in one or more states and having surplus to policyholders in amount not less than the paid-in capital stock required of a domestic stock insurer transacting like kinds of insurance.

(c) No credit shall be allowed to an insurer, as an asset or as a deduction from liability, for reinsurance ceded to an alien insurer unless such alien insurer has surplus to

policyholders in amount not less than the paid-in capital stock required of a domestic stock insurer transacting like kinds of insurance and is either (1) authorized to transact insurance in at least one state of the United States, or (2) has an attorney-in-fact resident in the United States upon whom service of legal process may be made.

(d) Credit shall be allowed as an asset or as a deduction from liability, to any ceding insurer for reinsurance ceded to an assuming insurer qualified therefor under the foregoing provisions of this section; except that no such credit shall be allowed unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer.

(e) Upon request of the director an insurer shall promptly inform the director in writing of the cancellation or any other material change of any of its reinsurance treaties or arrangements.

(f) This section shall not apply to wet marine and transportation insurance.

Sec. 21.12.030. DEFINITIONS NOT MUTUALLY EXCLUSIVE. It is intended that certain insurance coverages may come within the definitions of two or more kinds of insurance as defined in this chapter, and the inclusion of such coverage within one definition shall not exclude it as to any other kind of insurance within the definition of which such coverage may likewise be reasonably included.

Sec. 21.12.040. LIFE INSURANCE DEFINED. Life insurance is insurance on human lives. The transaction of life insurance

includes also the granting of endowment benefits, additional benefits in event of death or dismemberment by accident or accidental means, additional benefits in event of the insured's disability, and optional modes of settlement of proceeds of life insurance. Transaction of life insurance does not include workmen's compensation insurance.

Sec. 21.12.050. DISABILITY INSURANCE DEFINED. Disability insurance is insurance of human beings against bodily injury, disablement, or death by accident or accidental means, or the expense thereof, or against disablement or expense resulting from sickness, and every insurance appertaining thereto. Transaction of disability insurance does not include workmen's compensation insurance.

Sec. 21.12.060. PROPERTY INSURANCE DEFINED. Property insurance is insurance on real or personal property of every kind and of every interest therein, whether on land, water, or in the air, against loss or damage from any and all hazard or cause, and against loss consequential upon such loss or damage, other than noncontractual legal liability for any such loss or damage. Property insurance does not include title insurance as defined in sec. 100 of this chapter.

Sec. 21.12.070. CASUALTY INSURANCE DEFINED. (a) Casualty insurance includes

(1) vehicle insurance: insurance against loss of or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded or unloaded therein or therefrom, from any hazard or cause, and against any loss, liability or expense resulting from or incidental to ownership, maintenance

or use of any such vehicle, aircraft or animal; and provision for medical, hospital, surgical, disability benefits to injured persons and funeral and death benefits to dependents, beneficiaries, or personal representatives of persons killed, irrespective of legal liability to the insured, when issued as an incidental coverage with or supplemental to insurance on the vehicle, aircraft or animal;

(2) liability insurance: insurance against legal liability for the death, injury, or disability of any human being, or for damage to property; and provision of medical, hospital, surgical, disability benefits to injured persons and funeral and death benefits to dependents, beneficiaries or personal representatives of persons killed, irrespective of legal liability of the insured, when issued as an incidental coverage with or supplemental to liability insurance;

(3) workmen's compensation and employer's liability: insurance of the obligations accepted by, imposed upon, or assumed by employers under law for death, disablement, or injury of employees;

(4) burglary and theft: insurance against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation, or wrongful conversion, disposal, or concealment, or from any attempt at any of the foregoing; including supplemental coverage for medical, hospital, surgical, and funeral expense incurred by the named insured or any other person as a result of bodily injury during the commission of a burglary, robbery, or theft by another; also insurance against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptances, or

any other valuable papers and documents, resulting from any cause;

(5) personal property floater: insurance upon personal effects against loss or damage from any cause under a personal property floater;

(6) glass: insurance against loss or damage to glass, including its lettering, ornamentation, and fittings;

(7) boiler and machinery: insurance against any liability and loss or damage to property or interest resulting from accident to or explosions of boilers, pipes, pressure containers, machinery, or apparatus, and to make inspection of and issue certificates of inspection upon boilers, machinery, and apparatus of any kind, whether or not insured;

(8) leakage and fire extinguishing equipment: insurance against loss or damage to any property or interest caused by the breakage or leakage of sprinklers, hoses, pumps, and other fire extinguishing equipment or apparatus, water pipes or containers, or by water entering through leaks or openings in buildings, and insurance against loss or damage to such sprinklers, hoses, pumps, and other fire extinguishing equipment or apparatus;

(9) credit: insurance against loss or damage resulting from failure of debtors to pay their obligations to the insured;

(10) malpractice: insurance against legal liability of the insured, and against loss, damage, or expense incidental to a claim of such liability, and including medical, hospital, surgical, and funeral benefits to injured persons, irrespective of legal liability of the insured, arising out of the

death, injury, or disablement of any person, or arising out of damage to the economic interest of any person, as the result of negligence in rendering expert, fiduciary, or professional service;

(11) elevator: insurance against loss of or damage to any property of the insured, resulting from the ownership, maintenance or use of elevators, except loss or damage by fire, and to make inspection of and issue certificates of inspection upon, elevators;

(12) livestock: insurance against loss or damage to livestock, and services of a veterinary for such animals;

(13) entertainments: insurance indemnifying the producer of any motion picture, television, radio, theatrical, sport, spectacle, entertainment, or similar production, event, or exhibition against loss from interruption, postponement, or cancellation thereof due to death, accidental injury, or sickness of performers, participants, directors, or other principals;

(14) miscellaneous: insurance against any other kind of loss, damage, or liability properly a subject of insurance and not within any other kind of insurance as defined in this chapter, if such insurance is not disapproved by the director as being contrary to law or public policy.

(b) Provision of medical, hospital, surgical, and funeral benefits, and of coverage against accidental death or injury, as incidental to and part of other insurance as stated under (a) (1) (vehicle), (2) (liability), (4) (burglary), and (10) (malpractice) of this chapter, shall for all purposes be deemed to be the same kind of insurance to which

it is so incidental, and shall not be subject to provisions of this titleapplicable to life or disability insurances.

Sec. 21.12.080. SURETY INSURANCE DEFINED. Surety insurance included:

(1) fidelity insurance, which is insurance guaranteeing the fidelity of persons holding positions of public or private trust;

(2) insurance guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings, and contracts of suretyship;

(3) insurance indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against check forgery or alteration, or against loss, resulting from any cause, of bills of exchange, notes, bonds, securities, evidences of debt, deeds, mortgages, warehouse receipts or other valuable papers, documents, money, precious metals and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semiprecious stones, including any loss while the same are being transported in armored motor vehicles, by mail, or by messenger, but not including any other risks of transportation or navigation; also insurance against loss or damage to such an insured's premises or to his furnishings, fixtures, equipment, safes, and vaults therein, caused by burglary, robbery, theft, vandalism or malicious mischief, or any attempt thereat.

Sec. 21.12.090. MARINE, WET MARINE AND TRANSPORTATION INSURANCE DEFINED. (a) "Marine insurance" includes

(1) insurance against any and all kinds of loss or damage to:

(A) vessels, craft, aircraft, cars, automobiles and vehicles of every kind, as well as all goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, bullion, precious stones, securities, choses in action, evidences of debt, valuable papers, bottomry and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit, or transportation, including war risks, on or under any seas or other waters, on land or in the air, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting the same or during any delays, storage, transhipment, or reshipment incident thereto, including marine builder's risks and all personal property floater risks; and

(B) person or to property in connection with or appertaining to a marine, inland marine, transit or transportation insurance, including liability for loss of or damage to either, arising out of or in connection with the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance or surety bonds nor insurance against loss by reason of bodily injury to the person arising out of the ownership, maintenance or use of automobiles), and

(C) precious stones, jewels, jewelry, gold, silver and other precious metals, whether used in business or trade or otherwise and whether the same be in

course of transportation or otherwise, and

(D) bridges, tunnels and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishings, fixed content and supplies held in storage) unless fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and/or civil commotion are the only hazards to be covered; piers, wharves, docks and slips, excluding the risks of fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and/or civil commotion; other aids to navigation and transportation, including dry docks and marine railways, against all risks;

(2) "marine protection and indemnity insurance," meaning insurance against, or against legal liability of the insured for, loss, damage or expense arising out of, or incident to, the ownership, operation, chartering, maintenance, use, repair or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

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

(1) insurance upon vessels, crafts, hulls and of interests therein or with relation thereto;

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

(3) insurance of freights and disbursements

pertaining to a subject of insurance coming within this section; and

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

Sec. 21.12.100. TITLE INSURANCE DEFINED. Title insurance is insurance of owners of property or others having an interest therein, or liens or encumbrances thereon, against loss by encumbrance, or defective titles, or invalidity, or adverse claim to title.

CHAPTER 18. ASSETS AND LIABILITIES

Sec. 21.18.010. ALLOWABLE ASSETS. In any determination of the financial condition of an insurer, there shall be allowed as assets only such assets as are owned by the insurer and which consist of:

(1) cash in the possession of the insurer, or in transit under its control, and including the true balance of any deposit in a solvent bank or trust company;

(2) investments, securities, properties and loans acquired or held in accordance with this title, and in connection therewith the following items:

(A) interest due or accrued on any bond or

evidence of indebtedness which is not in default and which is not valued on a basis including accrued interest;

(B) declared and unpaid dividends on stock and shares, unless such amount has otherwise been allowed as an asset;

(C) interest due or accrued upon a collateral loan in an amount not to exceed one year's interest thereon;

(D) interest due or accrued on deposits in solvent banks and trust companies, and interest due or accrued on other assets, if such interest is in the judgment of the director a collectible asset;

(E) interest due or accrued on a mortgage loan, in an amount not exceeding in any event the amount, if any, of the excess of the value of the property less delinquent taxes thereon over the unpaid principal; but in no event shall interest accrued for a period in excess of 18 months be allowed as an asset;

(F) rent due or accrued on real property if such rent is not in arrears for more than three months, and rent more than three months in arrears if the payment of such rent be adequately secured by property held in the name of the tenant and conveyed to the insurer as collateral;

(G) the unaccrued portion of taxes paid prior to the due date on real property;

(3) premium notes, policy loans, and other policy assets and liens on policies and certificates of life

insurance and annuity contracts and accrued interest thereon, in an amount not exceeding the legal reserve and other policy liabilities carried on each individual policy;

(4) the net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurer;

(5) premiums in the course of collection, other than for life insurance, not more than three months past due, less commissions payable thereon; the foregoing limitation shall not apply to premiums payable directly or indirectly by the United States government or by any of its instrumentalities;

(6) installment premiums other than life insurance premiums to the extent of the unearned premium reserve carried on the policy to which premiums apply;

(7) notes and like written obligations not past due, taken for premiums other than life insurance premiums, on policies permitted to be issued on such basis, to the extent of the unearned premium reserves carried thereon;

(8) the full amount of reinsurance recoverable by a ceding insurer from a solvent reinsurer and which reinsurance is authorized under AS 21.12.020;

(9) amounts receivable by an assuming insurer representing funds withheld by a solvent ceding insurer under a reinsurance treaty;

(10) deposits or equities recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the director available for the payment of losses and claims

and at values to be determined by him;

(11) electronic data processing machines if the cost of each such machine is at least $100,000.00, which cost shall be amortized in full over a period of not to exceed 10 calendar years;

(12) all assets, whether or not consistent with the provisions of this section, as may be allowed pursuant to the annual statement form approved by the director for the kinds of insurance to be reported upon therein;

(13) other assets, not inconsistent with the provisions of this section, deemed by the director to be available for the payment of losses and claims, at values to be determined by him.

Sec. 21.18.020. ASSETS AS DEDUCTIONS FROM LIABILITIES. Assets may be allowed as deductions from corresponding liabilities, and liabilities may be charged as deductions from assets, and deductions from assets may be charged as liabilities, in accordance with the form of annual statement applicable to the insurer as prescribed by the director, or otherwise in his discretion.

Sec. 21.18.030. ASSETS NOT ALLOWED. In addition to assets impliedly excluded by the provisions of sec. 10, of this chapter, the following expressly shall not be allowed as assets in any determination of the financial condition of an insurer:

(1) good will, trade names and other like intangible assets;

(2) advances to officers (other than policy loans) whether secured or not, and advances to employees, agents and

other persons on personal security only;

(3) stock of such insurer, owned by it, or any equity therein or loans secured thereby, or any proportionate interest in such stock acquired or held through the ownership by such insurer of an interest in another firm, corporation or business unit;

(4) furniture, fixtures (other than electronic data processing machines authorized under sec. 10 (11) of this chapter), furnishings, safes, vehicles, libraries, stationery, literature and supplies, except in the case of any insurer, such personal property as the insurer is permitted to hold pursuant to chapter 21 of this title, or which is acquired through foreclosure of chattel mortgages acquired pursuant to AS 21.21.260, or which is reasonably necessary for the maintenance and operation of real estate lawfully acquired and held by the insurer other than real estate used by it for home office, branch office and similar purposes;

(5) the amount, if any, by which the aggregate book value of investments as carried in the ledger assets of the insurer exceeds the aggregate value thereof as determined under this title.

Sec. 21.18.040. DISALLOWANCE OF WASH TRANSACTIONS. (a) The director shall disallow as an asset or as a credit against liabilities any reinsurance found by him after a hearing thereon to have been arranged for the purpose principally of deception as to the ceding insurer's financial condition as of the date of any financial statement of the insurer. Without limiting the general purport of the foregoing provision, reinsurance of any substantial part of the

insurer's outstanding risks contracted for in fact within four months prior to the date of any such financial statement and canceled in fact within four months after the date of such statement, or reinsurance under which the reinsurer bears no substantial insurance risk or substantial risk of net loss to itself, shall prima facie be deemed to have been arranged for the purpose principally of deception within the intent of this provision.

(b) The director shall disallow as an asset any deposit, funds or other assets of the insurer found by him after a hearing thereon:

(1) not to be in good faith the property of the insurer; and

(2) not freely subject to withdrawal or liquidation by the insurer at any time for the payment or discharge of claims or other obligations arising under its policies; and

(3) to be resulting from arrangements made principally for the purpose of deception as to the insurer's financial condition as of the date of any financial statement of the insurer.

(c) No such disallowance of assets or credits shall be valid unless made by the director after a hearing of which notice was given the insurer within six months after the date the financial statement of the insurer as to which such deception is claimed was filed with the director.

(d) The director may suspend or revoke the certificate of authority of any insurer which has knowingly been a party to any such deception or attempt thereat.

Sec. 21.18.050. LIABILITIES, IN GENERAL. In any

determination of the financial condition of an insurer, capital stock and liabilities to be charged against its assets shall include:

(1) the amount of its capital stock outstanding, if any;

(2) the amount, estimated consistent with the provisions of this title, necessary to pay all of its unpaid losses and claims incurred on or prior to the date of statement, whether reported or unreported, together with the expenses of adjustment or settlement thereof;

(3) with reference to life and disability insurance and annuity contracts:

(A) the amount of reserves on life insurance policies and annuity contracts in force, valued according to the tables of mortality, rates of interest, and methods adopted pursuant to this title which are applicable thereto;

(B) reserves for disability benefits, for both active and disabled lives;

(C) reserves for accidental death benefits;

(D) any additional reserves which may be required by the director consistent with practice formulated or approved by the National Association of Insurance Commissioners, on account of such insurance;

(4) with reference to insurance other than specified in (a) (3) of this section, and other than title insurance, the amount of reserves equal to the unearned p. tions of the gross premiums charged on policies in force, computed in accordance with this chapter.

(5) taxes, expenses and other obligations due or accrued at the date of the statement.

Sec. 21.18.060. UNEARNED PREMIUM RESERVE. (a) As to insurance against loss or damage to property (except as provided in sec. 70 of this chapter, and as to all general casualty insurance and surety insurance, every insurer shall maintain an unearned premium reserve on all policies in force.

(b) The director may require that such reserves shall be equal to the unearned portions of the gross premiums in force after deducting applicable reinsurance in solvent insurers as computed on each respective risk from the policy's date of issue. If the director does not so require, the portions of the gross premium in force, less applicable reinsurance in solvent insurers, to be held as an unearned premium reserve, shall be computed according to the following table:

Term for Which Policy Was Written	Reserve for Unearned Premium
1 year or less	1/2
2 years	1st year 3/4
	2nd year 1/4
3 years	1st year 5/6
	2nd year 1/2
	3rd year 1/6
4 years	1st year 7/8
	2nd year 5/8
	3rd year 3/8
	4th year 1/8
5 years	1st year 9/10
	2nd year 7/10

3rd year 1/2

4th year 3/10

5th year 1/10

Over 5 years ..... pro rata

(c) In lieu of computation according to the foregoing table, the insurer at its option may compute all of such reserves on a monthly or more frequent pro rata basis.

(d) After adopting a method for computing such reserve, an insurer shall not change methods without approval of the director.

(e) This section does not apply to title insurance.

Sec. 21.18.070. UNEARNED PREMIUM RESERVE FOR MARINE AND TRANSPORTATION INSURANCE. As to marine and transportation insurance, the entire amount of premiums on trip risks not terminated shall be deemed unearned; and the director may require the insurer to carry a reserve equal to 100 per cent of premiums on trip risks written during the month ended as of the date of statement.

Sec. 21.18.080. RESERVE FOR DISABILITY INSURANCE. For all disability insurance policies the insurer shall maintain an active life reserve which shall place a sound value on its liabilities under such policies and be not less than the reserve according to appropriate standards set forth in regulations issued by the director and, in no event, less in the aggregate than the pro rata gross unearned premiums for such policies.

Sec. 21.18.090. LOSS RESERVES, LIABILITY INSURANCE AND WORKMEN'S COMPENSATION. Where required in the form of annual statement required of the insurer, the reserve for outstanding

losses under insurance against loss or damage from accident to or injuries suffered by an employee or other person and for which the insured is liable, shall be computed as follows:

(1) for all liability suits being defended under policies written more than:

(A) 10 years prior to the date as of which the statement is made, $1,500.00 for each suit;

(B) five or more and less than 10 years prior to the date as of which the statement is made, $1,000.00 for each suit;

(C) three or more and less than five years prior to the date as of which the statement is made, $850.00 for each suit;

(2) for all liability policies written during the three years immediately preceding the date as of which the statement is made, the reserve shall be 60 per cent of the earned liability premiums of each of such three years less all losses and expense payments made under liability policies written in the corresponding years; but in any event, such reserve shall for the first of such three years be not less then $750.00 for each outstanding liability suit on such year's policies;

(3) for all workmen's compensation claims under policies written more than three years prior to the date as of which the statement is made, the reserve shall be the present value at four per cent interest of the determined and the estimated future payments;

(4) for all workmen's compensation claims under policies written in the three years immediately preceding the

date as of which the statement is made, such reserve shall be 65 per cent of the earned compensation premiums of each of such three years, less all loss and loss expense payments made in connection with such claims under policies written in the corresponding years; but in any event in the case of the first year of any such three-year period, such reserve shall be not less than the present value at 4 per cent interest of the determined and the estimated unpaid compensation claims under policies written during such year.

Sec. 21.18.100. INCREASE OF INADEQUATE RESERVES. If loss experience shows that an insurer's loss reserves, however computed or estimated, are inadequate, the director shall require the insurer to maintain loss reserves in such increased amount as is needed to made them adequate.

Sec. 21.18.110. STANDARD VALUATION LAW -- LIFE INSURANCE. (a) The director shall annually value, or cause to be valued, the reserve liabilities (hereinafter called reserves) for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer doing business in this state, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in the calculation of such reserves. In calculating such reserves, he may use group methods and approximate averages for fractions of a year or otherwise. In the case of an alien insurer, such valuation shall be limited to its insurance transactions in the United States. For the purpose of making such valuation the director may employ a competent actuary who shall be paid by the insurer for which the service is rendered;

but a domestic insurer may make such valuation and it may be received by the director upon satisfactory proof of its correctness. In lieu of the valuation of the reserves herein required of any foreign or alien insurer, the director may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the director when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction. Any insurer which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the director, adopt any lower standard of valuation, but not lower than the minimum herein provided.

(b) This subsection shall apply to only those policies and contracts issued prior to the operative date of AS 21.45.310 (the standard nonforfeiture law). The minimum standard of valuation on all policies of domestic life insurers issued prior to January 1, 1922, shall be the American experience table of mortality and interest at 3 1/2 per cent per annum, with preliminary term insurance for the first policy year, and for policies of such insurers issued subsequent to December 31, 1921, shall be the American experience table of mortality with interest at 3 1/2 per cent per annum, with preliminary term

insurance for the first policy year, except as follows: If the premium charged for term insurance under a limited payment life preliminary term policy providing for the payment of all premiums theron in less than 20 years from the date of the policy, or under an endowment preliminary term policy, exceeds that charged for life insurance under 20 payment life preliminary term policies of the same insurer, the reserve thereon at the end of any year, including the first, shall not be less than the reserve on a 20 payment life preliminary term policy issued in the same year and at the same age, together with an amount which shall be equivalent to the accumulation of a net level premium reserve sufficient to provide for a pure endowment at the end of the premium payment period equal to the difference between the value at the end of such period of such a 20 payment life preliminary term policy and the full net level premium reserve at such time of such a limited payment life or endowment policy. Reserves for all such policies and contracts may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this subsection.

(c) This subsection shall apply to only those policies and contracts issued on or after the operative date of AS 21.45.310 (the standard nonforfeiture law).

(1) the minimum standard for the valuation of all such policies and contracts shall be the Commissioner's Reserve Valuation Method defined in (c) (2) of this section, 3 1/2 per cent interest, and the following tables:

(A) for all ordinary policies of life

insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies -- the Commissioner's 1941 Standard Ordinary Mortality Table for such policies issued prior to the operative date of AS 21.45.310 (4) (J) (the standard nonforfeiture law) as amended, and the Commissioner's 1958 Standard Ordinary Mortality Table for such policies issued on or after such operative date; except, that for any category of such policies issued on female risks, modified net premiums and present values, referred to in (c) (2) of this section, may be calculated, at the option of the insurer with the approval of the director, according to an age younger than the actual age of the insured;

(B) for all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, -- the 1941 Standard Industrial Mortality Table;

(C) for individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies -- the 1937 Standard Annuity Mortality Table or, at the option of the insurer, the Annuity Mortality Table for 1949, ultimate, or any modification of either of these tables approved by the director;

(D) for group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies -- the group annuity mortality table for 1951, any modification of such table approved by the director, or, at the option of the insurer, any

of the tables or modifications of tables specified for individual annuity and pure endowment contracts;

(E) for total and permanent disability benefits in or supplementary to ordinary policies or contracts -- for policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with due regard to the type of benefit; for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either such tables or, at the option of the insurer, the class (3) disability table (1926); and for policies issued prior to January 1, 1961, the class (3) disability table (1926); any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies;

(F) for accidental death benefits in or supplementary to policies -- for policies issued on or after January 1, 1966, the 1959 accidental death benefits table; for policies issued on or after January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the insurer, the intercompany double indemnity mortality table; and for policies issued prior to January 1, 1961, the intercompany double indemnity mortality table; either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies;

(G) for group life insurance, life insurance issued on the substandard basis and other special

benefits -- such tables as may be approved by the director;

(2) reserves according to the Commissioner's Reserve Valuation Method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor; the modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (A) over (B), as follows:

(A) a net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net level annual premium shall not exceed the net level annual premium on the 19 year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy;

(B) a net one year term premium for such benefits provided for in the first policy year; reserves according to the Commissioner's Reserve Valuation Method

for (i) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (ii) annuity and pure endowment contracts, (iii) disability and accidental death benefits in all policies and contracts, and (iv) all other benefits, except life insurance and endowment benefits in life insurance policies, shall be calculated by a method consistent with the principles of (c) (2) of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums;

(3) in no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method set forth in (c) (2) of this section, and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies;

(4) reserves for any category of policies, contracts or benefits as established by the director, may be calculated at the option of the insurer according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein; provided, however, that reserves for participating life insurance policies may, with the consent of the director, be calculated according to a rate of interest lower than the

rate of interest used in calculating the nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than 1/2 per cent the insurer issuing such policies shall file with the director a plan providing for such equitable increases, if any, in the cash surrender values and nonforfeiture benefits in such policies as the director shall approve;

(5) deficiency reserves: if the gross premium charged by any life insurer on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law; for each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium-paying period.

Sec. 21.18.120. DEPOSIT OF RESERVES, DOMESTIC LIFE INSURERS. (a) Domestic life insurers shall deposit and maintain on deposit, in securities and assets with depositaries and subject to conditions as provided for in chapter 24 of this title, an amount not less than the reserves on its outstanding life insurance policies, and annuity contracts, as valued under sec. 110 of this chapter.

(b) Annually before April 1, the insurer shall so deposit any additional such securities required under (a) of

this section, and related to the increase of such reserves during the calendar year next preceding, as determined from the insurer's annual statement as of December 31 of such preceding year.

(c) A domestic stock life insurer may credit toward such deposit the amount of any other deposit of the insurer held under chapter 24 for the protection of its policyholders or of its policyholders and creditors.

(d) Deposits of the reserves of a domestic life insurer under this section shall consist of securities and assets acquired in accordance with chapter 21 of this title except as follows:

(1) common stocks acquired under AS 21.21.160 and investment trust securities acquired under AS 21.21.190 shall be eligible for deposit only to the extent of 50 per cent of the value at which they are carried in the last financial statement on file with the director or their cost if acquired since the date of the last statement on file;

(2) securities acquired under AS 21.21.250 (miscellaneous investments) shall not be eligible for deposit;

(3) only real estate acquired under AS 21.21.270 (a) shall be eligible for deposit, and in no case shall the value of such real estate for deposit purposes exceed the original cost.

(e) real estate mortgage loans, chattel mortgage loans and policy loans may be made a part of the deposit by filing a verified statement of the loans with the director, which statement shall be subject to audit at all times by the director. Nonnegotiable securities where deposited with the

director shall be accompanied by transfer powers in due form. If the insurer uses the home office real estate under AS 21.21.270 (a) as a deposit, a deed of trust to the director shall be completed in due form and recorded prior to being deposited with the director.

(f) If default occurs in the payment of interest or principal of any deposited security and such default continues for a period of 120 days, the director may declare such security no longer eligible for deposit under this section.

Sec. 21.18.130. VALUATION OF BONDS. (a) All bonds or other evidences of debt having a fixed term and rate of interest held by an insurer may, if amply secured and not in default as to principal or interest, be valued as follows:

(1) if purchased at par, at the par value;

(2) if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made, or in lieu of such method, according to such accepted method of valuation as is approved by the director;

(3) purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase, plus actual brokerage, transfer, postage or express charges paid in the acquisition of such securities;

(4) unless otherwise provided by valuation established or approved by the director, no such security shall be carried at above the call price for the entire issue during any period within which the security may be so called.

(b) The director shall have full discretion in determining

the method of calculating values according to the rules set forth in this section, and not inconsistent with any such methods than currently formulated or approved by National Association of Insurance Commissioners.

Sec. 21.18.140. VALUATION OF OTHER SECURITIES. (a) Securities, other than those referred to in sec. 130 of this chapter, held by an insurer shall be valued, in the discretion of the director, at their market value, or at their appraised value, or at prices determined by him as representing their fair market value, all consistent with any current method for the valuation of any such security formulated or approved by the National Association of Insurance Commissioners.

(b) Preferred or guaranteed stocks or shares while paying full dividends may be carried, at a fixed value in lieu of market value, at the discretion of the director and in accordance with such method of computation as he may approve.

Sec. 21.18.150. VALUATION OF PROPERTY. (a) Real property acquired pursuant to a mortgage loan or contract for sale, in the absence of a recent appraisal deemed by the director to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan or contract at the date of such acquisition, together with any taxes and expenses paid or incurred in connection with such acquisition, and the cost of improvements thereafter made by the insurer any any amounts thereafter paid by the insurer on assessments levied for improvements in connection with the property.

(b) Other real property held by an insurer shall not be valued at an amount in excess of fair value as determined by recent appraisal. If valuation is based on an appraisal more

than three years old, the director may at his discretion call for and require a new appraisal in order to determine fair value. The reasonable cost of the appraisal shall be borne by the insurer.

(c) Personal property acquired pursuant to chattel mortgages made in accordance with AS 21.21.270 shall not be valued at an amount greater than the unpaid balance of principal on the defaulted loan at the date of acquisition, together with taxes and expenses incurred in connection with such acquisition, or the fair value of such property, whichever amount is the lesser.

Sec. 21.18.160. VALUATION OF PURCHASE MONEY MORTGAGES. Purchase money mortgages on real property referred to in sec. 150 (a) of this chapter shall be valued in an amount not exceeding the acquisition cost of the real property covered thereby or 90 per cent of the fair value of such real property, whichever is less.

CHAPTER 21. INVESTMENTS

Sec. 21.21.010. SCOPE OF CHAPTER. Except as to sec. 330, of this chapter applies to domestic insurers only.

Sec. 21.21.020. ELIGIBLE INVESTMENTS. (a) Insurers shall invest in or lend their funds on the security of, and shall hold as invested assets, only eligible investments as prescribed in this chapter.

(b) Any particular investment held by an insurer on the effective date of this title, and which was a legal investment at the time it was made, and which the insurer was legally entitled to possess immediately prior to such effective date, shall be deemed to be an eligible investment.

(c) Eligibility of an investment shall be determined as of the date of its making or acquisition, except as stated in (b) of this section.

(d) Any investment limitation based upon the amount of the insurer's assets or particular funds shall relate to such assets or funds as shown by the insurer's annual statement as of the December 31 next preceding date of acquisition of the investment by the insurer, or as shown by a current financial statement filed with the director.

Sec. 21.21.030. GENERAL QUALIFICATIONS. (a) No security or investment (other than real and personal property acquired under sec. 280 (real estate) of this chapter) shall be eligible for acquisition unless it is interest bearing or interest accruing or dividend or income paying, if not then in default in any respect, and the insurer is entitled to receive for its exclusive account and benefit the interest or income accruing thereon.

(b) No security or investment shall be eligible for purchase at a price above its market value.

(c) No provision of this chapter shall prohibit the acquisition by an insurer of other or additional securities or property if received as a dividend or as a lawful distribution of assets, or under a lawful and bona fide agreement of bulk reinsurance, merger, or consolidation. Any investment so acquired which is not otherwise eligible under this chapter shall be disposed of pursuant to sec. 300 if personal property or securities, or pursuant to sec. 290 if real property.

Sec. 21.21.040. AUTHORIZATION OF INVESTMENT. An insurer

shall not make any investment or loan (other than policy loans or annuity contract loans of a life insurer) unless the same is authorized or approved by the insurer's board of directors or by a committee authorized by such board and charged with the supervi sion or making of such investment or loan. The minutes of any such committee shall be recorded and regular reports of such committee shall be submitted to the board of directors.

Sec. 21.21.050. DIVERSIFICATION OF INVESTMENTS. An insurer shall invest in or hold as admitted assets categories of investments only within applicable limits as follows:

(1) one person: an insurer shall not, except with the consent of the director, have at any one time any combination of investments in or loans upon the security of the obligations, property, or securities of any one person, or insurer, aggregating an amount exceeding five per cent of the insurer's assets; this restriction shall not apply as to general obligations of the United States of America or of any state or include policy loans made under sec. 210 of this chapter;

(2) voting stock: an insurer shall not invest in or hold at any one time more than 10 per cent of the outstanding voting stock of any corporation, except with the consent of the director given with respect to voting rights of preference stock during default of dividends; this provision does not apply as to stock of a wholly-owned subsidiary of the insurer or to controlling stock of an insurer acquired under sec. 170 of this chapter;

(3) minimum capital: an insurer (other than title

insurer) shall invest and maintain invested funds not less in amount than the minimum paid-in capital stock required under this title of a domestic stock insurer transacting like kinds of insurance, only in cash and the securities provided for under the following sections of this chapter: sec. 060 (United States or Canadian government obligations), sec. 080 (state, municipal, other political subdivision, obligations), and sec. 260 (real estate mortgages);

(4) life insurance reserves: a life insurer shall also invest and keep invested its funds in amount not less than the reserves under its life insurance policies and annuity contracts (other than variable annuities) in force, in cash and/or the securities or investments provided for under sec. 110 of this chapter;

(5) corporate obligations: except with the director's consent, an insurer shall not have invested at any one time more than 20 per cent of its assets in the class of securities described in sec. 140 (corporate bonds and debentures) of this chapter, exclusive of obligations of public utilities;

(6) common stocks: an insurer may invest and have invested at any one time in aggregate amount not more than 10 per cent of its assets in all stocks under: sec. 160 (common stocks), sec. 170 (insurance stocks), and sec. 200 (investment trust certificates) of this chapter; determination of the amount which an insurer has invested in common stocks for the purposes of this provision shall be based on the cost of such stocks to the insurer; this provision shall not apply as to stock of a controlled or subsidiary insurance corporation or other

corporation under secs. 170 and 180 of this chapter;

(7) miscellaneous: except with the director's consent, an insurer shall not have invested at any one time more than 10 per cent of its assets in the class of securities described in any one of the following sections of this chapter: sec. 100 (improvement district obligations), sec. 150 (preferred or guaranteed stock), and sec. 190 (equipment trust certificates);

(8) other specific limits: limits as to investments in the category of real estate shall be as provided in sec. 280 of this chapter; and other specific limits shall apply as stated in the sections dealing with other respective kinds of investments.

Sec. 21.21.060. UNITED STATES OR CANADIAN GOVERNMENT OBLIGATIONS. An insurer may invest in bonds, notes, warrants and other evidences of indebtedness which are direct obligations of the United States of America or of Canada or for which the full faith and credit of the United States of America or of Canada is pledged for the payment of principal and interest.

Sec. 21.21.070. LOANS GUARANTEED BY THE UNITED STATES OR CANADA. An insurer may invest in loans guaranteed as to principal and interest by the United States of America or Canada, or by any agency or instrumentality of the United States of America or Canada.

Sec. 21.21.080. STATE, COUNTY, MUNICIPAL, AND SCHOOL OBLIGATIONS. An insurer may invest any of its funds in bonds or other evidences of indebtedness which are general obligations of, or are secured by pledge of specific revenues by,

this state or of any other state of the United States or province of Canada, or of any of the political subdivisions or all other taxing districts of such states or provinces.

Sec. 21.21.090. REVENUE BONDS. An insurer may invest in bonds, notes or evidences of indebtedness of any state of the United States or province of Canada or any political subdivision thereof or any agency or instrumentality of any of the foregoing, which are payable from revenues or earnings specifically pledged for the payment of the principal and interest on such obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained.

Sec. 21.21.100. IMPROVEMENT DISTRICT OBLIGATIONS. An insurer may invest in bonds, notes or evidences of indebtedness issued by any political subdivision of this or any other state to finance local improvements authorized by law, if the principal and interest of such obligations is payable from assessments on real property within such political subdivision. No such investment shall be made if the face value of all such obligations, together with all similar obligations of such political subdivision outstanding, exceed 50 per cent of the market value of the real property and improvements upon which such bonds or the assessments for the payment of principal and interest thereon are liens inferior only to the liens for general ad valorem property taxes.

Sec. 21.21.110. OBLIGATIONS, STOCK OF CERTAIN FEDERAL AGENCIES. An insurer may invest in the obligations, and/or stock where stated, of the following agencies of the government of the United States of America, whether or not such

obligations are guaranteed by such government:

(1) Commodity Credit Corporation;

(2) Federal Intermediate Credit Banks;

(3) Federal Land Banks;

(4) Central Bank for Cooperatives;

(5) Federal Home Loan Banks, and stock thereof;

(6) Federal National Mortgage Association, and stock thereof when acquired in connection with sale of mortgage loans to such association; and

(7) any other similar agency of the government of the United States of America and of similar financial quality.

Sec. 21.21.120. INTERNATIONAL BANK. An insurer may invest in obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development.

Sec. 21.21.130. INTER-AMERICAN DEVELOPMENT BANK. An insurer may invest in obligations issued, assumed or guaranteed by the Inter-American Development Bank.

Sec. 21.21.140. CORPORATE BONDS AND DEBENTURES. (a) An insurer may invest in bonds, debentures, notes and other evidences of indebtedness issued, assumed or guaranteed by any solvent institution existing under the laws of the United States of America or of Canada, or any state or province thereof, which are not in default as to principal or interest and which are secured by adequate collateral and bear fixed interest and if during each of any three, including either of the last two, of the five fiscal years next preceding the date of acquisition by the insurer, the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges, as hereinafter defined, shall have been not

less than one and one-quarter times the total of its fixed charges for such year. In determining the adequacy of collateral security, not more than one-third of the total value of such required collateral shall consist of common stock.

(b) An insurer may invest in secured and unsecured obligations of such institutions (other than obligations described in (a) of this section) bearing interest at a fixed rate, with mandatory principal and interest due at specified times, if the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges for a period of five fiscal years next preceding the date of acquisition by such insurer have averaged per year not less than one and one-half times its average annual fixed charges applicable to such period and if during either of the last two years of such period such net earnings have been not less than one and one-half times its fixed charges for such year.

(c) An insurer may invest in adjustment, income, or other contingent interest obligations of such institutions if the net earnings of the issuing, assuming or guaranteeing institution available for its fixed charges for a period of five fiscal years next preceding the date of acquisition by the insurer shall have averaged per year not less than one and one-half times the sum of its average annual fixed charges and its average annual maximum contingent interest applicable to such period and if during either of the last two years of such period such net earnings shall have been not less than one and one-half times the sum of its fixed charges and maximum contingent interest for such year.

(d) Within the meaning of this section, the term "net

earnings available for fixed charges" means net income after deducting operating and maintenance expenses, taxes other than federal income taxes, depreciation and depletion, but excluding extraordinary nonrecurring items of income or expense appearing in the regular financial statements of the issuing, assuming or guaranteeing institutions. The term "fixed charges" shall include interest on funded and unfunded debt, amortization of debt discount, and rentals for leased properties.

Sec 21.21.150. PREFERRED OR GUARANTEED STOCK. An insurer may invest in preferred or guaranteed stocks or shares of any solvent institution existing under the laws of the United States of America or of Canada, or of any state or province thereof, if all of the prior obligations and prior preferred stocks, if any, of such institution at the date of acquisition of the investment by such insurer are eligible as investments under this chapter and if the net earnings of such institution available for its fixed charges during each of the last two years have been, and during each of the last five years have averaged, not less than one and one-half times the sum of its average annual fixed charges, if any, its average annual maximum contingent interest, if any, and its average annual preferred dividend requirements. For the purposes of this section such computation shall refer to the fiscal years immediately preceding the date of acquisition of the investment by the insurer, and the term "preferred dividend requirement" shall be deemed to mean cumulative or noncumulative dividends, whether paid or not.

Sec. 21.21.160. COMMON STOCKS. An insurer may invest in

nonassessable common stocks, other than insurance stocks, of any solvent corporation existing under the laws of the United States of America or of Canada, or any state or province thereof, if cash or stock dividends have been earned and paid on its common stock in each of the five fiscal years preceding such acquisition; and if, further, all prior obligations or preference stock of such corporation, if any, are eligible for investment under this chapter. If the issuing corporation has not been in legal existence for the whole of the five preceding fiscal years but was formed as a consolidation or merger of two or more businesses, the test of eligibility for investment of its common stock under this section shall be based upon consolidation pro-forma statements of the predecessor or constituent institutions.

Sec. 21.21.170. INSURANCE STOCKS. (a) An insurer may invest in the stocks of other solvent insurers formed under the laws of this or another state, which stocks meet the applicable requirements of secs. 150 (preferred or guaranteed stock) and 160 (common stocks), of this chapter.

(b) With the director's consent an insurer may acquire and hold the controlling interest in the outstanding voting stock of another stock insurer formed under the laws of this or another state. All stocks under this subsection shall be subject to the limitation as to amount as provided in sec. 180 of this chapter.

Sec. 21.21.180. STOCKS OF SUBSIDIARIES. With the director's consent an insurer may invest in the stock of its wholly-owned subsidiary insurance corporation; or in the stock of its wholly-owned subsidiary business corporation

formed under the laws of this state and necessary and incidental to the convenient operation of the insurer's insurance business or to the administration of any of its investments. All of the insurer's investments under this section, together with its investments in insurance stocks under sec. 170 (b) of this chapter shall not at any time exceed the amount of the investing insurer's surplus, if a life insurer, or its surplus to policyholders if other than a life insurer.

Sec. 21.21.190. EQUIPMENT TRUST CERTIFICATES. An insurer may invest in equipment trust obligations or certificates adequately secured and evidencing an interest in transportation equipment, wholly or in part within the United States of America, which obligations or certificates carry the right to receive determined portions of rental, purchase, or other fixed obligatory payments to be made for the use or purchase of such transportation equipment.

Sec. 21.21.200. INVESTMENT TRUST SECURITIES. An insurer may invest in the securities of any management type investment company or investment trust registered with the Federal Securities and Exchange Commission under the Investment Company Act of 1940 as from time to time amended, if such investment company or trust has assets not less than $50,000,000.00 as at date of investment by the insurer.

Sec. 21.21.210. POLICY LOANS. A life insurer may lend to its policyholder upon pledge of the policy as collateral security, any sum not exceeding the cash surrender value of the policy; or may lend against pledge or assignment of any of its supplementary contracts or other contracts or obligations, so long as the loan is adequately secured by such

pledge or assignment. Loans so made are eligible investments of the insurer.

Sec. 21.21.220. COLLATERAL LOANS. An insurer may lend and thereby invest its funds upon the pledge of securities eligible for investment under this chapter. As at date made, no such loan shall exceed in amount 75 per cent of the market value of such collateral pledged. The amount so loaned shall be included pro rata in determining the maximum percentage of funds permitted under this chapter to be invested in the respective categories of securities so pledged.

Sec. 21.21.230. SAVINGS AND LOAN. To the extent that such an account is insured by the Federal Savings and Loan Insurance Corporation, an insurer may invest in share or savings accounts of savings and loan and building and loan associations.

Sec. 21.21.240. FOREIGN SECURITIES. An insurer authorized to transact insurance in a foreign country may make investments, in aggregate amount not exceeding its deposit and obligations incurred in such country, in securities of or in such country possessing characteristics and of a quality similar to like investments required pursuant to this chapter for investments in the United States of America. Canadian securities eligible for investment under other provisions of this chapter are not subject to this section.

Sec. 21.21.250. MISCELLANEOUS INVESTMENTS. (a) An insurer may make loans or investments not otherwise expressly permitted under this chapter, in aggregate amount not over five per cent of the insurer's assets and not over one per cent of such assets as to any one such loan or investment, if

such loan or investment fulfills the requirements of sec. 30 of this chapter, and otherwise qualifies as a sound investment. But no such loan or investment shall be represented by:

(1) any item described in AS 21.18.030 (assets not allowed), or any loan or investment otherwise expressly prohibited;

(2) agents' balances, or amounts advanced to or owing by agents or former agents of the insurer, whether or not secured; except as to policy loans, mortgage loans, and collateral loans otherwise authorized under this chapter;

(3) any category of loans or investments eligible under any other provisions of this chapter;

(4) any asset theretofore acquired or held by the insurer under any other category of loans or investments eligible under this chapter.

(b) The insurer shall keep a separate record of all loans and investments made under this section.

Sec. 21.21.260. REAL ESTATE MORTGAGES. (a) An insurer may invest any of its funds in bonds, notes or other evidences of indebtedness which are secured by first mortgages or deeds of trust upon improved real property located in the United States or Canada, or which are secured by first mortgages or deeds of trust upon leasehold estates having an unexpired term of not less than 21 years (inclusive of the term or terms which may be provided by enforceable options of renewal) in improved real property located in the United States or Canada. In all cases the security for the loan must be a first lien upon such real property, and there must not be any condition or right of re-entry or forfeiture not insured against, under

which, in the case of real property other than leaseholds, such lien can be cut off or subordinated or otherwise disturbed or under which, in the case of leaseholds, the insurer is unable to continue the lease in force for the duration of the loan. Nothing herein shall prohibit any investment by reason of the existence of any prior lien for ground rents, taxes, assessments or other similar charges not yet delinquent. This section shall not be deemed to prohibit investment in mortgages or similar obligations when made under sec. 240 (foreign securities) of this chapter.

(b) "Improved real estate"means all farm lands used for tillage, crop, or pasture, timberlands, and all real estate on which permanent improvements suitable for residence, institutional, commercial or industrial use are situated.

(c) No such mortgage loan or loans made or acquired by an insurer on any one property shall, at the time of investment by the insurer, exceed the larger of the following amounts as applicable:

(1) two-thirds of the value of the real property or leasehold securing the same; provided however if said real property or leasehold consists of one or two-family residential property, three-fourths of said value; or

(2) the amount of any insurance or guaranty of such loan by the United States of America or by any agency or instrumentality thereof; or

(3) the amounts provided in (a) of this section herein, plus the amount by which the excess of such loan over such amount is insured or guaranteed by the United States of America or by any agency or instrumentality thereof; except,

that in the case of a purchase money mortgage given to secure the purchase price of real estate sold by the insurer, the amount so loaned or invested shall not exceed the unpaid portion of the purchase price.

(c) No such mortgage loan or loans shall be made or acquired by an insurer except after an appraisal made by a qualified appraiser for the purpose of such investment.

(d) No such mortgage loan made or acquired by an insurer which is a participation or a part of a series or issue secured by the same mortgage or deed of trust shall be a lawful investment under this section unless the entire series or issue which is secured by the same mortgage or deed of trust is held by such insurer, or unless the insurer holds a senior participation in such mortgage or deed of trust, giving it substantially the rights of a first mortgagee.

(e) No mortgage loan upon a leasehold shall be made or acquired pursuant to this section unless the terms thereof shall provide for amortization payments to be made by the borrower on the principal thereof at least once in each year in amounts sufficient completely to amortize the loan within a period of four-fifths of the term of the leasehold, inclusive of the term which may be provided by an enforceable option of renewal, which is unexpired at the time the loan is made, but in no event exceeding 35 years.

Sec. 21.21.270. CHATTEL MORTGAGES. (a) In connection with a mortgage loan on the security of real estate designed and used primarily for residential purposes only, which mortgage loan was acquired pursuant to sec. 260 of this chapter, an insurer may lend or invest an amount not exceeding 20 per

cent of the amount loaned on or invested in such real estate mortgage on the security of a chattel mortgage to be amortized by regular periodic payments within a term of not more than five years, and representing a first and prior lien, except for taxes not then delinquent, on personal property constituting durable equipment owned by the mortgagor and kept and used in the mortgaged premises.

(b) For the purposes of this section, the term "durable equipment" shall include only mechanical refrigerators, air conditioning equipment, mechanical laundering machines, heating and cooking stoves and ranges, and, in addition, in the case of apartment houses, motels and hotels, room furniture and furnishings.

(c) Prior to the acquisition of a chattel mortgage hereunder, items of property to be included therein shall be separately appraised by a qualified appraiser and the fair market value therof determined. No such chattel mortgage loan shall exceed in amount the same ratio of loan to the value of the property as is applicable to the companion loan on the real property.

(d) This section shall not prohibit an insurer from taking liens on personal property as additional security for any investment otherwise eligible under this chapter.

Sec. 21.21.280. REAL ESTATE. An insurer may invest in real estate only if used for the purposes or acquired in the manners and within the limits as follows:

(1) the land and the buildings thereon in which it has its principal office, and such other real estate as shall be requisite for its convenient accommodation in the transaction

of its business. Except with the consent of the director, all such investments shall not aggregate more than five per cent of the insurer's assets;

(2) real estate acquired in satisfaction of loans, mortgages, liens, judgments, decrees or debts previously owing to the insurer in the course of its business;

(3) real estate acquired in part payment of the consideration on the sale of other real estate owned by it, if such transaction does not increase the insurer's investment in real estate;

(4) real estate acquired by gift or devise, or through merger, consolidation, or bulk reinsurance of another insurer under this code;

(5) the seller's interest in real property subject to an agreement of purchase or sale, but the sum invested in any such parcel of real estate shall not exceed three-fourths of the market value of such parcel provided the same consists of one or two family residential property and two-thirds of the market value of all other such parcels of real estate;

(6) real estate, or any interest therein acquired or held by purchase, lease or otherwise, other than real estate to be used primarily for agricultural, ranch, mining, development of oil or mineral resources, recreational, amusement or club purposes, acquired as an investment for the production of income, or acquired to be improved or developed for such investment purposes pursuant to an existing program therefor; the insurer may hold, improve, develop, maintain, manage, lease, sell, and convey real estate acquired by it under this provision; an insurer shall not, except with the director's consent,

have at any one time invested in real estate under this paragraph an amount exceeding five per cent of its assets;

(7) additional real estate and equipment incident to real estate, if necessary or convenient for the purpose of enhancing the sale or other value of real estate previously acquired or held by the insurer under (2), (3), (4), or (6) of this section. Such real estate and equipment shall be included, together with the real estate for the enhancement of which it was acquired, for the purpose of applicable investment limits, and shall be subject to disposal at the same time and under the same conditions as applying to such enhanced real estate under sec. 290 of this chapter;

(8) except with the director's consent, all real estate owned by the insurer under this section, except as to seller's interest specified in (5) of this section, shall not at any one time exceed 10 per cent of the insurer's assets.

Sec. 21.21.290. TIME LIMIT FOR DISPOSAL OF REAL ESTATE. (a) Except as stated in (c) of this section, the insurer shall dispose of real estate acquired under sec. 280 (a) (1) of this chapter, within five years after it has ceased to be necessary for the convenient accommodation of the insurer in the transaction of its business.

(b) Except as stated in (c) of this section, the insurer shall dispose of real estate acquired under sec. 280 (a) (2), (3) and (4) of this chapter, within five years after the date of acquisition.

(c) Upon proof satisfactory to him that the interests of the insurer will suffer materially by the forced sale thereof, the director may by order grant a reasonable extension of the

period, as specified in such order, within which the insurer shall dispose of any particular parcel of such real estate; unless the insurer elects to hold such real estate as an investment for income purposes under sec. 280 (a) (6) of this chapter, in which event thereafter such real estate shall be deemed to have been acquired at a cost equal to its book value at the time of such election and to be held under, and subject to, the provisions of such sec. 280 (a) (6) of this chapter.

Sec. 21.21.300. TIME LIMIT FOR DISPOSAL OF OTHER INELIGIBLE PROPERTY AND SECURITIES. Any personal property or securities lawfully acquired by an insurer which it could not otherwise have invested in or loaned its funds upon at the time of such acquisition, shall be disposed of within three years from date of acquisition unless within such period the security has attained to the standard of eligibility; except, that any security or personal property acquired under any agreement of bulk reinsurance, merger, or consolidation, may be retained for a longer period if so provided in the plan for such reinsurance, merger, or consolidation as approved by the director under chapter 69 of this title. Upon application by the insurer and proof that forced sale of any such property or security would materially injure the interests of the insurer, the director may extend the disposal period for an additional reasonable time.

Sec. 21.21.310. FAILURE TO DISPOSE OF REAL ESTATE, PROPERTY OR SECURITIES. (a) Any real estate, personal property, or securities lawfully acquired and held by an insurer after expiration of the period for disposal thereof or any extension of such period granted by the director, as

provided in secs. 290 or 300 of this chapter, shall not be allowed as an asset of the insurer.

(b) The insurer shall forthwith dispose of any ineligible investment unlawfully acquired by it, and the director may, in his discretion, suspend or revoke the insurer's certificate of authority if the insurer fails to dispose of the investment within such reasonable time as the director may, by his order, specify.

Sec. 21.21.320. PROHIBITED INVESTMENTS AND INVESTMENT UNDERWRITING. (a) In addition to investments excluded pursuant to other provisions of this title, an insurer shall not invest in or lend its funds upon the security of:

(1) issued shares of its own capital stock, except for the purpose of mutualization under AS 21.69.570;

(2) except with the advance consent of the director, securities issued by any corporation or enterprise the controlling interest of which is, or after such acquisition by the insurer will be held directly or indirectly by the insurer or any combination of the insurer and the insurer's directors, officers, parent corporation, subsidiaries, or controlling stockholders; investments in subsidiaries under sec. 180 of this chapter, shall not be subject to this provision;

(3) any note or other evidence of indebtedness of any director, officer, or controlling stockholders of the insurer, except as to policy loans authorized under sec. 210 of this chapter.

(b) No insurer shall underwrite or participate in the underwriting of an offering of securities or property by any other person.

Sec. 21.21.330. INVESTMENTS OF FOREIGN INSURERS. The investment portfolio of a foreign insurer shall be as permitted by the laws of its domicile but shall be of a quality substantially as high as that required under this chapter for similar funds of like domestic insurers. For the purposes of this provision, the domicile of an alien insurer, other than a life insurer formed under the laws of Canada, shall be deemed to be that state in which it maintains its principal deposit.

CHAPTER 24. ADMINISTRATION OF DEPOSITS

Sec. 21.24.010. AUTHORIZED DEPOSITS OF INSURERS. The following deposits of insurers when made through the director shall be accepted and held, and shall be subject to the provisions of this chapter:

(1) deposits required under this title for authority to transact insurance in this state;

(2) deposits of domestic insurers when made pursuant to the laws of other states, provinces, and countries as requirement for authority to transact insurance in such state, province, or country;

(3) deposits of reserves made by domestic life insurers under AS 21.18.120;

(4) deposits in such additional amounts as are permitted to be made under sec. 100 of this chapter.

Sec. 21. 24.020. PURPOSE OF DEPOSIT. Such deposits shall be held for purposes as follows:

(1) deposits made in this state under AS 21.09.090 shall be held for the purpose stated in such section;

(2) a deposit made in this state by a domestic

insurer transacting insurance in another state, province, or country, and as required by the laws of such other state, province, or country, shall be held for the protection of all the insurer's policyholders or all its policyholders and creditors or for such other purpose or purposes as may be specified pursuant to such laws;

(3) deposits of reserves made by domestic life insurers under AS 21.18.120, shall be held for the common benefit of all the holders of its life insurance policies and annuity contracts;

(4) deposits required pursuant to the retaliatory law, AS 21.09.270, shall be held for such purposes as is required by such law, and as specified by the director's order requiring such deposit to be made.

Sec. 21.24.030. SECURITIES ELIGIBLE FOR DEPOSIT. (a) All such deposits required under AS 21.09.090 for authority to transact insurance in this state shall consist of certificates of deposit, or any combination of securities of the kinds described in the following sections of this title: AS 21.21.050 (United States and Canadian government obligations), AS 21.21.080 (state, county, municipal, and school obligations), and AS 21.21.090 (revenue bonds).

(b) All other deposits of a domestic insurer held in this state pursuant to the laws of another state, province, or country shall be comprised of assets of the kinds described in (a) of this section, and of such additional kind or kinds of securities required or permitted by the laws of such state, province, or country except common stocks, mortgages of any kind and real estate.

(c) Deposits of the reserves of a domestic life insurer shall consist of securities and assets as provided under AS 21.18.120.

(d) Deposits of foreign insurers made in this state under the retaliatory law, AS 21.09.270, shall consist of such assets as are required by the director pursuant to such law.

Sec. 21.24.040. DEPOSITARY OR CUSTODIAN. (a) Deposits made in this state under this title shall be made through the office of the director in safe deposit or under custodial arrangements as required or approved by the director consistent with the purposes of such deposit, with an established safe deposit institution, bank, or trust company located in the city of Juneau, State of Alaska, selected by the insurer with the director's approval.

(b) No safe deposit shall be used for any such deposit unless the box or compartment in which are kept the assets and securities comprising the deposit requires two separate and distinctly differing keys or one key and a combination (in the case of a box having a combination lock) to open the same. One of such keys or the combination shall at all times be kept by the director, and the other key or the combination shall at all times be kept by the insurer. Such box or compartment shall not at any time be opened or remain open except through the joint action and in the presence of both the director and a duly authorized officer or representative of the insurer.

(c) Where of convenience to the insurer in the buying, selling, and exchange of securities comprising its deposit,

and in the collection of interest and other income currently accruing thereon, the insurer may with the director's written approval in advance, deposit certain of such securities under custodial arrangements with an established bank or trust company located outside this state, so long as receipts representing all such securities are issued by such custodial bank or trust company and are held in safe deposit or custody subject to the requirements of (a) and (b) of this section.

(d) The form and terms of all such depositary or custodial agreements shall be as prescribed or approved by the director consistent with the applicable provisions of this title.

(e) The compensation and expenses of the depositary or custodian shall be borne by the insurer.

Sec. 21.24.050. RECORD OF DEPOSITS -- LIABILITY OF DIRECTOR AND STATE. (a) The director shall give to the depositing insurer vouchers as to all assets and securities deposited by it in this state through the director as provided in this title.

(b) The director shall keep a record of the assets and securities comprising each deposit, showing as far as practical the amount and market value of each item, and all his transactions relative thereto.

Sec. 21.24.060. RESPONSIBILITY FOR SAFEKEEPING. The director and the State of Alaska shall have no liability as to the safekeeping of any such deposit by the depositary or custodian thereof.

Sec. 21.24.070. ASSIGNMENT, CONVEYANCE OF ASSETS OR SECURITIES. All securities not negotiable by delivery and deposited under this title shall be duly assigned to the

director and his successors in office. In the case of securities held under custodial arrangements outside this state pursuant to sec. 40 (c) of this chapter, the custodian's receipt for such securities shall be so delivered, if negotiable, or assigned to the director if thereby legal title to such securities is vested in the director. All other assets so deposited the insurer shall transfer or convey to the director and his successors in office. Upon release to the insurer of any such asset or security the director shall reassign or transfer or reconvey the same to the insurer.

Sec. 21.24.080. APPRAISAL. The director may, in his discretion, prior to acceptance for deposit of any particular asset or security, or at any time thereafter while so deposited, have the same appraised or valued by competent appraisers. The reasonable costs of any such appraisal or valuation shall be borne by the insurer.

Sec. 21.24.090. RIGHTS OF INSURER DURING SOLVENCY. So long as the insurer remains solvent and is in compliance with this title it may:

(1) demand, receive, sue for and recover the income from the assets or securities deposited;

(2) exchange and substitute for the deposited assets or securities, or any part thereof, other eligible assets or securities of equivalent or greater value; and

(3) at any reasonable time inspect any such deposit.

Sec. 21.24.100. EXCESS DEPOSITS. An insurer may so deposit and have on deposit assets or securities in an amount exceeding its deposit required or otherwise permitted under this title by not more than 20 per cent of such required or

permitted deposit or $50,000.00, whichever is the larger amount, for the purpose of absorbing fluctuations in the value of assets and securities deposited, and to facilitate the exchange and substitution of such assets and securities. During the solvency of the insurer any such excess shall be released to the insurer upon its request. During the insolvency of the insurer such excess deposit shall be released only as provided in sec. 130 (d) of this chapter.

Sec. 21.24.110. LEVY UPON DEPOSIT. No judgement creditor or other claimant of an insurer shall have the right to levy upon any of the assets or securities held in this state as a deposit for the protection of the insurer's policyholders or policyholders and creditors. As to deposits pursuant to the retaliatory law, AS 21.09.270, levy thereupon shall be permitted if so provided in the director's order under which the deposit is made.

Sec. 21.24.120. DEFICIENCY OF DEPOSIT. If for any reason the market value of assets and securities of an insurer held on deposit in this state, or in another state under custodial arrangements authorized by sec. 40 (c) of this chapter, falls below the amount required under this title to be so held, the insurer shall promptly deposit other or additional assets or securities eligible for deposit under this chapter and in amount sufficient to cure such deficiency. If the insurer has failed to cure the deficiency within 20 days after receipt of notice thereof by registered mail from the director, the director shall forthwith revoke the insurer's certificate of authority.

Sec. 21.24.130. DURATION AND RELEASE OF DEPOSIT. (a)

Every deposit made in this state by an insurer pursuant to this title, including assets and securities held in another state under custodial arrangements permitted by sec. 40 (c) of this chapter, shall be held as long as there is outstanding any liability of the insurer as to which the deposit was so required; or, if a deposit required under the retaliatory law, AS 21.09.270, the deposit shall be held for so long as the basis of such retaliation exists.

(b) Upon the request of a domestic insurer, the director shall return to the insurer the whole or any portion of the assets and securities of the insurer held on deposit when the director is satisfied that the assets and securities so to be returned are subject to no liability and are not required to be longer held by any provision of law or purposes of the original deposit. If the insurer has reinsured all its outstanding risks in another insurer or insurers authorized to transact insurance in this state then the director shall deliver such assets and securities to such insurer or insurers so assuming such risks, upon (1) written notice to him by such domestic insurer that such assets and securities have been duly assigned, transferred and set over to such reinsuring insurer or insurers, which notice shall be accompanied by a duly verified copy of such assignment, transfer, or conveyance, and (2) in the case of deposits of the reserves of domestic life insurers under AS 21.18.120, proof satisfactory to the director that the reinsuring insurer or insurers has deposited or will deposit, and will maintain on deposit in public custody through the insurance supervisory official of its state of domicile, assets and securities of like quality in amount not

less than the reserves then and thereafter of the policies and contracts so reinsured, in addition to any other deposit of such insurer required or permitted by law, and, unless the insurer is required so to deposit and maintain on deposit all of its reserves, that such deposit of such reserves will be so deposited and held on deposit for the special benefit and protection of the holders of the life insurance policies and annuity contracts so reinsured.

(c) The director shall return to a foreign insurer any deposit made in this state by such insurer, when such insurer has ceased transacting insurance in this state, or in the United States, and the insurer is not subject to any liability in this state on account of which the deposit was held.

(d) If the insurer is subject to delinquency proceedings as defined in chapter 78 of this title, upon the order of a court of competent jurisdiction the director shall yield the assets and securities held on deposit to the receiver, conservator, rehabilitator, or liquidator of the insurer, or to any other properly designated official or officials who succeed to the management and control of the insurer's assets.

(e) No release of deposited assets shall be made except upon application to and the written order of the director. The director shall have no personal liability for any release of any such deposit or part thereof so made by him in good faith.

CHAPTER 27. AGENTS, BROKERS, SOLICITORS, AND ADJUSTERS

Sec. 21.27.010. LICENSE REQUIRED. (a) No person shall in this state act as or hold himself out to be an agent, broker, solicitor, or adjuster unless then licensed therefor by

this state.

(b) No agent, solicitor, or broker shall solicit or take applications for, procure, or place for others any kind of insurance for which he is not then licensed.

(c) This section shall not apply with respect to any person securing and forwarding information required for the purposes of group insurance covering the unpaid balance, or remaining payments proposed to be made, in connection with the purchase of merchandise or services, and where no commission or other compensation is payable on account of such insurance to such person.

(d) Any person violating this section shall be liable to a fine of not to exceed $500.00 and imprisonment for not to exceed six months for each instance of such violation.

Sec. 21.27.020. GENERAL QUALIFICATIONS FOR LICENSE. For the protection of the people of this state the director shall not issue or renew any such license except in compliance with this chapter, nor to, nor to be exercised by, any person found by him to be untrustworthy, or incompetent, or who has not established to the satisfaction of the director that he is qualified therefor in accordance with this chapter.

Sec. 21.27.030. CONTROLLED BUSINESS DISQUALIFICATION. (a) The director shall not grant an agent's, solicitor's, or broker's license to any person if the director has reasonable cause to believe that:

(1) during either of the two calendar years immediately preceding the request for renewal of any such license the aggregate amount of commissions represented by the controlled business procured by or through the licensee exceeded the

aggregate amount of commissions represented by all other insurance business procured by or through him; or

(2) the circumstances of the applicant for such license or of any such licensee are such as to cause the director reasonably to believe that during the 12-month period immediately following issuance or renewal of the license, if so issued or renewed, the aggregate amount of commissions to be represented by such controlled business would exceed the aggregate amount of commissions to be represented by all other insurance business to be procured by or through such applicant or licensee.

(b) "Controlled business" means insurance procured or to be procured by or through such person upon:

(1) his own life, person, or property or those of his spouse or relatives by blood or marriage to the second degree;

(2) the life, person, or property of his employer, or his firm, or of any officer, director, stockholder or member of his employer or firm, other than members of mutual insurers, or of any spouse of such employer, officer, director, stockholder, or member;

(3) the life, person, or property of his ward, or his employees; or upon persons or property under his supervision or control as trustee under any indenture or decree, or as administrator or executor of any estate.

(c) The vendor who is title holder of property being sold under an installment purchase contract shall not be deemed to be the owner of such property for the purposes of this section.

Sec. 21.27.040. APPLICATION FOR LICENSE. (a) Application

for any such license shall be made to the director upon forms as prescribed and furnished by him. As a part of or in connection with any such application the applicant shall furnish information concerning his identity, personal history, experience, business record, purposes, and other pertinent facts, as the director may reasonably require.

(b) If the applicant is a firm or corporation, the application shall show, in addition, the names of all members and officers, and shall designate each individual who is to exercise the powers to be conferred by the license upon such firm or corporation. The director shall require each such individual to furnish information to him as though for an individual license.

(c) Any person wilfully misrepresenting any fact required to be disclosed in any such application shall be liable to penalties as provided by this title.

Sec. 21.27.050. ONE FILING OF PERSONAL DATA SUFFICIENT. (a) The filing of personal data by an individual in connection with one application for an agent's license shall be sufficient, regardless of the number of insurers to be represented by the agent or the number of subsequent applications by the same applicant.

(b) The director may, for his information from time to time require any licensed agent, or solicitor, or broker, or adjuster, to supply him with the information called for in an application for license.

Sec. 21.27.060. EXAMINATION OF APPLICANTS. (a) Each applicant for license as agent, broker, solicitor, or adjuster shall prior to the issuance of any such license, personally

take and pass to the satisfaction of the director an examination given by the director as a test of his qualifications and competence; but this requirement shall not apply to:

(1) applicants for limited licenses, as travel insurance agents only, under sec. 150 of this chapter, nor, at the discretion of the director, to applicants for licenses as disability insurance agents for the purpose of handling limited coverages pertaining to sports and recreation;

(2) applicants who within the five-year period next preceding date of application have been licensed in this state under a license requiring qualifications similar to qualifications required by the license applied for and who are deemed by the director to be fully qualified and competent;

(3) applicants for license as nonresident agent or as nonresident broker who have fulfilled qualification requirements in their state of residence and who are deemed by the director to be fully qualified and competent;

(4) applicants for an agent's or solicitor's license covering the same kinds of insurance as an agent's or solicitor's license then held by them.

(b) The director may at any time require any licensed agent, broker, solicitor, or adjuster to take and successfully pass an examination testing his competence and qualifications as a condition to the continuance or renewal of his license, if the licensee has been guilty of violation of this title, or has so conducted his affairs under his license as to cause the director reasonably to desire further evidence of his qualifications.

Sec. 21.27.070 SCOPE OF EXAMINATIONS. (a) Each such

examination shall be as the director prescribes and shall be of sufficient scope reasonably to test the applicant's knowledge relative to the kinds of insurance which may be dealt with under the license applied for, and of the duties and responsibilities of, and laws of this state applicable to, such a licensee.

(b) Examination as to ocean marine and related coverages may be waived by the director as to any applicant deemed by the director to be qualified by past experience to deal in such insurances.

(c) The director shall prepare and make available to insurers, general agents, brokers, agents, and applicants a printed manual specifying in general terms the subjects which may be covered in any examination for a particular license.

Sec. 21.27.080. EXAMINATIONS. (a) The answers of the applicant to any such examination shall be written by the applicant under the director's supervision, and any such written examination may be supplemented by oral examination at the director's discretion.

(b) The director shall give examinations at such times and places within this state as he deems necessary reasonably to serve the convenience of both the director and applicants.

(c) The director may require a waiting period of reasonable duration before giving a new examination to an applicant who has failed to pass a previous similar examination.

(d) For each examination taken, the director shall collect in advance the fee provided in AS 21.06.250.

Sec. 21.27.090. AGENT'S AND BROKER's QUALIFICATIONS. (a) To qualify for an agent's or broker's license an applicant

must otherwise comply with this title therefor and must:

(1) be 21 years of age or over, if an individual;

(2) if for a resident agent's or broker's license: be a bona fide resident for a period of not less than one year of continuous residency, immediately prior to issuance of license, and actually residing in Alaska; or if a corporation, be other than an insurer and maintain a lawfully established place of business in this state, except as provided in Sec. 270 of this chapter;

(3) be empowered to be an agent or broker, as the case may be, under its members' agreement, if a firm, or by its articles of incorporation, if a corporation;

(4) successfully pass any examination as required under sec. 60 of this chapter;

(5) be a trustworthy person;

(6) not intend to use or use the license for the purpose principally of writing controlled business, as defined in sec. 30 of this chapter;

(7) if for an agent's license, be appointed as its agent by one or more authorized insurers, subject to issuance of the license;

(8) if for broker's license, have had experience either as an agent, solicitor, adjuster, general agent, broker, or as an employee of insurers or representatives of insurers, or special education or training of sufficient duration and extent reasonably to satisfy the director that he possesses the competence necessary to fulfill the responsibilities of broker.

(b) If the director finds that the applicant is so

qualified and that the license fee has been paid, he shall issue the license. Otherwise, the director shall refuse to issue the license.

Sec. 21.27.100. APPOINTMENT OF AGENTS. Each insurer on appointing an agent in Alaska shall file written notice thereof in triplicate with the director on forms as prescribed and furnished by him. If then licensed and has paid the necessary licensing fee, or as soon as licensed, the director shall mail one copy of the appointment to the agent and return one copy to the company with the third copy being retained in the director's office.

Sec. 21.27.110. TERM OF APPOINTMENT OF AGENT. Each such appointment shall continue in force until:

(1) the appointment shall expire on the 30th of June of each year; this appointment must be renewed by the company; or

(2) the appointment is revoked by the insurer by written notice of such revocation to the agent; the insurer shall forthwith file a duplicate copy of such notice of revocation with the director; no fee shall be charged for filing such copy.

Sec. 21.27.120. REVOCATION OF APPOINTMENT. Revocation of an appointment by the insurer shall be deemed to be effective as of the date designated in the notice as being the effective date if the notice is actually received by the agent prior to such designated date; otherwise, as of the earlier of the following dates:

(1) the date such notice of revocation was received by the agent;

(2) the date such notice, if mailed to the agent at his last address of record with the insurer, in due course should have been received by the agent;

(3) as a part of the notice of termination given the director, the insurer shall file with the director a statement of facts relative to the termination and the cause thereof; any information or statement contained in the notice of termination shall be privileged and shall not be admissible as evidence in any action or proceeding against the insurer or any representative thereof by or on behalf of any person effected by such termination.

Sec. 21.27.130. CONTENT OF AGENTS', BROKERS', SOLICITORS' LICENSES. Agents', solicitors', and brokers' licenses shall be in form as the director prescribes, and shall set forth:

(1) the name and address of the licensee; or if he is required to have a place of business, the address of the place of business;

(2) if the agent or broker is a firm or corporation, the name of each individual authorized to exercise the powers conferred by the license;

(3) the kind or kinds of insurance the licensee is thereby licensed to handle;

(4) if a solicitor's license, the name and address of the agent or broker represented by the solicitor;

(5) the condition under which the license is granted;

(6) the date of issuance and date of expiration of the license.

Sec. 21.27.140. LICENSES TO FIRMS AND CORPORATIONS. (a) A firm or corporation shall not be licensed as an agent or

broker unless each individual to be empowered and designated in the license to exercise the powers conferred thereby is qualified as though he were the sole individual to be so empowered. Exercise or attempted exercise of such powers by an individual not so designated, with the knowledge or consent of the licensee, shall constitute cause for the revocation or suspension of the license.

(b) Licenses shall be issued in a trade name only upon satisfactory proof to the director that a corporation, partnership or individual is generally known by such trade name.

Sec. 21.27.150. LIMITED LICENSES. The director may issue limited licenses for travel insurance agents to persons selling transportation tickets of a common carrier of persons or property who shall act as such agents only as to transportation ticket policies of disability insurance or baggage insurance on personal effects.

Sec. 21.27.160. NUMBER OF LICENSES. An agent is required to have but one license inclusive of all other kinds or combination of kinds of insurance he is licensed to handle, regardless of the number of insurers for whom he is appointed as agent for such insurers of any of them.

Sec. 21.27.170. INSURANCE VENDING MACHINES. (a) A licensed resident agent may solicit applications for and issue policies of personal travel accident insurance by means of mechanical vending machine supervised by him and placed at airports, railroad stations, bus stations and similar places where transportation tickets are sold and of convenience to the traveling public, if the director finds:

(1) that the policy to be sold provides reasonable

coverage and benefits, is reasonably suited for sale and issuance through vending machines, and that use of such a machine therefor in a particular proposed location would be of material convenience to the public;

(2) that the type of vending machine proposed to be used is reasonably suitable and practical for the purpose;

(3) that reasonable means are provided for informing the prospective purchaser of any such policy of the coverage and restrictions of the policy; and

(4) that reasonable means are provided for refund to the applicant or prospective applicant of money inserted in defective machines and for which no insurance, or a less amount than that paid for, is actually received.

(b) As to each such machine to be so used, the director shall issue to the agent a special vending machine license. The license shall specify the name and address of the insurer and agent, the name of the policy to be so sold, the serial number of the machine, and the place where the machine is to be in operation. The license shall be subject to annual continuation, to expiration, suspension or revocation coincidentally with that of the agent. The director shall also revoke the license as to any machine as to which he finds that the conditions upon which the machine was licensed, as referred to in (a) of this section, no longer exist. The license fee shall be as stated in AS 21.06.250 for each license year or part thereof for each respective vending machine. Proof of the existence of a subsisting license shall be displayed on or about each such vending machine in use in such manner as the director may reasonably require.

Sec. 21.27.180. SCOPE OF BROKER'S LICENSE. A resident or nonresident broker's license shall be issued to cover all kinds of insurance and in no instance shall a broker's license be limited to particular kinds of insurance.

Sec. 21.27.190. BROKER'S BOND. (a) Every applicant for a broker's license or for the renewal of a broker's license existing on the effective date of this title shall file with the application or request for renewal and shall thereafter maintain in force while so licensed a bond in favor of the people of the State of Alaska, executed by an authorized corporate surety approved by the director, in the amount of $2,500.00. The bond may be continous in form, and total aggregate liability on the bond may be limited to the payment of $2,500.00. The bond shall be contingent on the accounting by the broker to any person requesting the broker to obtain insurance, for moneys or premiums collected in connection therewith.

(b) Any such bond shall remain in force until the surety is released from liability by the director, or until the bond is canceled by the surety. Without prejudice to any liability accrued prior to such cancellation, the surety may cancel the bond upon 30 days advance notice in writing filed with the director.

Sec. 21.27.200. BROKER'S AUTHORITY -- COMMISSIONS. (a) A broker, as such, is not an agent or other representative of an insurer, and does not have power, by his own acts, to bind the insurer upon any risk or with reference to any insurance contract.

(b) An insurer or agent shall have the right to pay to

a broker licensed under this title, or under the laws of any other state or province, and such broker shall have the right to receive from the insurer oragent, the customary commissions upon insurances placed in the insurer by the broker.

Sec. 21.27.210. AGENT-BROKER COMBINATIONS. A licensed agent may be licensed as a broker and be a broker as to insurers for which he is not then licensed as agent. A licensed broker may be licensed as and be an agent as to insurers appointing him as agent. The sole relationship between a broker and an insurer as to which he is licensed as an agent shall, as to transactions arising during the existence of such agency appointment, be that of insurer and agent.

Sec. 21.27.220. SOLICITOR'S QUALIFICATIONS. The director shall license as a solicitor an individual only who meets the following requirements:

(1) is a bonafide resident of Alaska and has been a continuous resident for at least one year immediately prior to issuing of a license;

(2) be 18 years of age or over;

(3) intends to and does make the soliciting and handling of insurance business under his license his principal vocation;

(4) is to represent and be employed by but one licensed agent or broker;

(5) has passed any examination as required under this chapter;

(6) is otherwise qualified under this title.

Sec. 21.27.230. SOLICITOR'S LICENSE -- APPLICATION. The director shall issue a solicitor's license only upon application

by the applicant and the request of the agent or broker to be represented, upon such forms as the director shall prescribe and furnish.

Sec. 21.27.240. SOLICITOR'S LICENSE FEE -- CUSTODY -- CANCELLATION. (a) The fee for issuance or renewal of a solicitor's license shall be paid by the agent or broker by whom the solicitor is employed.

(b) The solicitor's license shall be delivered to and shall remain in the possession of the employing agent or broker. Upon termination of such employment, the license shall likewise terminate and shall be returned to the director for cancellation.

Sec. 21.27.250. LIMITATIONS UPON SOLICITORS. (a) A solicitor's license shall not cover any kind of insurance for which the agent or broker by whom he is employed is not then licensed.

(b) A solicitor shall not have power to bind an insurer upon or with reference to any risk or insurance contract, or to countersign insurance contracts.

(c) Any individual while licensed as a solicitor shall not be licensed as an agent or broker.

Sec. 21.27.260. RESPONSIBILITY OF EMPLOYING AGENT OR BROKER. All business transacted by a solicitor under his license shall be in the name of the agent or broker by whom he is employed and the agent or broker shall be responsible for all acts or omissions of the solicitor within the scope of such employment.

Sec. 21.27.270. NONRESIDENT AGENTS, BROKERS OR ADJUSTERS. The director may license as a nonresident insurance agent, or

broker or adjuster any individual who otherwise qualifies under this title, but who is not a resident of or domiciled in Alaska, provided, however:

(1) such nonresident licensee shall be subject to the same obligations and limitations and to the director's supervision as though the nonresident licensee were a resident of Alaska;

(2) no such individual shall be so licensed unless he files the power of attorney provided for in this title.

Sec. 21.27.280. SERVICE OF PROCESS AGAINST NONRESIDENT AGENT, BROKER , ADJUSTER. (a) Each licensed nonresident agent, broker or adjuster shall appoint the director as his attorney to receive service of legal process issued against the agent, broker or adjuster in this state upon causes of action arising within this state. Service upon the director as attorney shall constitute effective legal service upon the agent, broker or adjuster.

(b) The appointment shall be irrevocable for as long as there could be any cause of action against the agent, broker or adjuster arising out of his insurance transactions in this state.

(c) Duplicate copies of such legal process against such agent, broker or adjuster shall be served upon the director either by a person competent to serve a summons, or through registered mail. At the time of such service the plaintiff shall pay to the director $2.00, taxable as costs in the action.

(d) Upon receiving such service, the director shall forthwith send one of the copies of the process, by registered mail with return receipt requested, to the defendant agent, broker

or adjuster at his last address of record with the director.

(e) The director shall keep a record of the day and hour of service upon him of all such legal process. No proceedings shall be had against the defendant agent, broker or adjuster, and such defendant shall not be required to appear, plead, or answer until the expiration of 30 days after the date of service upon the director.

Sec. 21.27.290. ADJUSTERS -- QUALIFICATION FOR LICENSE. The director shall license as an adjuster only an individual who has otherwise complied with this title therefor and who has furnished evidence satisfactory to the director that he is qualified as follows:

(1) is 21 or more years of age;

(2) is a trustworthy person;

(3) has had experience or special education or training with reference to the handling of loss claims under insurance contracts, of sufficient duration and extent reasonably to make him competent to fulfill the responsibilities of an adjuster;

(4) has successfully passed any examination as required under this chapter.

Sec. 21.27.300. ADJUSTER'S LICENSE -- CONTENT. The director shall prescribe the form of adjuster's license, and which shall contain:

(1) the name of the adjuster, and the address of his place of business;

(2) date of issuance and date of expiration of the license;

(3) other statements proper to the purposes of the

license.

Sec. 21.27.310. AUTHORITY OF ADJUSTER. An adjuster shall have authority under his license only to investigate or report to his principal upon claims as limited under sec. 520 of this chapter, on behalf only of the insurers if licensed as an independent adjuster.

Sec. 21.27.320. AGENT MAY ADJUST -- NONRESIDENT ADJUSTERS. (a) On behalf of and as authorized by an insurer for which he is licensed as agent, an agent may from time to time act as an adjuster and investigate and report upon claims without being required to be licensed as an adjuster.

(b) No license by this state shall be required of a nonresident independent adjuster, for the adjustment in this state of a single loss, or of losses arising out of a catastrophe common to all such losses.

Sec. 21.27.330. PLACE OF BUSINESS. Every licensed agent, broker, and adjuster, other than an agent licensed for life or disability insurances only, shall have and maintain in this state, or, if a nonresident agent or nonresident broker, in the state of his domicile, a place of business accessible to the public. Such place of business shall be that wherein the agent principally conducts transactions under his licenses. The address of his place of business shall appear on all licenses of the licensee, and the licensee shall promptly notify the director of any change thereof. If the licensee maintains more than one place of business in this state, he shall obtain a duplicate of his license or licenses for each additional such place, and shall pay the full fee therefor.

Sec. 21.27.340. DISPLAY OF LICENSE. (a) The license or

licenses of each agent, other than licenses as to life or disability insurances only, or of each broker or adjuster shall be displayed in a conspicuous place in that part of his place of business which is customarily open to the public.

(b) The license of a solicitor shall be so displayed in the place of business of the agent or broker by whom he is employed.

Sec. 21.27.350. RECORDS OF AGENTS, BROKERS, ADJUSTERS. (a) Every agent, or broker, or adjuster shall keep at his address as shown on his license, a record of all transactions consummated under his license. This record shall be in organized form and shall include:

(1) if an agent or broker;

(A) a record of each insurance contract procured, issued, or countersigned, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance:

(B) the names of any other licensees from whom business is accepted, and of persons to whom commissions or allowances of any kind are promised or paid.

(2) if an adjuster, a record of each investigation or adjustment undertaken or consummated, and a statement of any fee, commission, or other compensation received or to be received by the adjuster on account of such investigation or adjustment;

(3) such other and additional information as shall be customary, or as may reasonably be required by the director.

(b) All such records as to any particular transaction

shall be kept available and open to the inspection of the director at any business time during the five years immediately after the date of the completion of such transaction.

Sec. 21.27.360. REPORTING AND ACCOUNTING FOR PREMIUMS. (a) An agent or any other representative of an insurer involved in the procuring or issuance of an insurance contract shall report to the insurer the exact amount of consideration charged as premium for such contract, and such amount shall likewise be shown in the contract and in the records of the agent. Each wilfull violation of this provision shall constitute a misdemeanor.

(b) All funds representing premiums or return premiums received by an agent, solicitor or broker, shall be so received in his fiduciary account, and shall be deposited in a bank account or depository separate from any other account or depository, and shall be promptly accounted for and paid to the insured, insurer, or agent as entitled thereto.

(c) Any agent, solicitor, or broker who, not being lawfully entitled thereto diverts or appropriates such funds or any portion thereof to his own use, shall be guilty of embezzlement, and shall be punished as provided in the criminal statutes of Alaska, for the crime of embezzlement.

Sec. 21.27.370. SHARING COMMISSIONS. (a) No agent, general agent, solicitor, or broker shall compensate or offer to compensate in any manner any person other than an agent, general agent, solicitor, or broker, licensed in this or any other state or province, for procuring or in any manner helping to procure applications for or to place insurance in this state. This provision shall not prohibit the payment of compensation

not contingent upon volume of business transacted, in the form of salaries to the regular employees of such agent, general agent, solicitor or broker.

(b) No such licensee shall be promised or allowed any compensation on account of the procuring of applications for or the placing of kinds of insurance which he himself is not then licensed to procure or place.

(c) The director shall suspend or revoke the licenses of all licensees participating in any violation of this section.

Sec. 21.27.380. EXPIRATION AND RENEWAL OF LICENSES. (a) All resident agents', solicitors', adjusters', and nonresident adjusters' licenses shall expire at 12:01 a.m. o'clock on the 30th day of June next following the date of issuance.

(b) All resident brokers' licenses shall expire at 12:01 a.m. o'clock on the 31st day of December next following date of issuance.

(c) All nonresident agents' and brokers' licenses shall expire at 12:01 a.m. o'clock one year from the date of issuance.

(d) Subject to the right of the director to suspend, revoke, or refuse to renew any license as provided in this title, any such license may be renewed into another like period by filing with the director on or before the expiration date a written request, by or on behalf of the licensee, for such renewal accompanied by payment of the renewal fee as specified in AS 21.06.250. An agent or broker shall make and file renewal requests on behalf of his solicitors.

(e) If request and fee for renewal of license is filed with the director prior to expiration of the existing license, the licensee may continue to act under such license, unless

sooner revoked or suspended, until the issuance of renewal license or until the expiration of 15 days after the director has refused to renew the license and has mailed order of such refusal to the licensee. Any request for renewal not so filed until after date of expiration may be considered by the director as an application for a new license.

(f) As to all licenses where renewal must be applied for by the licensee, if request for renewal of license or payment of the license fee is not received by the director prior to expiration date as required under (d) of this section, the applicant for renewal of license shall pay to the director and the director shall collect, in addition to the regular license fee, a surcharge for such license as follows: for the first 30 days or part thereof of delinquency the surcharge shall be $5.00; for all delinquencies extending more than 30 days, the surcharge shall be $10.00. This subsection shall not be deemed to exempt any person from any penalty provided by law for transacting business without a valid and subsisting license, or affect the director's right, at his discretion, to consider such delinquent application as one for a new license.

Sec. 21.27.390. TEMPORARY LICENSES. (a) The director may issue an agent's or broker's temporary license in the following circumstances:

(1) to the surviving spouse or next of kin or to the administrator or executor of a licensed agent or broker becoming deceased;

(2) to the spouse, next of kin, employee, or legal guardian of a licensed agent or broker becoming disabled because of sickness, insanity, or injury;

(3) to a surviving member of a firm or surviving officer or employee of a corporation licensed as agent or broker upon the death of an individual designated in the firm or corporation's license to exercise powers thereunder.

(b) An individual to be eligible for any such temporary license must be qualified as for a permanent license except as to experience, training, or the taking of any examination.

(c) Any fee paid to the director for issuance of a temporary license as specified in AS 21.06.250 shall be credited toward the fee required for a permanent license which is issued to replace the temporary license prior to the expiration of such temporary license.

Sec. 21.27.400. TEMPORARY LICENSES -- DURATION -- LIMITATIONS. (a) No such temporary license shall be effective for more than 90 days in any 12-month period, and the director may refuse so to license again any person who has previously been so licensed.

(b) An individual requesting temporary agent's license on account of death or disability of an agent, shall not be so licensed for any insurer as to which such agent was not licensed at the time of death or commencement of disability.

(c) No person writing or renewing any "controlled business," as defined in this chapter, under any temporary license, shall be entitled to receive any commission or other compensation on account thereof unless and until prior to the expiration of the temporary license such person fully qualifies for and receives a permanent license in replacement of the temporary license. Otherwise, the licensee under such temporary license may exercise the same powers as under a like permanent license

Sec. 21.27.410. REFUSAL, SUSPENSION, REVOCATION OF LICENSES. (a) The director may suspend, revoke, or refuse to renew any license issued under this chapter or any surplus line broker's license for any cause specified in any other provision of this title, or for any of the following causes:

(1) for any cause for which issuance of the license could have been refused had it then existed and been known to the director;

(2) if the licensee wilfully violates or knowingly participates in the violation of any provision of this title;

(3) if the licensee has obtained or attempted to obtain any such license through wilful misrepresentation or fraud, or has failed to pass any examination required under this chapter;

(4) if the licensee has misappropriated or converted to his own use or has illegally withheld moneys required to be held in a fiduciary capacity;

(5) if the licensee has, with intent to deceive, materially misrepresented the terms or effect of any insurance contract; or has engaged or is about to engage in any fraudulent transaction;

(6) if the licensee has been guilty of "twisting," as defined in AS 21.36.050, or of rebating, as defined in AS 21.36.100;

(7) if the licensee has been convicted, by final judgment, of a felony;

(8) if in the conduct of his affairs under the license, the licensee has shown himself to be, and is so deemed by the director, imcompetent, or untrustworthy, or a

source of injury and loss to the public;

(9) if the licensee has dealt with, or attempted to deal with, insurances or to exercise powers relative to insurance outside the scope of his licenses.

(b) The license of any firm or corporation may be so suspended, revoked, or refused for any of such causes as relate to any individual designated in the license to exercise its powers.

(c) The holder of any license which has been revoked or suspended shall surrender the license certificate to the director at the director's request.

Sec. 21.27.420. PROCEDURE TO SUSPEND, REVOKE OR REFUSE -- EFFECT OF CONVICTION OF FELONY. (a) The director shall revoke or refuse to renew any such license immediately and without hearing, upon conviction of the licensee of a felony by final judgment of any court of competent jurisdiction.

(b) The director may suspend, revoke, or refuse to renew any such license:

(1) by order given to the licensee not less than 15 days prior to the effective date thereof, subject to the right of the licensee to have a hearing as provided in AS 21.06.190. and pending such hearing the license shall be suspended; or

(2) by an order on hearing made as provided in AS 21.06.230 effective as of 10 days after date of the giving of the order, subject to the right of the licensee to appeal to the superior court as provided in AS 21.06.240.

Sec. 21.27.430. DURATION OF SUSPENSION. Every order suspending any such license shall specify the period during

which suspension will be effective, and which period shall in no event exceed 12 months.

Sec. 21.27.440. FINES MAY BE IMPOSED. After hearing and in addition to or in lieu of the suspension, revocation, or refusal to renew any such license, the director may levy a fine upon the licensee in amount not less than $25.00 and not more than $250.00. The order levying such fine shall specify the period within which the fine shall be fully paid, and which period shall be not less than 15 nor more than 30 days from the date of the order. Upon failure to pay any such fine when due, the director shall revoke the licenses of the licensee if not already revoked, and the fine shall be recovered in a civil action brought in behalf of the director by the attorney general. Any fine so collected shall be paid by the director to the Commissioner of Revenue for the account of the general fund.

Sec. 21.27.450. REINSTATEMENT OR RELICENSING. The director shall not reinstate the license of or relicense any licensee or former licensee as to whom a license has been suspended, revoked, or renewal refused, until any cause for the suspension, revocation, or refusal of such license is no longer existing, or until any fine theretofore levied upon the licensee pursuant to secs. 440 and 460 of this chapter has been fully paid.

Sec. 21.27.460. FINE IN LIEU OF LICENSE SUSPENSION, REVOCATION, OR REFUSAL. Upon the hearing of an appeal from an order suspending, revoking, or refusing to renew any license issued under this chapter, the court, if it finds that the licensee is guilty of violation of the law and if it deems the

suspension, revocation, or refusal too severe a penalty under the facts as found, may impose a fine of not more than $500.00 in lieu thereof, and payment of such fine within 10 days thereafter shall reinstate, restore or renew, the license.

Sec. 21.27.470. RETURN OF LICENSE. (a) All licenses issued under this chapter although issued and delivered to the licensee agent, broker, solicitor or adjuster, shall at all times be the property of the State of Alaska. Upon any expiration, termination, suspension or revocation of the license, the licensee or other person having possession or custody of the license shall forthwith deliver it to the director either by personal delivery or by mail.

(b) As to any license lost, stolen or destroyed while in the possession of any such licensee or person, the director may accept in lieu of return of the license, the affidavit of the licensee or other person responsible for or involved in the safekeeping of such license, concerning the facts of such loss, theft or destruction.

Sec. 21.27.480. AGENT DEFINED. "Agent" means any person appointed by an insurer to solicit applications for insurance on its behalf, and if authorized so to do, to effectuate and countersign insurance contracts except as to life or disability insurances, and to collect premiums on insurances so applied for or effectuated.

Sec. 21.27.490. BROKER DEFINED. "Broker" means any person who, on behalf of the insured, for compensation as an independent contractor, for commission, or fee, and not being an agent of the insurer, solicits, negotiates, or procures insurance or reinsurance or the renewal or continuance

thereof, or in any manner aids therein, for insureds or prospective insureds other than himself.

Sec. 21.27.500. SOLICITOR DEFINED. "Solicitor" means an individual authorized by an agent or broker to solicit applications for insurance as a representative of such agent or broker and to collect premiums in connection therewith. An individual employed by, and devoting full time to clerical work with incidental taking of insurance applications and receiving premiums in the office of the agent or broker is not deemed to be a solicitor if his compensation is not related to the volume of such applications, insurances, or premiums.

Sec. 21.27.510. SERVICE REPRESENTATIVES. Officers, managers, or general agents of an insurer, employed on salary by an insurer, are deemed to be service representatives and are not required to be licensed.

Sec. 21.27.520. ADJUSTER DEFINED. (a) "Adjuster" means any person who, for compensation as an independent contractor or as an employee of an independent contractor, or for fee or commission, investigates or reports to his principal relative to claims arising under insurance contracts, on behalf solely of either the insurer or the insured. An attorney at law who adjusts insurance losses from time to time incidental to the practice of his profession, or an adjuster of marine losses, or a salaried employee of an insurer or of a general agent, is not deemed to be an "adjuster" for the purposes of this chapter.

(b) "Independent adjuster" means such an adjuster representing the interests of the insurer.

Sec. 21.27.530. EXCEPTIONS FROM DEFINITIONS. The

definitions contained in secs. 480 through 520 of this chapter shall not be deemed to include:

(1) individuals employed and used by agents for the performance of clerical, stenographic and similar office duties; incidental taking of an application for insurance from time to time in the office of the employing agent shall not constitute such an employee as an agent or solicitor if the employee's compensation is not contingent upon or relating to the volume of such applications, insurance or premiums;

(2) the attorney-in-fact of a reciprocal insurer, or the salaried traveling representative of a reciprocal or mutual insurer not compensated on a commission basis.

CHAPTER 33. UNAUTHORIZED INSURERS AND SURPLUS LINES

Sec. 21.33.010. PURPOSE. The purpose of this section is to subject certain persons and insurers to the jurisdiction of the director, or proceedings before the director, and of the courts of this state in suits by or on behalf of the state and insureds or beneficiaries under insurance contracts. The legislature declares that it is a subject of concern that many residents of this state hold policies of insurance issued by persons and insurers not authorized to do insurance business in this state, thus presenting to such residents the often insuperable obstacle of asserting their legal rights under such policies in forums foreign to them under laws and rules of practice with which they are not familiar. The legislature declares that it is also concerned with the protection of residents of this state against acts by persons and insurers not authorized to do an insurance business in this

state by the maintenance of fair and honest insurance markets, by protecting the premium tax revenues of this state, by protecting authorized persons and insurers, which are subject to strict regulation, from unfair competition by unauthorized persons and insurers and by protecting against the evasion of the insurance regulatory laws of this state. In furtherance of such state interest, the legislature herein provides methods for substituted service of process upon such persons or insurers in any proceeding, suit or action in any court and substitute service of any notice, order, pleading or process upon such persons or insurers in any proceeding before the director to enforce or effect full compliance with the insurance and tax statutes of this state, and declares in so doing it exercises its power to protect residents of this state and to define what constitutes doing an insurance business in this state, and also exercises powers and privileges available to this state by virtue of the Act of Congress of March 9, 1945 (Public Law 15, 79th Congress (Ch. 20, 59 U.S. Stat. at Large)).

Sec. 21.33.020. INSURANCE BUSINESS DEFINED. (a) Any of the following acts in this state effected by mail or otherwise is defined to be doing an insurance business in this state. The venue of an act committed by mail is at the point where the matter transmitted by mail is delivered and takes effect. Unless otherwise indicated, the term "insurer" as used in this section includes all corporations, associations, partnerships and individuals engaged as principals in the business of insurance and also includes interinsurance exchanges and mutual benefit societies.

(1) the making of or proposing to make, as an insurer, an insurance contract;

(2) the making of or proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety;

(3) the taking or receiving of any application for insurance;

(4) the receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration for any insurance or any part thereof;

(5) the issuance or delivery of contracts of insurance to residents of this state or to persons authorized to do business in this state;

(6) directly or indirectly acting as an agent for or otherwise representing or aiding on behalf of another any person or insurer in the solicitation, negotiation, procurement or effectuation of insurance or renewals thereof or in the dissemination of information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or inspection of risks, a fixing of rates or investigation or adjustment of claims or losses or in the transaction of matters subsequent to effectuation of the contract and arising out of it, or in any other manner representing or assisting a person or insurer in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this state; the provisions of this subdivision shall not operate to prohibit full-time salaried employees of a corporate insured from acting in the capacity of an insurance

manager or buyer in placing insurance in behalf of such employer;

(7) the doing of any kind of insurance business specifically recognized as constituting the doing of an insurance business within the meaning of the statutes relating to insurance;

(8) the doing or proposing to do any insurance business in substance equivalent to any of the foregoing in a manner designed to evade the provisions of the statutes;

(9) any other transactions of business in this state by an insurer.

(b) The provisions of this subsection do not apply to:

(1) the lawful transaction of surplus lines insurance;

(2) the lawful transaction of reinsurance by insurers;

(3) transactions in this state involving a policy lawfully solicited, written, and delivered outside of this state covering only subjects of insurance not resident, located or expressly to be performed in this state at the time of issuance, and which transactions are subsequent to the issuance of such policy;

(4) transactions involving contracts of insurance independently procured through negotiations occurring entirely outside of this state which are reported and on which premium tax is paid in accordance with sec. 120 of this chapter;

(5) attorneys acting in the ordinary relation of attorney and client in the adjustment of claims or losses.

Sec. 21.33.030. UNAUTHORIZED INSURANCE PROHIBITED. No

person or insurer shall directly or indirectly do any of the acts of an insurance business set forth in sec. 20 of this chapter except as provided by and in accordance with the specific authorization of statute. In respect to the insurance of subjects residente located or to be performed within this state this section shall not prohibit the collection of premiums or other acts performed outside of this state by persons or insurers authorized to do business in this state provided such transactions and insurance contracts otherwise comply with provisions of this title.

Sec. 21.33.040. SERVICE OF PROCESS ON DIRECTOR. (a) Any act of doing an insurance business as set forth in sec. 20 of this chapter by any unauthorized person or insurer is equivalent to and shall constitute an irrevocable appointment by such person or insurer, binding upon him, his executor, administrator or personal representative, or successor in interest if a corporation, of the director, his successor or successors in office to be the true and lawful attorney of such person or insurer upon whom may be served all legal process in any action, suit or proceeding in any court arising out of doing an insurance business in this state by such person or insurer, except in an action, suit or proceeding by the director or by the state. Any act of doing an insurance business as set forth in sec. 20 of this chapter by any unauthorized person or insurer shall be signification of its agreement that any such legal process so served shall be of the same legal force and validity as personal service of process in this state upon such person or insurer, or upon his executor, administrator or personal representative, or its

successor in interest if a corporation.

(b) Such service of process shall be made by leaving two copies thereof in the hands or office of the director and paying to him the sum of two dollars for each person or insurer. A certificate by the director showing such service and attached to the original or third copy of such process presented to him for that purpose shall be sufficient evidence thereof. Service upon the director as such attorney shall be service upon the principal.

(c) The director shall forthwith mail one copy of such process to the defendant at its last known principal place of business and shall keep a record of all process so served upon him which shall show the day and hour of service. Such service of process is sufficient, provided notice of such service and a copy of the process are sent within 10 days thereafter by registered mail by plaintiff or plaintiff's attorney to the defendant at the last known principal place of business of the defendant and the defendant's receipt, or receipt issued by the post office with which the letter is registered, showing the name of the sender of the letter and the name and address of the person or insurer to whom the letter is addressed, and the affidavit of the plaintiff or plaintiff's attorney showing compliance herewith are filed with the clerk of the court in which such action is pending on or before the date the defendant is required to appear, or within such further time as the court may allow.

(d) Service of process in any such action, suit or proceeding shall, in addition to the manner provided in (b) and (c) of this section, be valid if served upon any person within

this state who on behalf of such unauthorized person or insurer is doing any act of an insurance business as set forth in sec. 20 of this chapter and if a copy of such process is sent within 10 days thereafter by registered mail by plaintiff or plaintiff's attorney to the defendant at the last known principal place of business of the defendant and the defendant's receipt, or receipt issued by the post office with which the letter is registered, showing the name of the sender of the letter and the name and address of the person or insurer to whom the letter is addressed and the affidavit of the plaintiff or plaintiff's attorney showing compliance herewith are filed with the clerk of the court in which such action is pending on or before the date the defendant is required to appear, or within such further time as the court may allow.

(e) No plaintiff or complainant shall be entitled to a judgment by default in any action, suit or proceeding in which the process is served under this section until the expiration of 45 days from the date of filing of the affidavit of compliance.

(f) Nothing contained in this section shall limit or abridge the right to serve any process, notice or demand upon any person or insurer in any other manner now or hereafter permitted by law.

Sec. 21.33.050. SERVICE OF PROCESS ON COMMISSIONER OF COMMERCE. (a) Any act of doing an insurance business as set forth in sec. 20 of this chapter by any unauthorized person or insurer is equivalent to and shall constitute an irrevocable appointment by such person or insurer, binding upon him, his executor, administrator or personal representative, or

successor in interest if a corporation, of the commissioner of commerce, his successor or successors in office to be the true and lawful attorney of such person or insurers upon whom may be served all legal process in any action, suit or proceeding in any court by the director or by the state and upon whom may be served any notice, order, pleading or process in any proceeding before the director and which arises out of doing an insurance business in this state by such person or insurer. Any act of doing an insurance business as set forth in sec. 20 of this chapter by any unauthorized person or insurer shall be signification of its agreement that any such legal process in such court action, suit or proceeding and any such notice, order, pleading or process in such administrative proceeding before the director so served shall be of the same legal force and validity as personal service of process in this state upon such person or insurer, or upon his executor, administrator or personal representative, or its successor in interest if a corporation.

(b) Such service of process in such action, suit or proceeding in any court or such notice, order, pleading or process in such administrative proceeding authorized by (a) of this section shall be made by leaving two copies thereof in the hands or office of the commissioner of commerce. A certificate by the commissioner of commerce showing such service and attached to the original or third copy of such process presented to him for that purpose shall be sufficient evidence thereof. Service upon the commissioner of commerce as such attorney shall be service upon the principal.

(c) The commissioner of commerce shall forthwith mail

one copy of such court process or such notice, order, pleading or process in proceedings before the director to the defendant in such court proceeding or to whom the notice, order, pleading or process in such administrative proceeding is addressed or directed at its last known principal place of business and shall keep a record of all process so served on him which shall show the day and hour of service. Such service is sufficient, provided notice of such service and a copy of the court process or the notice, order, pleading or process in such administrative proceeding are sent within 10 days thereafter by registered mail by the plaintiff or the plaintiff's attorney in the court proceeding or by the director in the administrative proceeding to the defendant in the court proceeding or to whom the notice, order, pleading or process in such administrative proceeding is addressed or directed at its last known principal place of business of the defendant in the court or administrative proceeding, and the defendant's receipt, or receipt issued by the post office with which the letter is registered, showing the name of the sender of the letter and the name and address of the person or insurer to whom the letter is addressed, and the affidavit of the plaintiff or plaintiff's attorney in court proceeding or of the director in administrative proceeding, showing compliance herewith are filed with the clerk of the court in which such action, suit or proceeding is pending or with the director in administrative proceedings, on or before the date the defendant in the court or administrative proceeding is required to appear or respond thereto, or within such further time as the court or director may allow.

(d) No plaintiff or complainant shall be entitled to a judgment or determination by default in any court or administrative proceeding in which court process or notice, order pleading or process in proceedings before the director is served under this section until the expiration of 45 days from the date of filing of the affidavit of compliance.

(e) Nothing contained in this section shall limit or abridge the right to serve any process, notice, order, pleading or demand upon any person or insurer in any other manner now or hereafter permitted by law.

(f) The attorney general upon request of the director is authorized to proceed in the courts of this or any other state or in any federal court or agency to enforce an order or decision in any court proceeding or in any administrative proceeding before the director.

Sec. 21.33.060. UNAUTHORIZED PERSON OR INSURER DEFENSE OF ACTION. (a) Before any unauthorized person or insurer files or causes to be filed any pleading in any court action, suit or proceeding or in any notice, order, pleading or process in such administrative proceeding before the director instituted against such person or insurer, by service made as provided in secs. 40 and 50 of this chapter, such person or insurer shall either:

(1) deposit with the clerk of the court in which such action, suit or proceeding is pending, or with the director in administrative proceedings before the director, cash or securities or bond with good and sufficient sureties to be approved by the court or the director, in an amount to be fixed by the court or the director sufficient to secure the

payment of any final judgment which may be rendered in such court proceeding or in such administrative proceeding before the director, provided that the court or the director in administrative proceedings before the director may in its or his discretion make an order dispensing with such deposit or bond where the insurer makes a showing satisfactory to such court or the director that it maintains in a state of the United States funds or securities, in trust or otherwise, sufficient and available to satisfy any final judgment which may be entered in such court action, suit or proceeding or in such administrative proceeding before the director; or

(2) procure proper authorization to do an insurance business in this state.

(b) The court in any action, suit or proceeding in which service is made as provided in sec. 40 of this chapter or the director in any administrative proceeding before the director in which service is made as provided in sec. 50 of this chapter may, in his discretion, order such postponement as may be necessary to afford the defendant reasonable opportunity to comply with (a) of this section and to defend such court action or administrative proceeding.

(c) Nothing in (a) of this section is to be construed to prevent an unauthorized person or insurer from filing a motion to quash a writ or to set aside service thereof made as provided in secs. 40 and 50 of this chapter on the ground that such unauthorized person or insurer has not done any of the acts enumerated in sec. 20 of this chapter or that the person on whom service was made pursuant to sec. 40 (d) of this chapter was not doing any of the acts therein enumerated.

Sec. 21.33.070. ATTORNEY FEES. In an action against an unauthorized person or insurer upon a contract of insurance issued or delivered in this state to a resident thereof or to a corporation authorized to do business therein, if the person or insurer has failed for 30 days after demand prior to the commencement of the action to make payment in accordance with the terms of the contract, and it appears to the court that such refusal was without reasonable cause, the court may allow to the plaintiff a reasonable attorney fee and include such fee in any judgment that may be rendered in such action. Failure of the person or insurer to defend any such action shall be deemed prima facie evidence that its failure to make payment was without reasonable cause.

Sec. 21.33.080. VALIDITY OF INSURANCE CONTRACTS. Except for lawfully procured surplus lines insurance and contracts of insurance independently procured through negotiations occurring entirely outside of this state which are reported and on which premium tax is paid in accordance with sec. 120 of this chapter any contract of insurance effective in this state and entered into by an unauthorized insurer is unenforceable by such insurer. In event of failure of any such unauthorized insurer to pay any claim or loss within the provisions of such insurance contract, any person who assisted or in any manner aided directly or indirectly in the procurement of such insurance contract shall be liable to the insurer for the full amount thereof pursuant to the provisions of such insurance contract.

Sec. 21.33.090. INVESTIGATION AND DISCLOSURE OF INSURANCE CONTRACTS. (a) Whenever the director has reason to believe

that insurance has been effectuated by or for any person in this state with an unauthorized insurer the director shall in writing order such person to produce for examination all insurance contracts and other documents evidencing insurance with both authorized and unauthorized insurers and to disclose to the director the amount of insurance, name and address of each insurer, gross amount of premium paid or to be paid and the name and address of the person or persons assisting or aiding in the solicitation, negotiation or effectuation of such insurance.

(b) Every person who, for 30 days after such written order pursuant to (a) of this section, neglects to comply with the requirements of such order or who wilfully makes a disclosure that is untrue, deceptive or misleading shall forfeit $50.00 and an additional $50.00 for each day of neglect after expiration of said 30 days.

Sec. 21.33.100. REPORTING OF UNAUTHORIZED INSURANCE. (a) Every person investigating or adjusting any loss or claim on a subject of insurance in this state shall immediately report to the director every insurance policy or contract which has been entered into by any insurer not authroized to transact such insurance in this state.

(b) This section does not apply to transactions in this state involving a policy lawfully solicited, written, and delivered outside of this state covering only subjects of insurance not resident, located or expressly to be performed in this state at the time of issuance, and which transactions are subsequent to the issuance of such policy.

Sec. 21.33.110. UNAUTHORIZED INSURANCE PREMIUM TAX. (a)

Except as to premiums on lawfully procured surplus lines insurance and premiums on independently procured insurance on which a tax has been paid pursuant to sec. 120 of this chapter every unauthorized insurer shall pay to the director before March 2, next succeeding the calendar year in which the insurance was so effectuated, continued or renewed a premium receipts tax of three per cent of gross premiums charged for such insurance on subjects resident, located or to be performed in this state. Such insurance on subjects resident, located or to be performed in this state procured through negotiations or an application, in whole or in part occurring or made within or from within or outside of this state, or for which premiums in whole or in part are remitted directly or indirectly from within or outside of this state, shall be deemed to be insurance procured, or continued or renewed in this state. The term "premium" includes all premiums, membership fees, assessments, dues and any other consideration for insurance. Such tax shall be in lieu of all other taxes. On default of any such unauthorized insurer in the payment of such tax the insured shall pay the tax. If the tax prescribed by this section is not paid within the time stated, the tax shall be increased by a penalty of 25 per cent and by the amount of an additional penalty computed at the rate of one per cent per month or any part thereof from the date such payment was due to the date paid.

(b) If a policy covers risks or exposures only partially in this state, the tax payable shall be computed on the portions of the premium which are properly allocable to the risks or exposures located in this state. In determining the amount

of premiums taxable in this state, all premiums written, procured, or received in this state and all premiums on policies negotiated in this state shall be deemed written on property or risks located or resident in this state, except such premiums as are properly allocated or apportioned and reported as taxable premiums of any other state or states.

Sec. 21.33.120. INDEPENDENTLY PROCURED INSURANCE. (a) Every insured who procures or causes to be procured or continues or renews insurance with any unauthorized insurer, or any insured or self-insurer who so procures or continues excess loss, catastrophe or other insurance, upon a subject of insurance resident, located or to be performed within this state, other than insurance procured through a surplus lines agent pursuant to the surplus lines law of this state shall within 60 days after the date such insurance was so procured, continued, or renewed, file a report of the same with the director in writing and upon forms designated by the director and furnished to such an insurer upon request. The report shall show the name and address of the insured or insureds, name and address of the insurer, the subject of the insurance, a general description of the coverage, the amount of premium currently charged therefor, and such additional pertinent information as is reasonably requested by the director.

(b) Any insurance in an unauthorized insurer of a subject of insurance resident, located or to be performed within this state procured through negotiations or an application, in whole or in part occurring or made within or from within or outside of this state, or for which premiums in whole or in part are remitted directly or indirectly from within or

outside of this state, shall be deemed to be insurance procured, or continued or renewed in this state within the intent of (a) of this section.

(c) There is hereby levied upon the obligation, chose in action, or right represented by the premium charged for such insurance, a premium receipts tax of three per cent of gross premiums charged for such insurance. The term "premium" shall include all premiums, membership fees, assessments, dues and any other consideration for insurance. Such tax shall be in lieu of all other taxes. The insured shall, before March 2 next succeeding the calendar year in which the insurance was so procured, continued or renewed, pay the amount of the tax to the director. In event of cancellation and rewriting of any such insurance contract the additional premium for premium receipts tax purposes shall be the premium in excess of the unearned premium of the canceled insurance contract.

(d) If a policy covers risks or exposures only partially in this state, the tax payable shall be computed on the portions of the premium which are properly allocable to the risks or exposures located in this state. In determining the amount of premiums taxable in this state, all premiums written, procured or received in this state and all premiums on policies negotiated in this state shall be deemed written on property or risks located or resident in this state, except such premiums as are properly allocated or apportioned and reported as taxable premiums of any other state or states.

(e) If the insured fails to withhold from the premium the amount of tax herein levied, the insured shall be liable for the amount thereof and shall pay the same to the director

within the time stated in (c) of this section. If the tax prescribed by this section is not paid within the time stated in (c) of this section, the tax shall be increased by a penalty of 25 per cent and by the amount of an additional penalty computed at the rate of one per cent per month or any part thereof from the date such payment was due to the date paid.

(f) The attorney general, upon request of the director, shall proceed in the courts of this or any other state or in any federal court or agency to recover such tax not paid within the time prescribed in this section.

Sec. 21.33.130. PENALTY FOR UNAUTHORIZED INSURANCE. (a) Any unauthorized insurer who does any unauthorized act of an insurance business as set forth in sec. 20 of this chapter shall be fined not more than $5,000.00.

(b) In addition to any other penalty provided for herein or otherwise provided by law, any person or insurer violating this section shall forfeit to the people of this state the sum of $500.00 for the first offense and an additional sum of $500.00 for each month during which any such person or insurer continues such violation.

Sec. 21.33.140. SURPLUS LINE INSURANCE. If certain insurance coverages cannot be procured from authorized insurers, such coverages, hereinafter designated "surplus lines," may be procured from unauthorized insurers subject to the following conditions:

(1) the insurance must be procured through a licensed surplus line agent;

(2) the full amount of insurance required must not be procurable, after diligent effort has been made to do so,

from among a majority of the insurers authorized to transact and actually writing that kind and class of insurance in this state and the amount of insurance placed in an unauthorized insurer shall be only the excess over the amount procurable from authorized insurers;

(3) the insurance must not be so procured for the purpose of securing advantages either as to:

(A) a lower premium rate than would be accepted by an authorized insurer; or

(B) terms of the insurance contract.

Sec. 21.33.150. AGENT'S AFFIDAVIT. At the time of procuring, affecting, and issuing any such insurance, the surplus line agent shall execute an affidavit, in form as prescribed or accepted by the director, setting forth facts referred to in sec. 140 of this chapter and file such affidavit with the director. Affidavits filed under this section shall be subject to public inspection unless the director determines that the public interest requires otherwise.

Sec. 21.33.160. ENDORSEMENT OF CONTRACT. (a) Every insurance contract, cover, note, or certificate of insurance procured and delivered as a surplus line coverage under this law shall be endorsed as having been "issued in an unauthorized insurer under the surplus line insurance law, under agent's license No.___." The surplus line agent shall properly fill in and sign the endorsement.

(b) Every policy or contract of insurance placed by a surplus line agent with an unauthorized insurer shall be delivered to the insured as promptly as possible and shall bear across its face in not less than ten point bold red type, the

the following legend: "The insurance hereby evidenced is written by an insurer (insurers) not licensed by the State of Alaska and not subject to its supervision."

Sec. 21.33.170. SURPLUS LINE INSURANCE VALID. Insurance contracts procured as "surplus line" coverages from unauthorized insurers in accordance with this law shall be fully valid and enforceable as to all parties, and shall be given acceptance and recognition in all matters and respects to the same effect as like contracts issued by authorized insurers.

Sec. 21.33.180. LICENSING OF SURPLUS LINE AGENT -- FEE -- BOND. Any person, while licensed as a resident insurance agent of this state as to property, casualty, and surety insurances, and who is deemed by the director to be qualified therefor by insurance experience and to be trustworthy and has passed an examination given by the director, may be licensed as a surplus line agent as follows:

(1) application to the director for the license shall be made on forms furnished by the director;

(2) license fee in the amount stated in AS 21.06.250 shall be paid to the director; the license shall expire one year from date of issuance;

(3) prior to issuance of license the applicant shall file with the director, and thereafter for as long as the license remains in effect he shall keep in force a bond in favor of the State of Alaska in the penal sum of $5,000.00, with authorized corporate sureties approved by the director; the bond shall be conditioned that the agent will conduct business under the license in accordance with the provisions of the surplus lines insurance law and that he will promptly

remit the taxes provided by such law; the bond shall not be terminated unless at least 30 days prior written notice thereof is filed with the director;

(4) residency in Alaska is not a requirement.

Sec. 21.33.190. AGENT'S AUTHORITY UNDER LICENSE -- ACCEPTANCE OF BUSINESS FROM OTHER AGENTS. (a) Under a surplus line agent's license the licensee shall have the right to place surplus line coverages, in compliance with the surplus line insurance law, with any foreign or alien insurer or insurers not otherwise authorized to transact insurance in this state, and as to such coverages to act as agent in this state for such insurer or insurers.

(b) The surplus line agent may accept surplus line business from any duly licensed agent of an authorized insurer and may compensate him therefor.

Sec. 21.33.200. SURPLUS LINES IN SOLVENT INSURERS. A surplus line agent shall not knowingly place surplus line insurance with insurers unsound financially. The agent shall ascertain the financial condition of the unauthorized insurer before placing insurance therewith. The agent shall so insure only either:

(1) with an insurer which is an authorized insurer in at least one state of the United States for the kind of insurance involved, and which, if a stock insurer, has capital stock and surplus of at least $450,000.00 or, if any other type of insurer, has surplus of at least $450,000.00; or

(2) with an alien insurer, other than one qualified under (1) above, which has an established and effective trust fund of at least $450,000.00 within the United States

administered by a recognized financial institution and held for the benefit of all its policyholders in the United States or policyholders and creditors in the United States.

Sec. 21.33.210. EVIDENCE OF THE INSURANCE -- CHANGES -- PENALTY. (a) Upon placing a surplus line coverage the surplus line agent shall promptly issue and deliver to the insured evidence of the insurance, consisting either of the policy as issued by the insurer or, if such policy is not then available, a certificate of insurance signed or countersigned by the agent. Such certificate shall show the subject, coverage, conditions and term of the insurance, the premium charged and taxes collected from the insured, and the name and address of the insurer. If the direct risk is assumed by more than one insurer, the certificate shall state the name and address and proportion of the entire direct risk assumed by each such insurer.

(b) If after the issuance and delivery of any such certificate there is any change as to the identity of the insurers, or the proportion of the direct risk assumed by the insurer as stated in the original certificate, or in any other material respect as to the insurance coverage evidenced by the certificate, the agent shall promptly issue and deliver to the insured a substitute certificate accurately showing the current status of the coverage and the insurers responsible thereunder.

(c) If a policy issued by the insurer is not available upon placement of the insurance and the agent has issued and delivered a certificate as hereinabove provided, upon request therefor by the insured the agent shall as soon as reasonably

possible procure from the insurer its policy evidencing such insurance and deliver such policy to the insured in replacement of the certificate theretofore issued.

(d) Any surplus line agent who knowingly or negligently issues or delivers a false certificate of insurance, or fails promptly to notify the insured of any material change with respect to such insurance by delivery to the insured of a substitute certificate as provided in (b) of this section, shall be guilty of a violation of this title and upon conviction shall be subject to the penalties provided by AS 21.90.030 or to any greater applicable penalty otherwise provided by law.

Sec. 21.33.220. LIABILITY OF INSURER AS TO LOSSES AND UNEARNED PREMIUMS. (a) As to a surplus line risk which has been assumed by an unauthorized insurer pursuant to this surplus lines insurance law, and if the premium thereon has been received by the surplus line agent who placed such insurance, in all questions thereafter arising under the coverage as between the insurer and the insured the insurer shall be deemed to have received the premium due to it for such coverage; and the insurer shall be liable to the insured as to losses covered by such insurance, and for unearned premiums which may become payable to the insured upon cancellation of such insurance, whether or not in fact the agent is indebted to the insurer with respect to such insurance or for any other cause. This provision shall not affect rights as between the insurer and the surplus line agent.

(b) Each unauthorized insurer assuming a surplus lines direct risk under this surplus line insurance law shall be deemed thereby to have subjected itself to the terms of this

section.

Sec. 21.33.230. RECORDS AND ANNUAL STATEMENT. (a) Each surplus line agent shall keep a separate record and account of all business transacted under his license, including a copy of each daily report, if any, and of each certificate of insurance issued by him. The records shall be available for examination by the director at any reasonable time within five years after the issuance of the coverage to which it relates.

(b) Before March 2 of each year the agent shall file with the director a statement for the calendar year preceding, showing:

(1) name and address of each insured for whom surplus line insurance was procured;

(2) name and home office address of each insurer providing such insurance;

(3) amount of each such coverage, the premium rate and the gross premium charged therefor;

(4) date and term of the policy;

(5) amount of premium returned on each policy canceled or not taken;

(6) the amounts actually paid to or on behalf of policyholders on losses; and

(7) such additional information as the director may reasonably require.

Sec. 21.33.240. TAX ON SURPLUS LINES. There is imposed upon premiums collected for surplus line insurance transacted in this state a tax at the same rate and computed in the same manner as provided in AS 21.09.210 as to premiums of

authorized insurers; except that amounts collected from the insured specifically for applicable state and federal taxes, and in excess of the premium otherwise required, shall not be deemed to be part of the premium for the purposes of such computation. Upon filing of the annual statement referred to in sec. 230 (b) of this chapter the surplus line agent shall pay to the director a filing fee equal to one-half of one percentum on all premiums collected during the preceding calendar year as shown on said statements, after deducting from the gross amounts thereof the amounts paid to policyholders as return premiums, which fee shall not be less than $50.00 and shall be paid prior to March 2.

Sec. 21.33.250. PENALTY FOR FAILURE TO FILE STATEMENT, PAY TAX. Every surplus line agent who fails to make and file the annual statement as required under sec. 230 of this chapter or to pay the taxes as required under sec. 240 of this chapter shall be liable to a penalty of $25.00 for each day of delinquency, commencing with April 1. The tax and penalty may be recovered in an action instituted by the director in the name of the state in any court of competent jurisdiction, the attorney general representing him. The penalty when collected shall be paid to the commissioner of revenue and placed to the credit of the general fund. The surplus line agent's license shall also be subject to revocation as provided in sec. 260 of this chapter.

Sec. 21.33.260. REVOCATION OF AGENT'S LICENSE. (a) The director shall revoke or suspend any surplus line agent's license, together with his license as an insurance agent or solicitor:

(1) if the agent fails to file his annual statement or to remit the tax as required by law; or

(2) if the agent fails to keep the records, or to allow the director to examine his records, as required by law; or

(3) if the agent falsifies the affidavit required by sec. 150 of this chapter; or

(4) for any of the causes for which an insurance agent's license may be revoked.

(b) The procedures provided by AS 21.27.420 for the suspension or revocation of agents' licenses shall be applicable to suspension or revocation of a surplus line agent's license.

(c) No agent whose license has been so revoked or suspended shall again be so licensed within one year thereafter, nor until all penalties and delinquent taxes owing by him have been paid.

Sec. 21.33.270. ACTIONS AGAINST INSURER -- VENUE -- SERVICE OF PROCESS. Every unauthorized insurer issuing a surplus line coverage under this surplus line insurance law shall be deemed to be doing business in this state as an unlicensed insurer, and may be sued in this state upon any cause of action arising under any insurance contract so made by it. Such suit shall be brought in the court in the judicial district wherein the plaintiff resides.

Sec. 21.33.280. DIRECTOR APPOINTED PROCESS AGENT -- SERVICE OF PROCESS. (a) Every surplus line insurer before insuring as such under this law shall in writing appoint the director as its true and lawful attorney upon whom legal process in any action or proceeding against it in this state

shall be served; and in such writing shall agree that any such process served upon such attorney shall be of the same legal force and validity as if served in this state upon such insurer, and that such authority shall continue in force so long as any liability remains outstanding against it in this state. At the time of filing such appointment the insurer shall also file designation of the name and address of the person to whom process against it served upon the director is to be forwarded. The insurer may change such designation by a new filing.

(b) Service upon such an insurer shall be made upon the director, and in accordance with the procedures, requirements, and results as provided under AS 21.09.180.

Sec. 21.33.290. RULES AND REGULATIONS. (a) The director shall make or may approve and adopt reasonable rules and regulations, consistent with this surplus line insurance law, for any or all of the following purposes:

(1) effectuation of such law;

(2) establishment of procedures through which determination is to be made as to the eligibility of particular proposed coverages for placement with a surplus line insurer or insurers; and

(3) establishment, procedures, and operations of any voluntary organization of surplus line insurance agents or others designed to assist such agents to comply with such law.

(b) Such rules and regulations shall be subject to the procedures and carry the penalty provided by AS 21.06.090.

Sec. 21.33.300. EXEMPTIONS FROM SURPLUS LINE LAW. The

provisions of this surplus line insurance law controlling the placing of insurance with unauthorized insurers shall not apply to reinsurance or to the following insurances when so placed by licensed insurance agents of this state:

(1) wet marine and transportation insurances;

(2) insurance on subjects located, resident, or to be performed wholly outside of this state, or on vehicles or aircraft owned and principally garaged outside this state;

(3) insurance on property or operations or railroads engaged in interstate commerce; and

(4) insurance of aircraft owned or operated by manufacturers of aircraft, or aircraft operated in scheduled interstate flight, or cargo of such aircraft, or against liability, other than workmen's compensation and employers' liability, arising out of the ownership, maintenance or use of such aircraft.

Sec. 21.33.310. RECORDS OF INSUREDS. In order that the director may effectively administer the various provisions of this chapter, every person as to whom insurance has been placed with an unauthorized insurer shall, upon the director's order, produce for his examination all policies and other documents evidencing the insurance, and shall disclose to the director the amount of premiums paid or agreed to be paid for the insurance. For each refusal to obey such order such person shall, upon conviction thereof, be guilty of a misdemeanor punishable by a fine of not more than $500.00.

Sec. 21.33.320. SURPLUS LINE INSURANCE LAW -- TITLE. Secs. 140 through 320 of this chapter constitute and may be referred to as "The Surplus Line Insurance Law."

CHAPTER 36. TRADE PRACTICES AND FRAUDS

Sec. 21.36.010. PURPOSES OF TRADE PRACTICES LAW. The purpose of secs. 10 through 150 of this chapter is to regulate trade practices in the business of insurance in accordance with the intent of Congress as expressed in the Act of Congress of March 9, 1945 (Public Law 15, 79th Congress (ch. 20, 59 U.S.Stat. at Large 33)), by defining, or providing for determination of, all such practices in this state which constitute unfair methods of competition or unfair or deceptive acts or practices and by prohibiting the trade practices so defined or determined.

Sec. 21.36.020. UNFAIR METHODS, DECEPTIVE ACTS PROHIBITED. No person shall engage in this state in any trade practice which is defined in this chapter as, or determined pursuant to this chapter to be, an unfair method of competition or an unfair or deceptive act or practice in the business of insurance.

Sec. 21.36.030. MISREPRESENTATION, FALSE ADVERTISING OF POLICIES. No person shall make, issue, circulate, or cause to be made, issued, or circulated, any estimate, circular, or statement misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby or the dividends or share of the surplus to be received thereon, or make any false or misleading statement as to the dividends or share of surplus previously paid on similar policies, or make any misleading representation or any misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates, or use any name or title of any policy or class of

policies misrepresenting the true nature thereof.

Sec. 21.36.040. FALSE INFORMATION, ADVERTISING. No person shall make, publish, disseminate, circulate, or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any person in the conduct of his insurance business, which is untrue, deceptive or misleading.

Sec. 21.36.050. TWISTING PROHIBITED. No person shall make or issue, or cause to be made or issued, any written or oral statement misrepresenting or making incomplete comparisons as to the terms, conditions, or benefits contained in any policy for the purpose of inducing or attempting or tending to induce the policyholder to lapse, forfeit, surrender, retain, exchange or convert any insurance policy.

Sec. 21.36.060. FALSE FINANCIAL STATEMENTS. (a) No person shall file with any supervisory or other public official, or make, publish, disseminate, circulate or deliver to any person, or place before the public, or cause directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public, any false statement of financial condition of an insurer with intent to deceive.

(b) No person shall make any false entry in any book,

report or statement of any insurer with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs, or any public official to whom such insurer is required by law to report, or who has authority by law to examine into its condition or into any of its affairs, or, with like intent, willfully omit to make a true entry of any material fact pertaining to the business of such insurer in any book, report or statement of such insurer.

Sec. 21.36.070. DEFAMATION. No person shall make, publish, disseminate, or circulate, directly or indirectly, or aid, abet or encourage the making, publishing, disseminating or circulating of any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of or derogatory to the financial condition of an insurer, or of an organization proposing to become an insurer, and which is calculated to injure any person engaged or proposing to engage in the business of insurance.

Sec. 21.36.080. BOYCOTT, COERCION AND INTIMIDATION. No person shall enter into any agreement to commit, or by any concerted action commit, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance.

Sec. 21.36.090. UNFAIR DISCRIMINATION -- LIFE INSURANCE, ANNUITIES, AND DISABILITY INSURANCE. (a) No person shall make or permit any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any contract of life insurance or of life annuity or in the dividends or other benefits payable thereon,

or in any other of the terms and conditions of such contract.

(b) No person shall make or permit any unfair discrimination between individuals of the same class and of essentially the same hazard in the amount of premium, policy fees, or rates charged for any policy or contract of disability insurance or in the benefits payable thereunder, or in any of the terms or conditions of such contract, or in any other manner whatever.

Sec. 21.36.100. REBATES -- LIFE, DISABILITY AND ANNUITY CONTRACTS. Except as otherwise expressly provided by law, no person shall knowingly permit or offer to make or make any contract of life insurance, life annuity or disability insurance, or agreement as to such contract other than as plainly expressed in the contract issued thereon, or pay or allow, or give or offer to pay, allow, or give, directly or indirectly, as inducement to such insurance, or annuity, any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any paid employment or contract for services of any kind, or any valuable consideration or inducement whatever not specified in the contract; or directly or indirectly give, or sell, or purchase or offer or agree to give, sell, purchase, or allow as inducement to such insurance or annuity or in connection therewith, and whether or not to be specified in the policy or contract, any agreement of any form or nature promising returns and profits, or any stocks, bonds, or other securities, or interest present or contingent therein or as measured thereby, of any insurance company or other corporation, association, or partnership, or any dividends or profits accrued or to accrue thereon; or offer, promise or give anything of value whatsoever not

specified in the contract.

Sec. 21. 36.110. EXCEPTIONS TO DISCRIMINATION, REBATES PROVISION -- LIFE, DISABILITY, AND ANNUITY CONTRACTS. Nothing in secs. 90 and 100 of this chapter shall be construed as including within the definition of discrimination or rebates any of the following practices:

(1) in the case of any contract of life insurance or life annuity, paying bonuses to policyholders or otherwise abating their premiums in whole or in part out of surplus accumulated from nonparticipating insurance, provided that any such bonuses, or abatement of premiums shall be fair and equitable to policyholders and for the best interests of the insurer;

(2) in the case of life insurance policies issued on the industrial debit, preauthorized check, bank draft, or similar plans, making allowance to policyholders who have continuously for a specified period made premium payments directly to an office of the insurer or by preauthorized check, bank draft, or similar plans, in an amount which fairly represents the saving in collection expense;

(3) readjustment of the rate of premium for a group insurance policy based on the loss or expense experience thereunder, at the end of the first or any subsequent policy year of insurance thereunder, which may be made retroactive only for such policy year;

(4) reduction of premium rate for policies of large amount, but not exceeding savings in issuance and administration expenses reasonably attributable to such policies as compared with policies of smaller plan issued in samaller

amounts;

(5) issuing life or disability insurance policies on a salary savings or payroll deduction plan at reduced rate reasonably commensurate with the savings made by the use of such plan.

Sec. 21.36.120. UNFAIR DISCRIMINATION, REBATES PROHIBITED PROPERTY, CASUALTY, SURETY INSURANCES. (a) No property, casualty or surety insurer or any employee or representative thereof, and no agent, or solicitor shall pay, allow, or give, or offer to pay, allow or give, directly or indirectly, as an inducement to insurance, or after insurance has been effected, any rebate, discount, abatement, credit or reduction of the premium named in the policy of insurance, or any special favor or advantage in the dividends or other benefits to accrue thereon, or any valuable consideration or inducement whatever, not specified in the policy, except to the extent provided for in an applicable filing with the director as provided by law.

(b) No insured named in a policy, nor any employee of such insured shall knowingly receive or accept directly or indirectly, any such rebate, discount, abatement, credit or reduction of premium, or any such special favor or advantage or valuable consideration or inducement.

(c) No such insurer shall make or permit any unfair discrimination between insureds or property having like insuring or risk characteristics, in the premium or rates charged for insurance, or in the dividends or other benefits payable thereon, or in any other of the terms and conditions of the insurance.

(d) Nothing in this section shall be construed as

prohibiting the payment of commissions or other compensation to duly licensed agents, or solicitors, or as prohibiting any insurer from allowing or returning to its participating policyholders, members or subscribers, lawful dividends, savings or unabsorbed premium deposits.

Sec. 21.36.130. STOCK OPERATIONS AND ADVISORY BOARD CONTRACTS. No person shall issue or deliver or permit its agents, officers, or employees to issue or deliver, agency company stock or other capital stock, or benefit certificates or shares in any common-law corporation, or any advisory board contract or other similar contract of any kind promising returns and profits as an inducement to insurance.

Sec. 21.36.140. DESIST ORDERS FOR PROHIBITED PRACTICES. (a) If, after a hearing thereon of which notice of such hearing and of the charges against him were given such person, the director finds that any person in this state has engaged or is engaging in any act or practice defined in or prohibited under this chapter, the director shall order such person to desist from such acts or practices.

(b) Such desist order shall become final upon expiration of the time allowed for appeals from the director's orders, if no such appeal is taken, or, in event of such an appeal, upon final decision of the court if the court affirms the director's order or dismisses the appeal. An intervenor in such hearing shall have the right to appeal as provided in sec. 150 (c) of this chapter.

(c) In event of such an appeal, to the extent that the director's order is affirmed the court shall issue its own order commanding obedience to the terms of the director's order.

(d) No order of the director pursuant to this section or order of court to enforce it shall in any way relieve or absolve any person affected by such order from any other liability, penalty, or forfeiture under law.

(e) Violation of any such desist order shall be deemed to be and shall be punishable as a violation of this title.

(f) This section shall not be deemed to affect or prevent the imposition of any penalty provided by this title or by other law for violation of any other provision of this chapter, whether or not any such hearing is called or held or such desist order issued.

Sec. 21.36.150. PROCEDURES AS TO UNDEFINED PRACTICES. (a) If the director believes that any person engaged in the insurance business is engaging in this state in any method of competition or in any act or practice in the conduct of such business which is not defined in this chapter, but that such method of competition is unfair or that such act or practice is unfair or deceptive and that a proceeding by him in respect thereto would be in the public interest, he shall, after a hearing of which notice of the hearing and of the charges against him are given such person, make a written report of his findings of fact relative to such charges and serve a copy thereof upon such person and any intervenor at the hearing.

(b) If such report charges a violation of this chapter and if such method of competition, act or practice has not been discontinued, the director may, through the attorney general of this state, at any time after the service of such report cause an action to be instituted to enjoin and restrain such person from engaging in such method, act, or practice.

In such action the court may grant a restraining order or injunction upon such terms as may be just; but the people of this state shall not be required to give security before the issuance of any such order or injunction. If a stenographic record of the proceedings in the hearing before the director was made, a certified transcript thereof including all evidence taken and the report and findings shall be received in evidence in such action.

(c) If the director's report made under (a) of this section, or order on hearing made under sec. 140 of this chapter does not charge a violation of this chapter, then any intervenor in the proceedings may appeal therefrom within the time and in the manner provided in this title for appeals from the director generally.

Sec. 21.36.160. FAVORED AGENT OR INSURER. No person shall require as a condition precedent to loaning money upon the security of any real or personal property, or to the selling of any such property under contract, that the owner of the property to whom the money is to be loaned or the vendee of the property so being sold, shall place, continue, or renew any policy of insurance covering or to cover such property, or covering any liability related to such property or the use thereof, through a particular insurance agent or in a particular insurer; except, that this provision shall not prevent the reasonable exercise by any such lender or vendor of the right to approve or disapprove of the insurer selected to underwrite the insurance.

Sec. 21.36.170. INTERLOCKING OWNERSHIP, MANAGEMENT. (a) Any insurer may retain, invest in or acquire the whole or any

part of the capital stock of any other insurer or insurers, or have a common management with any other insurer or insurers, unless such retention, investment, acquisition or common management is inconsistent with any other provision of this title, or unless by reason thereof the business of such insurers with the public is conducted in a manner which substantially lessens competition generally in the insurance business or tends to create a monopoly therein.

(b) Any person otherwise qualified may be director of two or more insurers which are competitors, unless the effect thereof is to lessen substantially competition between insurers generally or tends materially to create a monopoly.

Sec. 21.36.180. POLITICAL CONTRIBUTIONS PROHIBITED -- PENALTY. (a) No insurer shall directly or indirectly pay or use or offer, consent, or agree to pay, or use any money or property for or in aid of any political party, committee, or organization, or for or in aid of any corporation, or other body organized or maintained for political purposes, or for or in aid of any candidate for political office, or for nomination for such office, or for any political purpose whatsoever, or for the reimbursement or indemnification of any person for money or property so used.

(b) Any officer, director, stockholder, attorney, or agent of any insurer which violates any of the provisions of this section, who participates in, aids, abets, or advises, or consents to any such violation, and any person who solicits or knowingly receives any money or property in violation of this section, shall be guilty of a misdemeanor, and be punished by imprisonment for not more than six months and a fine of not

more than $500.00; and any officer or director aiding or abetting in any contribution made in violation of this section shall be liable to the insurer for the amount so contributed.

Sec. 21.36.190. ILLEGAL DEALING IN PREMIUMS -- IMPROPER CHARGES FOR INSURANCE. (a) No person shall wilfully collect any sum as premium or charge for insurance, which insurance is not then provided or is not in due course to be provided (subject to acceptance of the risk by the insurer) by an insurance policy issued by an insurer as authorized by this title.

(b) No person shall wilfully collect as premium or charge for insurance any sum in excess of or less than the premium or charge applicable to such insurance, and as specified in the policy, in accordance with the applicable classifications and rates as filed with and approved by the director; or in cases where classifications, premiums, or rates are not required by this title to be so filed and approved, such premiums and charges shall not be in excess of or less than those specified in the policy and as fixed by the insurer. This provision shall not be deemed to prohibit the charging and collection, by surplus line agents licensed under chapter 33 of this title, of the amount of applicable state and federal taxes in addition to the premium required by the insurer. Nor shall it be deemed to prohibit the charging and collection, by a life insurer, of amounts actually to be expended for medical examination of an applicant for life insurance or for reinstatement of a life insurance policy.

(c) Each violation of this section shall be punishable under AS 21.90.030 (general penalty).

Sec. 21.36.200. FICTITIOUS GROUPS. (a) No insurer, whether an authorized insurer or an unauthorized insurer, shall make available through any rating plan or form, property, casualty or surety insurance to any firm, corporation, or association of individuals, any preferred rate or premium based upon any fictitious group of such firm, corporation, or association of individuals.

(b) No form or plan of insurance covering any group or combination of persons or risks shall be written or delivered within or outside this state to cover persons or risks in this state at any preferred rate or on any form other than as offered to persons not in such group or combination and to the public generally, unless such form, plan of insurance, and the rates or premiums to be charged therefor have been submitted to and approved by the director as being not unfairly discriminatory, and as not otherwise being in conflict with (a) of this section or with any provision of chapter 39 of this title (rates and rating organizations) to the extent that such chapter 39 is, by its terms, applicable thereto.

(c) This section does not apply to life insurance, disability insurance, or annuity contracts.

Sec. 21.36.210. FALSE APPLICATIONS, CLAIMS, PROOFS OF LOSS -- PENALTY. Any solicitor, agent, examining physician, applicant, or other person, who knowingly or wilfully makes any false or fraudulent statement or representation in or with reference to any application for insurance; or for the purpose of obtaining any money or benefit, knowingly or wilfully presents or causes to be presented a false or fraudulent claim; or any proof in support of such a claim for the payment of the

loss upon a contract of insurance; or prepares, makes, or subscribes a false or fraudulent account, certificate, affidavit or proof of loss, or other document or writing, with intent that the same may be presented or used in support of such a claim, shall be guilty of a misdemeanor, and, upon conviction, shall be punished by a fine of not less than $250.00 or more than $500.00 or by imprisonment for not less than three months or more than six months, or both such fine and imprisonment at the discretion of the court.

CHAPTER 39. RATES AND RATING ORGANIZATIONS

Sec. 21.39.010. PURPOSE OF CHAPTER. The purpose of this chapter is to promote the public welfare by regulating insurance rates to the end that they shall not be excessive, inadequate or unfairly discriminatory, and to authorize and regulate cooperative action among insurers in rate making and in other matters within the scope of this chapter. Nothing in this chapter is intended (1) to prohibit or discourage reasonable competition, or (2) to prohibit, or encourage except to the extent necessary to accomplish the aforementioned purpose, uniformity in insurance rates, rating systems, rating plans or practices. This chapter shall be liberally interpreted to carry into effect the provisions of this section.

Sec. 21 39.020. SCOPE OF CHAPTER. (a) This chapter applies to all forms of casualty insurance, including fidelity, surety and guaranty bonds, to all forms of fire, marine and inland marine insurance, and to any combination of any of the foregoing, on risks or operations in this state. Inland marine insurance shall be deemed to include insurance now or hereafter defined by statute, or by interpretation thereof, or

if not so defined or interpreted, by ruling of the director, hereinafter referred to as director, or as established by general custom of the business, as inland marine insurance.

(b) This chapter shall not apply to:

(1) reinsurance, other than joint reinsurance to the extent stated in sec. 110 of this chapter;

(2) disability insurance;

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

(4) to insurance against loss of or damage to aircraft or against liability, other than workmen's compensation and employers' liability, arising out of the ownership, maintenance or use of aircraft; or, to insurance of hulls of aircraft, including their accessories and equipment.

Sec. 21.39.030. MAKING OF RATES. (a) Rates shall be made in accordance with the following provisions:

(1) rates shall not be excessive, inadequate or unfairly discriminatory;

(2) due consideration shall be given to past and prospective loss experience within and outside this state, to the conflagration and catastrophe hazards, to a reasonable margin for profit and contingencies, to dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers, to past and prospective expenses both countrywide and those specially applicable to this state, and to all other relevant factors within and outside this state; and in the case of fire insurance rates

consideration shall be given to the experience of the fire insurance business during a period of not less than the most recent five-year period for which such experience is available;

(3) the systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or group of insurers to reflect the requirements of the operating methods of any such insurer or group of insurers with respect to any kind of insurance, or with respect to any subdivision or combination thereof for which subdivision or combination separate expense provisions are applicable;

(4) risks may be grouped by classifications for the establishment of rates and minimum premiums; classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both; such standards may measure any differences among risks that can be demonstrated to have a probable effect upon losses or expenses.

(b) Except to the extent necessary to meet the provisions of (a) (1) of this section, uniformity among insurers in any matters within the scope of this section is neither required nor prohibited.

Sec. 21.39.040. RATE FILINGS. (a) Every insurer shall file with the director, except as to inland marine risks which by general custom of the business are not written according to manual rates or rating plans, every manual, minimum, class rate, rating schedule or rating plan and every other rating rule, and every modification of any of the foregoing which it

proposes to use. Every such filing shall state the proposed effective date thereof, and shall indicate the character and extent of the coverage contemplated. When a filing is not accompanied by the information upon which the insurer supports such filing, and the director does not have sufficient information to determine whether such filing meets the requirements of the chapter, he shall require such insurer to furnish the information upon which it supports such filing and in such event the waiting period shall commence as of the date such information is furnished. The information furnished in support of a filing may include (1) the experience or judgment of the insurer or rating organization making the filing; (2) its interpretation of any statistical data it relies upon; (3) the experience of other insurers or rating organizations; or (4) any other relevant factors. A filing and any supporting information shall be open to public inspection after the filing becomes effective. Specific inland marine rates on risks specially rated, made by a rating organization, shall be filed with the director.

(b) An insurer may satisfy its obligation to make such filings by becoming a member of, or a subscriber to, a licensed rating organization which makes such filings, and by authorizing the director to accept such filings on its behalf; provided that nothing contained in this chapter shall be construed as requiring any insurer to become a member of or a subscriber to any rating organization.

(c) The director shall review filings as soon as reasonably possible after they have been made in order to determine whether they meet the requirements of this chapter.

(d) Subject to the exception specified in (e) of this section, each filing shall be on file for a waiting period of 15 days before it becomes effective, which period may be extended by the director for an additional period not to exceed 15 days if he gives written notice within such waiting period to the insurer or rating organization which made the filing that he needs such additional time for the consideration of such filing. Upon written application by such insurer or rating organization, the director may authorize a filing which he has reviewed to become effective before the expiration of the waiting period or any extension thereof. A filing shall be deemed to meet the requirements of this chapter unless disapproved by the director within the waiting period or any extension thereof.

(e) Specific inland marine rates on risks specially rated by a rating organization, or any specific filing with respect to a surety or guaranty bond required by law or by court or executive order, rule or regulation of a public body and not covered by a previous filing, shall become effective when filed and deemed to meet the requirements of this chapter until such time as the director reviews the filing and so long thereafter as the filing remains in effect.

(f) Under such rules and regulations as he shall adopt the director may, by written order, suspend or modify the requirement of filing as to any kind of insurance, subdivision or combination therof, or as to classes of risks, the rates for which cannot practicably be filed before they are used. Such orders, rules and regulations shall be made known to insurers and rating organizations affected thereby. The

director may make such examination as he may deem advisable to ascertain whether any rates affected by such order meet the standards set forth in sec. 30 (a) (2) of this chapter.

(g) Upon the written application of the insured, stating his reasons therefor, filed with and approved by the director, a rate in excess of that provided by a filing otherwise applicable may be used on any specific risk.

(h) No insurer shall make or issue a contract or policy except in accordance with the filings which are in effect for said insurer as provided in this chapter or in accordance with (f) and (g) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required.

Sec. 21.39.050. DISAPPROVAL OF FILINGS. (a) If within the waiting period or any extension thereof as provided in sec. 40 (d) of this chapter, the director finds that a filing does not meet the requirements of this chapter, he shall send to the insurer or rating organization which made such filing, written notice of disapproval of such filing specifying therein in what respects he finds such filing fails to meet the requirements of this chapter and stating that such filing shall not become effective.

(b) If within 30 days after a specific inland marine rate on a risk especially rated by a rating organization subject to sec. 40 (e) of this chapter, has become effective or, if within 30 days after a special surety or guaranty filing subject to sec. 40 (e) of this chapter, has become effective, the director finds that such filing does not meet the requirements of this chapter, he shall send to the rating organization

or insurer which made such filing written notice of disapproval of such filing specifying therein in what respects he finds that such filing fails to meet the requirements of this chapter and stating when, within a reasonable period thereafter, such filing shall be deemed no longer effective. Said disapproval shall not affect any contract made or issued prior to the expiration of the period set forth in said notice.

(c) If at any time subsequent to the applicable review period provided for in (a) or (b) of this section, the director finds that a filing does not meet the requirements of this chapter, he shall, after a hearing held upon not less than 10 days' written notice, specifying the matters to be considered at such hearing, to every insurer and rating organization which made such filing, issue an order specifying in what respects he finds that such filing fails to meet the requirements of this chapter, and stating when, within a reasonable period thereafter, such filing shall be deemed no longer effective. Copies of said order shall be sent to every such insurer and rating organization. Said order shall not affect any contract or policy made or issued prior to the expiration of the period set forth in said order.

(d) Any person or organization aggrieved with respect to any filing which is in effect may make written application to the director for a hearing thereon, provided, however, that the insurer that made the filing shall not be authorized to proceed under this subsection. Such application shall specify the grounds to be relied upon by the applicant and such application must show that the person or organization making such application has a specific economic interest affected by the

filing. If the director shall find that the application is made in good faith, that the applicant has a specific economic interest, that the applicant would be so aggrieved if his grounds are established, and that such grounds otherwise justify holding such a hearing, he shall within 30 days after receipt of such application hold a hearing upon not less than 10 days' written notice to the applicant and to every insurer and rating organization which made such filing. No rating or advisory organization shall have any status under this chapter to make application for a hearing on any filing made by an insurer with the director. If, after the hearing, the director finds that the filing does not meet the requirements of this chapter, he shall issue an order specifying in what respects he finds that such filing fails to meet the requirements of this chapter, and stating when, within a reasonable period thereafter, such filing shall be deemed no longer effective. Copies of said order shall be sent to the applicant and to every such insurer and rating organization. Said order shall not affect any contract or policy made or issued prior to the expiration of the period set forth in said order.

(e) No filing shall be disapproved if the rates thereby produced meet the requirements of this chapter.

Sec. 21.39.060. RATING ORGANIZATIONS. (a) A corporation, an unincorporated association, a partnership or an individual, whether located within or outside this state, may make application to the director for license as a rating organization for such kinds of insurance, or subdivision or class of risk or a part or combination thereof as are specified in its application and shall file therewith (1) a copy of its

constitution, its articles of agreement or association or its certificate of incorporation, and of its bylaws, rules and regulations governing the conduct of its business; (2) a list of its members and subscribers; (3) the name and address of a resident of this state upon whom notices or orders of the director or process affecting such rating organization may be served; and (4) a statement of its qualifications as a rating organization. If the director finds that the applicant is competent, trustworthy and otherwise qualified to act as a rating organization and that its constitution, articles of agreement or association or certificate of incorporation, and its bylaws, rules and regulations governing the conduct of its business conform to the requirements of law, he shall issue a license specifying the kinds of insurance, or subdivisions or classes of risks or parts or combinations thereof for which the applicant is authorized to act as a rating organization. Every such application shall be granted or denied in whole or in part by the director within 60 days of the date of its filing with him. Licenses issued pursuant to this section shall remain in effect for three years unless sooner suspended or revoked by the director. The fee for said license shall be $100.00. Licenses issued pursuant to this section may be suspended or revoked by the director, after hearing upon notice, in the event the rating organization ceases to meet the requirements of this subsection. Every rating organization shall notify the director promptly of every change in (1) its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules and regulations governing the conduct of its business; (2) its list of

members and subscribers; and (3) the name and address of the resident of this state designated by it upon whom notices or orders of the director or process affecting such rating organization may be served.

(b) Subject to rules and regulations which have been approved by the director as reasonable, each rating organization shall permit any insurer, not a member, to be a subscriber to its rating services for any kind of insurance, subdivision, or class of risk or a part or combination thereof for which it is authorized to act as a rating organization. Notice of proposed changes in such rules and regulations shall be given to subscribers. Each rating organization shall furnish its rating services without discrimination to its members and subscribers. The reasonableness of any rule or regulation in its application to subscribers, or the refusal of any rating organization to admit an insurer as a subscriber, shall, at the request of any subscriber or any such insurer, be reviewed by the director at a hearing held upon at least 10 days' written notice to such rating organization and to such subscriber or insurer. If the director finds that such rule or regulation is unreasonable in its application to subscribers, he shall order that such rule or regulation shall not be applicable to subscribers. If the rating organization fails to grant or reject an insurer's application for subscribership within 30 days after it was made, the insurer may request a review by the director as if the application had been rejected. If the director finds that the insurer has been refused admittance to the rating organization as a subscriber without justification, he shall order the rating organization to admit the

insurer as a subscriber. If he finds that the action of the rating organization was justified he shall make an order affirming its action.

(c) No rating organization shall adopt any rule the effect of which would be to prohibit or regulate the payment of dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers.

(d) Cooperation among rating organizations or among rating organizations and insurers in rate making or in other matters within the scope of this chapter is hereby authorized, provided the filings resulting from such cooperation are subject to all the provisions of this chapter which are applicable to filings generally. The director may review such cooperative activities and practices and if, after a hearing, he finds that any such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, he may issue a written order specifying in what respects such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, and requiring the discontinuance of such activity or practice.

(e) Any rating organization may provide for the examination of policies, daily reports, binders, renewal certificates, endorsements or other evidences of insurance, or the cancellation thereof, and may make reasonable rules governing their submission. Such rules shall contain a provision that in the event any insurer does not within 60 days furnish satisfactory evidence to the rating organization of the correction of any error or omission previously called to its attention by the

rating organization, it shall be the duty of the rating organization to notify the director thereof. All information so submitted for examination shall be confidential.

(f) Any rating organization may subscribe for or purchase actuarial, technical or other services, and such services shall be available to all members and subscribers without discrimination.

Sec. 21.39.070. DEVIATIONS. (a) Every member of or subscriber to a rating organization shall adhere to the filings made on its behalf by such organization except that any such insurer may make written application to the director to file a deviation from the class rates, schedules, rating plans or rules respecting any kind of insurance, or class of risk within a kind of insurance, or combination thereof. Such application shall specify the basis for the modification and a copy shall also be sent simultaneously to such rating organization. In considering the application to file such deviation the director shall give consideration to the available statistics and the principles for rate making as provided in sec. 30 of this chapter. The director shall issue an order permitting the deviation for such insurer to be filed if he finds it to be justified and it shall thereupon become effective. He shall issue an order denying such application if he finds that the deviation applied for does not meet the requirements of this chapter.

(b) Each deviation permitted to be filed shall remain in effect for a period of not less than one year from the effective date unless sooner withdrawn by the insurer with the approval of the director or until terminated in accordance

with the provisions of sec. 50 of this chapter.

Sec. 21.39.080. APPEAL BY MINORITY. Any member or subscriber to a rating organization may appeal to the director from the action or decision of such rating organization in approving or rejecting any proposed change in or addition to the filings of such rating organization and the director shall, after a hearing held upon not less than 10 days' written notice to the appellant and to such rating organization, issue an order approving the action or decision of such rating organization or directing it to give further consideration to such proposal, or, if such appeal is from the action or decision of the rating organization in rejecting a proposed addition to its filings, he may, in the event he finds that such action or decision was unreasonable, issue an order directing the rating organization to make an addition to its filings, on behalf of its members and subscribers, in a manner consistent with his findings, within a reasonable time after the issuance of such order.

(b) If such appeal is based upon the failure of the rating organization to make a filing on behalf of such member or subscriber, which is based on a system of expense provisions which differs, in accordance with the right granted in sec. 30 (a) (3) of this chapter, from the system of expense provisions included in a filing made by the rating organization, the director shall, if he grants the appeal, order the rating organization to make the requested filing for use by the appellant. In deciding such appeal the director shall apply the standards set forth in sec. 30 of this chapter.

Sec. 21.39.090. INFORMATION TO BE FURNISHED INSUREDS:

HEARINGS AND APPEALS OF INSUREDS. Every rating organization and every insurer which makes its own rate shall, within a reasonable time after receiving written request therefor and upon payment of such reasonable charge as it may make, furnish to any insured affected by a rate made by it, or to the authorized representative of such insured, all pertinent information as to such rate. Every rating organization and every insurer which makes its own rates shall provide within this state reasonable means whereby any person aggrieved by the application of its rating system may be heard, in person or by his authorized representative, on his written request to review the manner in which such rating system has been applied in connection with the insurance afforded him. If the rating organization or insurer fails to grant or reject such request within 30 days after it is made, the applicant may proceed in the same manner as if his application had been rejected. Any party affected by the action of such rating organization or such insurer on such request may, within 30 days after written notice of such action, appeal to the director, who, after a hearing held upon not less than 10 days' written notice to the appellant and to such rating organization or insurer, may affirm or reverse such action.

Sec. 21.39.100. ADVISORY ORGANIZATIONS. (a) Every group, association or other organization of insurers, whether located within or outside this state, which assists insurers which make their own filings or rating organizations in rate making, by the collection and furnishing of loss or expense statistics, or by the submission of recommendations, but which does not make filings under this chapter, shall be known as an advisory

organization.

(b) Every advisory organization shall file with the director (1) a copy of its constitution, its articles of agreement or association or its certificate of incorporation and of its bylaws, rules and regulations governing its activities; (2) a list of its members; (3) the name and address of a resident of this state upon whom notices or orders of the director or process issued at his direction may be served; and (4) an agreement that the director may examine such advisory organization in accordance with the provisions of sec. 120 of this chapter.

(c) If, after a hearing, the director finds that the furnishing of such information or assistance involves any act or practice which is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, he may issue a written order specifying in what respects such act or practice is unfair or unreasonable or otherwise inconsistent with the provisions of the chapter, and requiring the discontinuance of such act or practice.

(d) No insurer which makes its own filings nor any rating organization shall support its filings by statistics or adopt rate making recommendations, furnished to it by an advisory organization which has not complied with this section or with an order of the director involving such statistics or recommendations issued under (c) of this section. If the director finds such insurer or rating organization to be in violation of this subsection he may issue an order requiring the discontinuance of such violation.

Sec. 21.39.110. JOINT UNDERWRITING OR JOINT REINSURANCE. (a) Every group, association or other organization of insurers which engages in joint underwriting or joint reinsurance, shall be subject to regulation with respect thereto as herein provided, subject, however, with respect to joint underwriting, to all other provisions of this chapter and, with respect to joint reinsurance, to secs. 120, and 160 -- 170 of this chapter.

(b) If, after a hearing, the director finds that any activity or practice of any such group, association or other organization is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, he may issue a written order specifying in what respects such activity or practice is unfair or unreasonable or otherwise inconsistent with the provisions of this chapter, and requiring the discontinuance of such activity or practice.

Sec. 21.39.120. EXAMINATIONS. (a) The director shall, at least once in five years, make or cause to be made an examination of each rating organization licensed in this state as provided in sec. 60 of this chapter and he may, as often as he may deem it expedient, make or cause to be made an examination of each advisory organization referred to in sec. 100 and of each group, association or other organization referred to in sec. 110. The reasonable costs of any such examination shall be paid by the rating organization, advisory organization, or group, association or other organization examined upon presentation to it of a detailed account of such costs. The officers, manager, agents and employees of such rating organization, advisory organization, or group, association or other organization may be examined at any time under oath and shall

exhibit all books, records, accounts, documents, or agreements governing its method of operation. In lieu of any such examination the director may accept the report of an examination made by the insurance supervisory official of another state, pursuant to the laws of such state.

(b) No report of any such examination, however made or wheresoever obtained, shall be made public unless the rating organization, advisory organization, group, association, or other organization examined within 30 days after its receipt of the director's written notice of his intention to publicize such report, does not apply to him for a hearing thereon; but, should such application be made within said 30 days, the director shall hold a hearing thereon, first giving reasonable written notice of the time and place thereof, and thereupon either approve or disapprove said report as being correct. If he approves said report or if no application is made as aforesaid for a hearing thereon, said report shall immediately become and be admissible in evidence as a public record, and open to public inspection.

Sec. 21.39.130. RATE ADMINISTRATION. (a) Recording and Reporting of Loss and Expense Experience. The director shall promulgate reasonable rules and statistical plans, reasonably adapted to each of the rating systems on file with him, which may be modified from time to time and which shall be used thereafter by each insurer in the recording and reporting of its loss and countrywide expense experience, in order that the experience of all insurers may be made available at least annually in such form and detail as may be necessary to aid him in determining whether rating systems comply with the

standards set forth in sec. 30 of this chapter. Such rules and plans may also provide for the recording and reporting of expense experience items which are specially applicable to this state and are not susceptible of determination by a prorating of countrywide expense experience. In promulgating such rules and plans, the director shall give due consideration to the rating systems on file with him and, in order that such rules and plans may be as uniform as is practicable among the several states, to the rules and to the form of the plans used for such rating systems in other states. No insurer shall be required to record or report its loss experience on a classification basis that is inconsistent with the rating system filed by it. The director may, designate one or more rating organizations or other agencies to assist him in gathering such experience and making compilations thereof, and such compilations shall be made available, subject to reasonable rules promulgated by the director, to insurers and rating organizations.

(b) Interchange of rating plan data. Reasonable rules and plans may be promulgated by the director for the interchange of data necessary for the application of rating plans.

(c) Consultation with other states. In order to further uniform administration of rate regulatory laws, the director and every insurer and rating organization may exchange information and experience data with insurance supervisory officials, insurers and rating organizations in other states and may consult with them with respect to rate making and the application of rating systems.

(d) Rules and regulations. The director may make

reasonable rules and regulations necessary to effect the purposes of this chapter.

Sec. 21.39.140. FALSE OR MISLEADING INFORMATION. No person or organization shall wilfully withhold information from, or knowingly give false or misleading information to, the director, any statistical agency designated by the director, any rating organization, or any insurer, which will affect the rates or premiums chargeable under this chapter. A violation of this section shall subject the one guilty of such violation to the penalties provided in sec. 160 of this chapter.

Sec. 21.39.150. ASSIGNED RISKS. Agreements may be made among insurers with respect to the equitable apportionment among them of insurance which may be afforded applicants who are in good faith entitled to but who are unable to procure such insurance through ordinary methods and such insurers may agree among themselves on the use of reasonable rate modifications for such insurance, such agreements and rate modifications to be subject to the approval of the director.

Sec. 21.39.160. PENALTIES. (a) The director may, if he finds that any person or organization has violated any provision of this chapter, impose a penalty of not more than $50.00 for each such violation, but if he finds such violation to be wilfull he may impose a penalty of not more than $500.00 for each such violation. Such penalties may be in addition to any other penalty provided by law.

(b) The director may suspend the license of any rating organization or insurer which fails to comply with an order of the director within the time limited by such order, or any extension thereof which the director may grant. The director

shall not suspend the license of any rating organization or insurer for failure to comply with an order until the time prescribed for an appeal therefrom has expired or if an appeal has been taken, until such order has been affirmed. The director may determine when a suspension of license shall become effective and it shall remain in effect for the period fixed by him, unless he modifies or rescinds such suspension, or until the order upon which such suspension is based is modified, rescinded or reversed.

(c) No penalty shall be imposed and no license shall be suspended or revoked except upon a written order of the director, stating his findings, made after a hearing held upon not less than 10 days' written notice to such person or organization specifying the alleged violation.

Sec. 21.39.170. HEARING PROCEDURE AND JUDICIAL REVIEW. (a) Any insurer or rating organization to which the director has issued an order made without a hearing may, within 30 days after notice to it of such order, make written request to the director for a hearing thereon. The director shall hear such party or parties within 20 days after receipt of such request and shall give not less than 10 days' written notice of the time and place of the hearing. Within 15 days after such hearing the director shall affirm, reverse or modify his previous action, specifying his reasons therefor. Pending such hearing and decision thereon the director may suspend or postpone the effective date of his previous action.

(b) Nothing contained in this chapter shall require the observance at any hearing of formal rules of pleading or evidence.

(c) Any order or decision of the director shall be subject to review by appeal to the superior court in Juneau at the instance of any party in interest. The court shall determine whether the filing of the appeal shall operate as a stay of any such order or decision of the director. The court may, in disposing of the issue before it, modify, affirm or reverse the order or decision of the director in whole or in part.

CHAPTER 42. THE INSURANCE CONTRACT

Sec. 21.42.010. SCOPE OF CHAPTER. This chapter does not apply as to:

(1) reinsurance;

(2) policies or contracts not issued for delivery in this state nor delivered in this state, except as provided in sec. 120 of this chapter (approval of forms for delivery in jurisdictions where local approval not provided for);

(3) ocean marine and foreign trade insurances;

(4) title insurance, except as to the following provisions:

(A) Sec. 80 (Power to contract, etc.)

(B) Sec. 120 (Filing, approval of forms)

(C) Sec. 130 (Grounds for disapproval)

(D) Sec. 180 (Charter, bylaw provisions)

(E) Sec. 190 (Execution of policies)

(F) Sec. 230 (Construction of policies).

Sec. 21.42.020. INSURABLE INTEREST, PERSONAL INSURANCE. (a) Any individual of competent legal capacity may procure or effect an insurance contract upon his own life or body for the

benefit of any person. But no person shall procure or cause to be procured any insurance contract upon the life or body of another individual unless the benefits under such contract are payable to the individual insured or his personal representatives, or to a person having, at the time when such contract was made, an insurable interest in the individual insured.

(b) If the beneficiary, assignee, or other payee under any contract made in violation of this section receives from the insurer any benefits thereunder accruing upon the death, disablement, or injury of the individual insured, the individual insured or his executor or administrator, as the case may be, may maintain an action to recover such benefits from the person so receiving them.

(c) "Insurable interest" with reference to personal insurance includes only interests as follows:

(1) in the case of individuals related closely by blood or by law, a substantial interest engendered by love and affection;

(2) in the case of other persons, a lawful and substantial economic interest in having the life, health, or bodily safety of the individual insured continue, as distinguished from an interest which would arise only by, or would be enhanced in value by, the death, disablement or injury of the individual insured;

(3) an individual heretofore or hereafter party to a contract or option for the purchase or sale of an interest in a business partnership or firm, or of shares of stock of a closed corporation or of an interest in such shares, has an insurable interest in the life of each individual party to such

contract and for the purposes of such contract only, in addition to any insurable interest which may otherwise exist as to the life of such individual.

Sec. 21.42.030. INSURABLE INTEREST, PROPERTY. (a) No contract of insurance of property or of any interest in property or arising from property shall be enforceable as to the insurance except for the benefit of persons having an insurable interest in the things insured as at the time of the loss.

(b) "Insurable interest" as used in this section means any actual, lawful, and substantial economic interest in the safety or preservation of the subject of the insurance free from loss, destruction, or pecuniary damage or impairment.

(c) The measure of an insurable interest in property is the extent to which the insured might be indemnified by loss, injury, or impairment thereof.

Sec. 21.42.040. INTEREST OF NAMED INSURED -- PROPERTY INSURANCE. When the name of the person insured is specified in a policy insuring property the insurance can be applied only to his own proper interest.

Sec. 21.42.050. CHANGE OF INTEREST ON DEATH -- PROPERTY INSURANCE. A change of interest, by will or succession, on the death of the insured, does not avoid an insurance of property and the insurance passes to the person taking his interest in the thing insured.

Sec. 21.42.060. TRANSFER OF INTEREST BETWEEN JOINT INSUREDS -- PROPERTY INSURANCE. A transfer of interest by one of several partners, joint owners, or owners in common, who are jointly insured, to the others, does not avoid an insurance of property even though it has been agreed that the insurance shall

cease upon an alienation of the thing insured.

Sec. 21.42.070. INSURANCE WITHOUT INTEREST, OR OF WAGER, IS VOID. (a) Every stipulation in a policy of insurance of property for the payment of loss without regard to absence of an insurable interest in such property on the part of the insured, or that the policy shall be received as proof of such interest, is void.

(b) Every policy executed by way of gaming or wagering is void.

Sec. 21.42.080. POWER TO CONTRACT -- PURCHASE OF INSURANCE BY MINORS. (a) Any person of competent legal capacity may contract for insurance.

(b) Any minor of the age of 15 years or more, as determined by the nearest birthday, may, notwithstanding his minority, contract for annuities and for insurance upon his own life, body, health, property, liabilities or other interests, or on the person of another in whom the minor has an insurable interest. Such a minor shall, notwithstanding such minority, be deemed competent to exercise all rights and powers with respect to or under (a) any contract for annuity or for insurance upon his own life, body or health, or (b) any contract such minor effected upon his own property, liabilities or other interest, or on the person of another, as might be exercised by a person of full legal age, and may at any time surrender his interest in any such contracts and give valid discharge for any benefit accruing or money payable thereunder. Such a minor shall not, by reason of his minority, be entitled to rescind, avoid or repudiate the contract, nor to rescind, avoid or repudiate any exercise of a right or privilege thereunder,

except that such a minor, not otherwise emancipated, shall not be bound by any unperformed agreement to pay by promissory note or otherwise, any premium on any such annuity or insurance contract.

(c) If any minor mentioned in (b) of this section, is possessed of an estate that is being administered by a guardian, no such contract shall be binding upon the estate as to payment of premiums, except as and when consented to by the guardian and approved by the superior court of the State of Alaska in which the administration of the estate is pending, and such consent and approval shall be required as to each annual premium payment.

(d) Any annuity contract or policy of life or disability insurance procured by or for a minor under (b) of this section, shall be made payable either to the minor or his estate or to a person having an insurable interest in the life of the minor under sec. 20 of this chapter.

Sec. 21.42.090. APPLICATION REQUIRED -- LIFE AND DISABILITY INSURANCE. No life or disability insurance contract upon an individual, except a contract of group life insurance or of group or blanket disability insurance, shall be made or effectuated unless at the time of the making of the contract the individual insured, being of competent legal capacity to contract, applies therefor or has consented thereto in writing, except in the following cases:

(1) a spouse may effectuate such insurance upon the other spouse;

(2) any person having an insurable interest in the life of a minor, or any person upon whom a minor is dependent

for support and maintenance, may effectuate insurance upon the life of or pertaining to such minor;

(3) family policies insuring any two or more members of a family may be issued on an application signed by either parent, a stepparent, or by a husband or wife.

Sec. 21.42.100. APPLICATION AS EVIDENCE -- ALTERATION OF APPLICATION. (a) No application for the issuance of any life or disability insurance policy or annuity contract shall be admissible in evidence in any action relative to such policy or contract, unless a true copy of the application was attached to or otherwise made a part of the policy or contract when issued. This provision shall not apply to industrial life insurance policies.

(b) If any policy of life or disability insurance delivered in this state is reinstated or renewed, and the insured or the beneficiary or assignee of the policy makes written request to the insurer for a copy of the application, if any, for such reinstatement or renewal, the insurer shall, within 30 days after receipt of such request at its home office or at any of its branch offices, deliver, or mail to the person making such request a copy of such application. If such copy is not so delivered or mailed after having been so requested, the insurer shall be precluded from introducing the application in evidence in any action or proceeding based upon or involving the policy or its reinstatement or renewal. In the case of such request from a beneficiary, the time within which the insurer is required to furnish a copy of such application shall not begin to run until after receipt of evidence satisfactory to the insurer of the beneficiary's vested interest in the

policy or contract.

(c) As to kinds of insurance other than life or disability insurance, no application for insurance signed by or on behalf of the insured shall be admissible in evidence in any action between the insured and the insurer arising out of the policy so applied for, if the insurer has failed, at expiration of 30 days after receipt by the insurer of written demand therefor by or on behalf of the insured, to furnish to the insured a copy of such application reproduced by any legible means.

(d) No alteration of any written application for any life or disability insurance policy shall be made by any person other than the applicant without his written consent, except that insertions may be made by the insurer, for administrative purposes only, in such manner as to indicate clearly that such insertions are not to be ascribed to the applicant.

Sec. 21.42.110. REPRESENTATIONS IN APPLICATIONS. All statements and descriptions in any application for an insurance policy or annuity contract, or in negotiations therefor, by or in behalf of the insured or annuitant, shall be deemed to be representations and not warranties. Misrepresentations, omissions, concealment of facts, and incorrect statements shall not prevent a recovery under the policy or contract unless either:

(1) fraudulent; or

(2) material either to the acceptance of the risk, or to the hazard assumed by the insurer; or

(3) the insurer in good faith would either not have issued the policy or contract, or would not have issued a policy or contract in as large an amount, or at the same

premium or rate, or would not have provided coverage with respect to the hazard resulting in the loss, if the true facts had been made known to the insurer as required either by the application for the policy or contract or otherwise.

Sec. 21.42.120. FILING, APPROVAL OF FORMS. (a) No basic insurance policy or annuity contract form, or application form where written application is required and is to be made a part of the policy or contract, or printed rider or endorsement form or form of renewal certificate, shall be delivered, or issued for delivery in this state, unless the form has been filed with and approved by the director. This provision shall not apply to surety bonds, or to specially rated inland marine risks, nor to policies, riders, endorsements, or form of unique character designed for an used with relation to insurance upon a particular subject, or which relate to the manner of distribution of benefits or to the reservation of rights and benefits under life or disability insurance policies and are used at the request of the individual policyholder, contract holder, or certificate holder. As to forms for use in property, marine (other than ocean marine and foreign trade coverages), casualty and surety insurance coverages the filing required by this section may be made by rating organizations on behalf of its members and subscribers; but this provision shall not be deemed to prohibit any such member or subscriber from filing any such forms on its own behalf.

(b) Every such filing shall be made not less than 30 days in advance of any such delivery. At the expiration of such 30 days the form so filed shall be deemed approved unless prior thereto it has been affirmatively approved or disapproved

by order of the director. Approval of any such form by the director shall constitute a waiver of any unexpired portion of such waiting period. The director may extend by not more than an additional 30 days the period within which he may so affirmatively approve or disapprove any such form, by giving notice of such extension before expiration of the initial 30 days period. At the expiration of any such period as to extended, and in the absence of such prior affirmative approval or disapproval, any such form shall be deemed approved. The director may at any time, after notice and for cause shown, withdraw any such approval.

(c) Any order of the director disapproving any such form or withdrawing a previous approval shall state the grounds therefor, and the particulars thereof in such details as reasonably to inform the insurer thereof.

(d) The director may, by order, exempt from the requirements of this section for so long as he deems proper any insurance document or form or type thereof as specified in such order, to which, in his opinion, this section may not practicably be applied, or the filing and approval of which are, in his opinion, not desirable or necessary for the protection of the public.

(e) This section shall apply also to any such form used by domestic insurers for delivery in a jurisdiction outside this state, if the insurance supervisory official of such jurisdiction informs the director that such form is not subject to approval or disapproval by such official, and upon the director's order requiring the form to be submitted to him for the purpose. The applicable same standards shall apply

to such forms as apply to forms for domestic use.

Sec. 21.42.130. GROUNDS FOR DISAPPROVAL. The director shall disapprove any form filed under sec. 120 of this chapter or withdraw any previous approval thereof, only if the form:

(1) is in any respect in violation of or does not comply with this title;

(2) contains or incorporates by reference, where such incorporation is otherwise permissible, any inconsistent, ambiguous, or misleading clauses, or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract;

(3) has any title, heading, or other indication of its provisions which is misleading;

(4) is printed or otherwise reproduced in such manner as to render any provision of the form substantially illegible.

Sec. 21.42.140. STANDARD PROVISIONS, IN GENERAL. (a) Insurance contracts shall contain such standard or uniform provisions as are required by the applicable provisions of this title pertaining to contracts of particular kinds of insurance. The director may waive the required use of a particular provision in a particular insurance policy form if:

(1) he finds such provision unnecessary for the protection of the insured and inconsistent with the purposes of the policy; and

(2) the policy is otherwise approved by him.

(b) No policy shall contain any provision inconsistent with or contradictory to any standard or uniform provision used or required to be used, but the director may approve any

substitute provision which is, in his opinion, not less favorable in any particular to the insured or beneficiary than the provisions otherwise required.

(c) In lieu of the provisions required by this title for contracts for particular kinds of insurance, substantially similar provisions required by the law of the domicile of a foreign or alien insurer may be used when approved by the director.

(d) No such provision, if required to be contained in the policy, can be waived by agreement between the insurer and any other person.

Sec. 21.42.150. POLICY MUST CONTAIN ENTIRE CONTRACT. The policy, when issued, shall contain the entire contract between the parties, and neither the insurer or any agent or representative thereof, nor any person insured thereunder, shall make any agreement as to the insurance which is not plainly expressed in the policy. This provision shall not be deemed to prohibit the modification of a policy, after issuance, by written rider or endorsement duly issued by the insurer.

Sec. 21.42.160. CONTENTS OF POLICIES IN GENERAL -- IDENTIFICATION. (a) Every policy shall specify:

(1) the names of the parties to the contract;

(2) the subject of the insurance;

(3) the risks insured against;

(4) the time when the insurance thereunder takes effect and the period during which the insurance is to continue;

(5) the premium;

(6) the conditions pertaining to the insurance.

(b) If under the policy the exact amount of premium is

determinable only at stated intervals or termination of the contract, a statement of the basis and rates upon which the premium is to be determined and paid shall be included.

(c) Sections (a) and (b) of this section shall not apply as to surety contracts, or to group insurance policies.

(d) All policies and annuity contracts issued by domestic insurers, and the forms thereof filed with the director, shall have printed thereon an appropriate designating letter or figure, or combination of letters or figures or terms identifying the respective forms of policies or contracts, together with the year of adoption of such form. Whenever any change is made in any such form, the designating letters, figures or terms and year of adoption thereon shall be correspondingly changed.

Sec. 21.42.170. ADDITIONAL POLICY CONTENTS. A policy may contain additional provisions not inconsistent with this title and which are:

(1) required to be inserted by the laws of the insurer's domicile;

(2) necessary, on account of the manner in which the insurer is constituted or operated, in order to state the rights and obligations of the parties to the contract; or

(3) desired by the insurer and neither prohibited by law nor in conflict with any provisions required to be included therein.

Sec. 21.42.180. CHARTER, BYLAW PROVISIONS. No policy shall contain any provision purporting to make any portion of the charter, bylaws or other constituent document of the insurer (other than the subscribers' agreement or power of

attorney of a reciprocal insurer) a part of the contract unless such portion is set forth in full in the policy. Any policy provision in violation of this section shall be invalid.

Sec. 21.42.190. EXECUTION OF POLICIES, (a) Every insurance policy shall be executed in the name of and on behalf of the insurer by its officer, attorney-in-fact, employee, or representative duly authorized by the insurer.

(b) A facsimile signature of any such executing individual may be used in lieu of an original signature.

(c) No insurance contract heretofore or hereafter issued and which is otherwise valid shall be rendered invalid by reason of the apparent execution thereof on behalf of the insurer by the imprinted facsimile signature of an individual not authorized so to execute as of the date of the policy.

Sec. 21.42.200. UNDERWRITERS' AND COMBINATION POLICIES. (a) Two or more authorized insurers may jointly issue, and shall be jointly and severally liable on, an underwriters' policy bearing their names. Any one insurer may issue policies in the name of an underwriter's department and such policy shall plainly show the true name of the insurer.

(b) Two or more insurers may, with the approval of the director, issue a combination policy which shall contain provisions substantially as follows:

(1) that the insurers executing the policy shall be severally liable for the full amount of any loss or damage, according to the terms of the policy, or for specified percentages or amounts thereof, aggregating the full amount of insurance under the policy; and

(2) that service of process, or of any notice or

proof of loss required by such policy, upon any of the insurers executing the policy, shall constitute service upon all such insurers.

(c) This section shall not apply to cosurety obligations.

Sec. 21.42.210. INTEREST IN REINSURANCE. The original insured has no interest in a contract of reinsurance.

Sec. 21.42.220. VALIDITY OF NONCOMPLYING FORMS. Any insurance policy, rider, or endorsement hereafter issued and otherwise valid which contains any condition or provision not in compliance with the requirements of this title, shall not be thereby rendered invalid but shall be construed and applied in accordance with such conditions and provisions as would have applied had such policy, rider, or endorsement been in full compliance with this title.

Sec. 21.42.230. CONSTRUCTION OF POLICIES. Every insurance contract shall be construed according to the entirety of its terms and conditions as set forth in the policy and as amplified, extended, or modified by any rider, endorsement, or application which is a part of the policy.

Sec. 21.42.240. BINDERS. (a) Binders or other contracts for temporary insurance may be made orally or in writing, and shall be deemed to include all the usual terms of the policy as to which the binder was given together with such applicable endorsements as are designated in the binder, except as superseded by the clear and express terms of the binder.

(b) No binder shall be valid beyond the issuance of the policy with respect to which it was given, or beyond 90 days from its effective date, whichever period is the shorter.

(c) If the policy has not been issued a binder may be

extended or renewed beyond such 90 days with the written approval of the insurer.

(d) This section shall not apply to life or disability insurances.

Sec. 21.42.250. DELIVERY OF POLICY. (a) Subject to the insurer's requirements as to payment of premium, every policy shall be mailed or delivered to the insured or to the person entitled thereto within a reasonable period of time after its issuance, except where a condition required by the insurer has not been met by the insured.

(b) In event the original policy is delivered or is so required to be delivered to or for deposit with any vendor, mortgagee, or pledgee of any motor vehicle or aircraft, and in which policy any interest of the vendee, mortgagor, or pledgor in or with reference to such vehicle or aircraft is insured, a duplicate of such policy setting forth the name and address of the insurer, insurance classification of vehicle or aircraft, type of coverage, limits of liability, premiums for the respective coverages, and duration of the policy or memorandum thereof containing the same such information, shall be delivered by the vendor, mortgagee, or pledgee to each such vendee, mortgagor, or pledgor named in the policy or coming within the group of persons designated in the policy to be so included. If the policy does not provide coverage of legal liability for injury to persons or damage to the property of third parties, a statement of such fact shall be printed, written, or stamped conspicuously on the face of such duplicate policy or memorandum.

Sec. 21.42.260. RENEWAL BY CERTIFICATE. Any insurance policy terminating by its terms at a specified expiration date

and not otherwise renewable, may be renewed or extended at the option of the insurer and upon a currently authorized policy form and at the premium rate then required therefor, for a specific additional period or periods by certificate or by endorsement of the policy, and without requiring the issuance of a new policy.

Sec. 21.42.270. ASSIGNMENT OF POLICIES. A policy may be assignable or not assignable, as provided by its terms. Subject to its terms relating to the assignability, any life or disability policy, whether heretofore or hereafter issued, under the terms of which the beneficiary may be changed upon the sole request of the insured may be assigned either by pledge or transfer of title, by an assignment executed by the insured alone and delivered to the insurer, whether or not the pledgee or assignee is the insurer. Any such assignment shall entitle the insurer to deal with the assignee as the owner or pledgee of the policy in accordance with the terms of the assignment, until the insurer has received at its home office written notice of termination of the assignment or pledge, or written notice by or on behalf of some other person claiming some interest in the policy in conflict with the assignment.

Sec. 21.42.280. PAYMENT DISCHARGES INSURER. Whenever the proceeds of or payments under a life or disability insurance policy or annuity contract heretofore or hereafter issued become payable in accordance with the terms of such policy or contract, or the exercise of any right or privilege thereunder and the insurer makes payment thereof in accordance with the terms of the policy or contract or in accordance with any written assignment thereof, the person then designated in the

policy or contract or by such assignment as being entitled thereto shall be entitled to receive such proceeds or payments and to give full acquittance therefor, and such payments shall fully discharge the insurer from all claims under the policy or contract unless, before payment is made, the insurer has received at its home office written notice by or on behalf of some other person that such other person claims to be entitled to such payment or some interest in the policy or contract.

Sec. 21.42.290. MINOR MAY GIVE ACQUITTANCE. (a) Any minor domiciled in this state who has attained the age of 16 years shall be deemed competent to receive and to give full acquittance and discharge for a payment or payments in aggregate amount not exceeding $3,000.00 in any one year made by a life insurer under the maturity, death or settlement agreement provisions in effect or elected by such minor under a life insurance policy or annuity contract, provided such policy, contract or agreement shall provide for the payment or payments to such minor, and if prior to such payment the insurer has not received written notice of the appointment of a duly qualified guardian of the property of the minor. No such minor shall be deemed competent to alienate the right to or to anticipate such payments. This section shall not be deemed to restrict the rights of minors set forth in sec. 80 of this chapter.

(b) This section shall not be deemed to require any insurer to determine whether any other insurer may be effecting a similar payment to the same minor.

Sec. 21.42.300. FORMS FOR PROOF OF LOSS TO BE FURNISHED. An insurer shall furnish, upon written request of any person

claiming to have a loss under an insurance contract issued by such insurer, forms of proof of loss for completion by such person, but such insurer shall not, by reason of the requirement so to furnish forms, have any responsibility for or with reference to the completion of such proof or the manner of any such completion or attempted completion.

Sec. 21.42.310. CLAIMS ADMINISTRATION NOT WAIVER. Without limitation of any right or defense of an insurer otherwise, none of the following acts by or on behalf of an insurer shall be deemed to constitute a waiver of any provision of a policy or of any defense of the insurer thereunder:

(1) acknowledgment of the receipt of notice of loss or claim under the policy;

(2) furnishing forms for reporting a loss or claim, for giving information relative thereto, or for making proof of loss, or receiving or acknowledging receipt of any such forms or proofs completed or uncompleted;

(3) investigating any loss or claim under any policy or engaging in negotiations looking toward a possible settlement of any such loss or claim.

Sec. 21.42.320. EXEMPTION OF LIFE INSURANCE PROCEEDS AS TO CREDITORS. (a) If a policy of insurance, whether heretofore or hereafter issued, is effected by any person on his own life or on another life, in favor of a person other than himself, or except in cases of transfer with intent to defraud creditors, if a policy of life insurance is assigned or in any way made payable to any such person, the lawful beneficiary or assignee thereof, other than the insured or the person so effecting such insurance or executors or administrators

of such insured or the person so effecting such insurance, shall be entitled to its proceeds and avails against the creditors and representatives of the insured and of the person effecting the same, whether or not the right to change the beneficiary is reserved or permitted, and whether or not the policy is made payable to the person whose life is insured if the beneficiary or assignee shall predecease such person; except that, subject to the statute of limitations the amount of any premiums for such insurance paid with intent to defraud creditors with interest thereon, shall enure to their benefit from the proceeds of the policy; but the insurer issuing the policy shall be discharged of all liability thereof by payment of its proceeds in accordance with its terms, unless before such payment the insurer shall have received written notice at its home office, by or in behalf of a creditor, of a claim to recover for transfer made or premiums paid with intent to defraud creditors, with specifications of the amount so claimed.

(b) For the purposes of (a) of this section, a policy shall also be deemed to be payable to a person other than the insured if and to the extent that a facility-of-payment clause or similar clause in the policy permits the insurer to discharge its obligation after the death of the individual insured by paying the death benefits to a person as permitted by such clause.

Sec. 21.42.330. EXEMPTION OF PROCEEDS, GROUP LIFE. (a) A policy of group life insurance or the proceeds thereof payable to the individual insured or to the beneficiary thereunder, shall not be liable, either before or after payment,

to be applied by any legal or equitable process to pay any debt or liability of such insured individual or his beneficiary or of any other person having a right under the policy. The proceeds thereof, when not made payable to a named beneficiary or to a third person pursuant to a facility-of-payment clause, shall not constitute a part of the estate of the individual insured for the payment of his debts.

(b) This section shall not apply to group life insurance issued pursuant t chapter 48 of this title to a creditor covering his debtors, to the extent that such proceeds are applied to payment of the obligation for the purpose of which the insurance was so issued.

Sec. 21.42.340. EXEMPTION OF PROCEEDS, DISABILITY INSURANCE. The proceeds or avails of all contracts of disability insurance and of provisions providing benefits on account of the insured's disability which are supplemental to life insurance or annuity contracts heretofore or hereafter effected shall be exempt from all liability for any debt of the insured, and from any debt of the beneficiary existing at the time the proceeds are made available for his use.

Sec. 21.42.350. EXEMPTION OF PROCEEDS, ANNUITY CONTRACTS -- ASSIGNABILITY OF RIGHTS. (a) The benefits, rights, privileges and options which under any annuity contract heretofore or hereafter issued are due or prospectively due the annuitant, shall not be subject to execution nor shall the annuitant be compelled to exercise any such rights, powers or options, nor shall creditors be allowed to interfere with or terminate the contract, except:

(1) as to amounts paid for or as premium on any

such annuity with intent to defraud creditors, with interest thereon, and of which the creditor has given the insurer written notice at its home office prior to the making of the payments to the annuitant out of which the creditor seeks to recover. Any such notice shall specify the amount claimed or such facts as will enable the insurer to ascertain such amount, and shall set forth such facts as will enable the insurer to ascertain the annuity contract, the annuitant and the payments sought to be avoided on the ground of fraud;

(2) the total exemption of benefits presently due and payable to any annuitant periodically or at stated times under all annuity contracts under which he is an annuitant, shall not at any time exceed $250.00 per month for the length of time represented by such installments, and that such periodic payments in excess of $350.00 per month shall be subject to garnishee execution;

(3) if the total benefits presently due and payable to any annuitant under all annuity contracts under which he is an annuitant, shall at any time exceed payment at the rate of $350.00 per month, then the court may order such annuitant to pay to a judgment creditor or apply on the judgment, in installments, such portion of such excess benefits as to the court may appear just and proper, after due regard for the reasonable requirements of the judgment debtor and his family, if dependent upon him, as well as any payments required to be made by the annuitant to other creditors under prior court orders.

(b) If the contract so provides, the benefits, rights, privileges or options accruing under such contract to a

beneficiary or assignee shall not be transferable nor subject to commutation, and if the benefits are payable periodically or at stated times, the same exemptions contained herein for the annuitant, shall apply with respect to such beneficiary or assignee.

(c) An annuity contract within the meaning of this section shall be any obligation to pay certain sums at stated times, during life or lives, or for a specified term or terms, issued for a valuable consideration, regardless of whether or not such sums are payable to one or more persons, jointly or otherwise, but does not include payments under life insurance contracts at stated times during life or lives, or for a specified term or terms.

Sec. 21.42.360. POLICY DEFINED. "Policy" means the written contract of or written agreement for or effecting insurance, by whatever name called, and includes all clauses, riders, endorsements and papers attached thereto and a part thereof.

Sec. 21.42.370. PREMIUM DEFINED. "Premium" is the consideration for insurance, by whatever name called. Any "assessment," or any "membership," "policy," "survey," "inspection," "service" or similar fee or charge in consideration for an insurance contract is deemed part of the premium.

CHAPTER 45 LIFE INSURANCE AND ANNUITIES

Sec. 21.45.010. SCOPE OF CHAPTER. This chapter applies only to contracts of life insurance and annuities, other than reinsurance, group life insurance and group annuities.

Sec. 21.45.020. STANDARD PROVISIONS REQUIRED. (a) No policy of life insurance other than group, and pure endowments

with or without return of premiums or of premiums and interest, shall be delivered or issued for delivery in this state unless it contains in substance all of the applicable provisions as required by secs. 30 to 150, inclusive of this chapter. This section shall not apply to annuity contracts nor to any provision of a life insurance policy, or contract supplemental thereto, relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

(b) Any of such provisions or portions thereof not applicable to single premium or term policies shall to that extent not be incorporated therein.

Sec. 21.45.030. GRACE PERIOD. There shall be a provision that a grace period of 30 days, or, at the option of the insurer, of one month of not less than 30 days, or of four weeks in the case of industrial life insurance policies the premiums for which are payable more frequently than monthly, shall be allowed within which the payment of any premium after the first may be made, during which period of grace the policy shall continue in full force; but if a claim arises under the policy during such period of grace the amount of any premium due or overdue may be deducted from the policy proceeds.

Sec. 21.45.040. INCONTESTABILITY. There shall be a provision that the policy (exclusive of provisions relating to disability benefits or to additional benefits in the event of death by accident or accidental means) shall be incontestable, except for nonpayment of premiums, after it has been in force during the lifetime of the insured for a period of two years from its date of issue.

Sec. 21.45.050. ENTIRE CONTRACT. There shall be a provision that the policy, or the policy and the application therefor if a copy of such application is endorsed upon or attached to the policy when issued, shall constitute the entire contract between the parties, and if the application is so made a part of the policy, that all statements contained in the application shall in the absence of fraud, be deemed representations and not warranties.

Sec. 21.45.060. MISSTATEMENT OF AGE. There shall be a provision that if the age of the insured or of any other person whose age is considered in determining the premium has been misstated, any amount payable or benefit accruing under the policy shall be such as the premium would have purchased at the correct age or ages.

Sec. 21.45.070. DIVIDENDS. (a) There shall be a provision in participating policies that, beginning not later than the end of the third policy year, the insurer shall annually ascertain and apportion the divisible surplus, if any, that will accrue on the policy anniversary or other dividend date specified in the policy provided the policy is in force and all premiums to that date are paid. Except as hereinafter provided, any dividend becoming payable shall at the option of the party entitled to elect such option be either:

(1) payable in cash; or

(2) applied to any one of such other dividend options as may be provided by the policy; if any such other dividend options are provided, the policy shall further state which option shall be automatically effective if such party shall not have elected some other option; if the policy

specifies a period within which such other dividend option may be elected, such period shall be not less than 30 days following the date on which such dividend is due and payable; the annually apportioned dividend shall be deemed to be payable in cash within the meaning of (1) above even though the policy provides that payment of such dividend is to be deferred for a specified period, provided such period does not exceed six years from the date of apportionment and that interest will be added to such dividend at a specified rate; if a participating policy provides that the benefit under any paid-up nonforfeiture provision is to be participating, it may provide that any divisible surplus becoming payable or apportioned while the insurance is in force under such nonforfeiture provision shall be applied in the manner set forth in the policy.

(b) In participating industrial life insurance policies, in lieu of the provision required in (a) of this section, there shall be a provision that, beginning not later than the end of the fifth policy year, the policy shall participate annually in the divisible surplus, if any, in the manner set forth in the policy.

Sec. 21.45.080. POLICY LOAN. (a) There shall be a provision that after three full years' premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest not exceeding six per cent per annum, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy.

The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and interest on the loan to the end of the current policy year. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for six months after application therefor. The policy, at the insurer's option, may provide for automatic premium loan, subject to an election of the party entitled to elect.

(b) This section shall not apply to term policies nor to term insurance benefits provided by rider or supplemental policy provisions, or to industrial life insurance policies.

Sec. 21.45.090. TABLE OF VALUES. There shall be a table showing figures the loan value, if required under sec. 80, and the cash surrender values and nonforfeiture benefits in accordance with sec. 300 (b) (5) of this section, either, during the first 20 policy years or during the term of the policy, whichever is shorter.

Sec. 21.45.100. TABLE OF INSTALLMENTS. In case the policy provides that the proceeds may be payable in installments which are determinable at issue of the policy, there shall be a table showing the amounts of the guaranteed installments.

Sec. 21.45.110. REINSTATEMENT. There shall be a provision that unless:

(1) the policy has been surrendered for its cash surrender value; or

(2) its cash surrender value has been exhausted; or

(3) the paid-up term insurance, if any, has expired,

the policy will be reinstated at any time within three years (or two years in the case of industrial life insurance policies) from the date of premium default upon written application therefor, the production of evidence of insurability satisfactory to the insurer, the payment of all premiums in arrears and the payment or reinstatement of any other indebtedness to the insurer upon the policy, all with interest at a rate not exceeding six per cent per annum compounded annually.

Sec. 21.45.120. PAYMENT OF PREMIUMS. There shall be a provision relative to the payment of premiums.

Sec. 21.45.130. PAYMENT OF CLAIMS. There shall be a provision that when a policy shall become a claim by the death of the insured, settlement shall be made upon receipt of due proof of death and, at the insurer's option, surrender of the policy and/or proof of the interest of the claimant. If an insurer shall specify a particular period prior to the expiration of which settlement shall be made, such period shall not exceed two months from the receipt of such proofs.

Sec. 21.45.140. BENEFICIARY, INDUSTRIAL POLICIES. An

industrial life insurance policy shall have the name of the beneficiary designated thereon with a reservation of the right to designate or change the beneficiary after the issuance of the policy. The policy may also provide that no designation or change of beneficiary shall be binding on the insurer until endorsed on the policy by the insurer, and that the insurer may refuse to endorse the name of any proposed beneficiary who does not appear to the insurer to have an insurable interest in the life of the insured. The policy may also provide that if the beneficiary designated in the policy does not make a claim under the policy or does not surrender the policy with due proof of death within the period stated in the policy, which shall not be less than 30 days after the death of the insured, or if the beneficiary is the estate of the insured, or is a minor, or dies before the insured, or is not legally competent to give a valid release, then the insurer may make any payment thereunder to the executor or administrator of the insured, or to any relative of the insured by blood or legal adoption or connection by marriage, or to any person appearing to the insurer to be equitably entitled thereto by reason of having been named beneficiary, or by reason of having incurred expense for the maintenance, medical attention or burial of the insured. The policy may also include a similar provision applicable to any other payment due under the policy.

Sec. 21.45.150. TITLE. There shall be a title on the policy, briefly describing the same.

Sec. 21.45.160.. EXCLUDED OR RESTRICTED COVERAGE. A clause in any policy of life insurance providing that such policy shall be incontestable after a specified period shall preclude

only a contest of the validity of the policy, and shall not preclude the assertion at any time of defenses based upon provisions in the policy which exclude or restrict coverage, whether or not such restrictions or exclusions are excepted in such clause.

Sec. 21.45.170. STANDARD PROVISIONS -- ANNUITY AND PURE ENDOWMENT CONTRACTS. (a) No annuity or pure endowment contract, other than reversionary annuities, survivorship annuities or group annuities and except as stated herein, shall be delivered or issued for delivery in this state unless it contains in substance each of the provisions specified in secs. 180 and 230, inclusive, of this chapter. Any of such provisions not applicable to single premium annuities or single premium pure endowment contracts shall not, to that extent, be incorporated therein.

(b) This section shall not apply to contracts for deferred annuities included in or upon the lives of beneficiaries under, life insurance policies.

Sec. 21.45.180. GRACE PERIOD -- ANNUITIES. In an annuity or pure endowment contract, other than a reversionary, survivorship or group annuity, there shall be a provision that there shall be a period of grace of one month, but not less than 30 days, within which any stipulated payment to the insurer falling due after the first may be made, subject at the option of the insurer to an interest charge thereon at a rate to be specified in the contract but not exceeding six per cent per annum for the number of days of grace elapsing before such payment, during which period of grace the contract shall continue in full force; but in case a claim arises under the

contract on account of death prior to expiration of the period of grace before the overdue payment to the insurer or the deferred payments of the current contract year, if any, are made, the amount of such payments, with interest on any overdue payments, may be deducted from any amount payable under the contract in settlement.

Sec. 21.45.190. INCONTESTABILITY -- ANNUITIES. If any statements, other than those relating to age, sex and identity are required as a condition to issuing an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, and subject to sec. 210 of this chapter, there shall be a provision that the contract shall be incontestable after it has been in force during the lifetime of the person or of each of the persons as to whom such statements are required, for a period of two years from its date of issue, except for nonpayment of stipulated payments to the insurer; and at the option of the insurer such contract may also except any provisions relative to benefits in the event of disability and any provisions which grant insurance specifically against death by accident or accidental means.

Sec. 21.45.200. ENTIRE CONTRACT -- ANNUITIES. In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be a provision that the contract shall constitute the entire contract between the parties or, if a copy of the application is endorsed upon or attached to the contract when issued, a provision that the contract and the application therefor shall constitute the entire contract between the parties.

Sec. 21.45.210. MISSTATEMENT OF AGE OR SEX -- ANNUITIES.

In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be a provision that if the age or sex of the person or persons upon whose life or lives the contract is made, or of any of them, has been misstated, the amount payable or benefits accruing under the contract shall be such as the stipulated payment or payments to the insurer would have purchased according to the correct age or sex and that if the insurer shall make or has made any overpayment or overpayments on account of any such misstatement, the amount thereof, with interest at the rate to be specified in the contract but not exceeding six per cent per annum, may be charged against the current or next succeeding payment or payments to be made by the insurer under the contract.

Sec. 21.45.220. DIVIDENDS -- ANNUITIES. If an annuity or pure endowment contract, other than a reversionary survivorship, or group annuity, is participating, there shall be a provision that the insurer shall annually ascertain and apportion any divisible surplus accruing on the contract.

Sec. 21.45.230. REINSTATEMENT -- ANNUITIES. In an annuity or pure endowment contract, other than a reversionary, survivorship, or group annuity, there shall be a provision that the contract may be reinstated at any time within one year from the default in making stipulated payments to the insurer, unless the cash surrender value had been paid, but all overdue stipulated payments and any indebtedness to the insurer on the contract shall be paid or reinstated with interest thereon at a rate to be specified in the contract but not exceeding six per cent per annum payable annually,

and in cases where applicable the insurer may also include a requirement of evidence of insurability satisfactory to the insurer.

Sec. 21.45.240. STANDARD PROVISIONS -- REVERSIONARY ANNUITIES. (a) Except as stated herein, no contract for a reversionary annuity shall be delivered or issued for delivery in this state unless it contains in substance each of the following provisions:

(1) any such reversionary annuity contract shall contain the provisions specified in secs. 180 through 220, of this chapter, except that under sec. 180 the insurer may at its option provide for an equitable reduction of the amount of the annuity payments in settlement of an overdue payment in lieu of providing for deduction of such payments from an amount payable upon settlement under the contract.

(2) in such reversionary annuity contracts there shall be a provision that the contract may be reinstated at any time within three years from the date of default in making stipulated payments to the insurer, upon production of evidence of insurability satisfactory to the insurer, and upon condition that all overdue payments and any indebtedness to the insurer on account of the contract be paid, or, within the limits permitted by the then cash values of the contract, reinstated, with interest as to both payments and indebtedness at a rate to be specified in the contract but not exceeding six per cent per annum compounded annually.

(b) This section shall not apply to group annuities or to annuities included in life insurance policies, and any of such provisions not applicable to single premium annuities

shall not to that extent be incorporated therein.

Sec. 21.45.250. LIMITATION OF LIABILITY. (a) No policy of life insurance shall be delivered or issued for delivery in this state if it contains any of the following provisions:

(1) a provision for a period shorter than that provided by statute within which an action at law or in equity may be commenced on such a policy;

(2) a provision which excludes or restricts liability for death caused in a certain specified manner or occurring while the insured has a specified status, except that a policy may contain provisions excluding or restricting coverage as specified therein in the event of death under any one or more of the following circumstances:

(A) death as a result, directly or indirectly, of war, declared or undeclared, or of action by military forces, or of any act or hazard of such war or action, or of service in the military, naval, or air forces or in civilian forces auxiliary thereto, or from any cause while a member of such military, naval, or air forces of any country at war, declared or undeclared, or of any country engaged in such military action;

(B) death as a result of aviation or any air travel or flight;

(c) death as a result of a specified hazardous occupation or occupations;

(D) death while the insured is a resident outside continental United States and Canada; or

(E) death within two years from the date of

issue of the policy as a result of suicide, while sane or insane.

(b) A policy which contains any exclusion or restriction pursuant to (a) of this section shall also provide that in the event of death under the circumstances to which any such exclusion or restriction is applicable, the insurer will pay an amount not less than a reserve determined according to the director's reserve valuation method upon the basis of the mortality table and interest rate specified in the policy for the calculation of nonforfeiture benefits (or if the policy provides for no such benefits, computed according to a mortality table and interest rate determined by the insurer and specified in the policy) with adjustment for indebtedness or dividend credit.

(c) This section shall not apply to industrial life insurance, group life insurance, disability insurance, reinsurance, or annuities, or to any provision in a life insurance policy relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

(d) Nothing contained in this section shall prohibit any provision which in the opinion of the director is more favorable to the policy holder than a provision permitted by this section.

Sec. 21.45.260. PROHIBITED PROVISIONS, INDUSTRIAL LIFE INSURANCE. No policy of industrial life insurance shall contain any of the following provisions:

(1) a provision by which the insurer may deny liability under the policy for the reason that the insured

has previously obtained other insurance from the same insurer;

(2) a provision giving the insurer the right to declare the policy void because the insured has had any disease or ailment, whether specified or not, or because the insured has received institutional, hospital, medical or surgical treatment or attention, except a provision which gives the insurer the right to declare the policy void if the insured has, within two years prior to the issuance of the policy, received institutional, hospital, medical or surgical treatment or attention and if the insured or claimant under the policy fails to show that the condition occasioning such treatment or attention was not of a serious nature or was not material to the risk;

(3) a provision giving the insurer the right to declare the policy void because the insured has been rejected for insurance, unless such right be conditioned upon a showing by the insurer that knowledge of such rejection would have led to a refusal by the insurer to make such contract.

Sec. 21.45.270. INCONTESTABILITY, LIMITATION OF LIABILITY AFTER REINSTATEMENT. (a) A reinstated policy of life insurance or annuity contract may be contested on account of fraud or misrepresentation of facts material to the reinstatement only for the same period following reinstatement and with the same conditions and exceptions as the policy provides with respect to contestability after original issuance.

(b) When any life insurance policy or annuity contract is reinstated, such reinstated policy or contract may exclude

or restrict liability to the same extent that such liability might have been or was excluded or restricted when the policy or contract was originally issued, and such exclusion or restriction shall be effective from the date of reinstatement.

Sec. 21.45.280. POLICY SETTLEMENTS. Any life insurer shall have the power to hold under agreement the proceeds of any policy issued by it, upon such terms and restrictions as to revocation by the policyholder and control by beneficiaries, and with such exemptions from the claims of creditors of beneficiaries other than the policyholder as set forth in the policy or as agreed to in writing by the insurer and the policyholder. Upon maturity of a policy, in the event the policyholder has made no such agreement, the insurer shall have the power to hold the proceeds of the policy under an agreement with the beneficiaries. The insurer shall not be required to segregate the funds so held but may hold them as part of its general assets.

Sec. 21.45.290. INDEBTEDNESS DEDUCTED FROM PROCEEDS. In determining the amount due under any life insurance policy heretofore or hereafter issued, deduction may be made of:

(1) any unpaid premiums or installments thereof for the current policy year due under the terms of the policy; and of

(2) the amount of principal and accrued interest of any policy loan or other indebtedness against the policy then remaining unpaid.

Sec. 21.45.300. STANDARD NONFORFEITURE LAW -- LIFE INSURANCE. (a) This section shall be known as the standard nonforfeiture law.

(b) Nonforfeiture provisions -- life: In the case of policies issued on or after the operative date of this section as defined in (n) of this section, no policy of life insurance, except as set forth in (m) of this section, shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the director are at least as favorable to the defaulting or surrendering policyholder:

(1) that in the event of default in any premium payment, after premiums have been paid for at least one full year, the insurer will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date of such value as may be hereinafter specified;

(2) that upon surrender of the policy within 60 days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance, and five full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified;

(3) that a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than 60 days after the due date of the premium in default;

(4) that if the policy shall have become paid up

by completion of all premium payments, or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance, or the fifth policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified;

(5) a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary, either during the first 20 policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on the policy;

(6) a statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of this state; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein,

a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

(c) Any of the provisions or portions thereof set forth in (b) (1) through (6) of this section which are not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy. The insurer shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

(d) Cash surrender value -- life: Any cash surrender value available under the policy in the event of default in the premium payment due on any policy anniversary, whether or not required by (b) of this section, shall be an amount not less than the excess, if any, of the present value on such anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions if there had been no default, over the sum of:

(1) the then present value of the adjusted premiums as defined in (f), (g), (h), (i) and (j) of this section, corresponding to premiums which would have fallen due on and after such anniversary; and

(2) the amount of any indebtedness to the insurer

on account of or secured by the policy. Any cash surrender value available within 30 days after any policy anniversary under any policy paid up by completion of all premium payments, or any policy continued under any paid-up non-forfeiture benefits, whether or not required by such subsection (b), shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on account of or secured by the policy.

(e) Paid-up nonforfeiture benefit -- Life: Any paid-up nonforfeiture benefit available under the policy in the event of default in the premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy, or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the conditions that premiums shall have been paid for at least a specified period.

(f) The adjusted premium -- life: Except as provided in (h) of this section, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of:

(1) the then present value of the future guaranteed

benefits provided for by the policy;

(2) two per cent of the amount of the insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with the duration of the policy;

(3) forty per cent of the adjusted premium for the first policy year;

(4) twenty-five per cent of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less, provided, however, that in applying the percentages specified in (f)(3) and (4) of this section, no adjusted premiums shall be deemed to exceed four per cent of the amount of insurance or uniform amount equivalent thereto. Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the provisions of the policy, the date of inception of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purposes of the changed policy. The date of issue of a policy for the purposes of this section shall be the date as of which the rated age of the insured is determined.

(g) In the case of a policy providing an amount of insurance varying with the duration of the policy, the equivalent uniform amount thereof for the purpose of (f)

of this section shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with the duration and the benefits under which have the same present value at the date of issue as the benefits under the policy, provided, however, that in the case of a policy for a varying amount of insurance issued on the life a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by such policy at age 10.

(h) The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (A) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (B) the adjusted premiums for such term insurance, the foregoing items (A) and (B) being calculated separately and as specified in (f) and (g) of this section, except that, for the purposes of (f)(2), (3) and (4) of this section, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (B) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (A).

(i) Except as otherwise provided in (j) of this section, all adjusted premiums and present values referred to in this

section shall for all policies of ordinary insurance be calculated on the basis of the Commissioner's 1941 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated, at the option of the insurer with approval of the director, according to an age younger than the actual age of the insured. Such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding 3 1/2 per cent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than 130 per cent of the rates of mortality according to such applicable table, provided further that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the director.

(j) In the case of ordinary policies issued on or after the operative date of (j) of this section, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioner's 1958 Standard Ordinary Mortality Table and the rate of interest, not exceeding 3 1/2 per cent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture

benefits, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioner's 1958 Extended Term Insurance Table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the director.

(k) After the effective date of (j) of this section, any insurer may file with the director a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this subsection for such insurer), this subsection shall become operative with respect to the ordinary policies thereafter issued by such insurer. If an insurer makes no such election, the operative date of this subsection for such insurer shall be January 1, 1966.

(l) Calculation of values -- life: Any cash surrender value and any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy

anniversary. All values referred to in (d), (e), (f), (g), (h), (i) and (j) of this section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the dividends used to provide such additions. Notwithstanding the provisions of (d) of this section, additional benefits payable as follows, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits:

(1) in the event of death or dismemberment by accident or accidental means;

(2) in the event of total and permanent disability;

(3) as reversionary annuity or deferred reversionary annuity benefits;

(4) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply;

(5) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child; and

(6) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits.

(m) Exceptions. This section shall not apply to any

reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount, or renewal thereof, of 15 years or less expiring before age 66 for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in (f), (g), (h), (i) and (j) of this section is less than the adjusted premiums so calculated on a policy issued at the same age and for the same initial amount of insurance for a term defined as follows: For ages at issue 50 and under, the term shall be 15 years; thereafter, the term shall decrease one year for each year of age beyond 50.

(n) Operative date. After the effective date of this title, any insurer can file with the director a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1966, with respect to the policies specified in the notice. After the filing of such notice, then upon such specified date (which shall be the operative date for such insurer with respect to such policies), this section shall have become operative with respect to the policies specified in such notice thereafter issued by such insurer. As to all of its policies and contracts with respect to which an insurer makes no such election, the operative date of this section with respect to such policies and contracts for such insurer is January 1, 1966.

Sec. 21.45.310. NONFORFEITURE RIGHTS, OLD POLICIES. (a) This section shall apply only to policies of life insurance issued prior to the operative date of sec. 300 of this chapter, (standard nonforfeiture law).

(b) In event of default in payment of any premium due on any policy, provided not less than three full years' premiums shall have been paid, there shall be secured to the insured, without action on his part, either paid-up or extended insurance as specified in the policy, the net value of which shall be at least equal to the entire net reserve held by the insurer of such policy, less 2 1/2 per cent of the amount insured by the policy and dividend additions, if any, and less any outstanding indebtedness to the insurer on the policy at time of default. There shall be secured to the insured the right to surrender the policy to the insurer at its home office within one month after date of default for cash value otherwise available for the purchase of the paid-up or extended insurance as aforesaid.

Sec. 21.45.320. PROHIBITED POLICY PLANS. (a) No insurer shall issue for delivery or deliver in this state any life insurance policy or annuity contract issued under any plan for the segregation of policyholders into mathematical groups and providing benefits for a surviving policyholder of a group arising out of the death of another policyholder of such group or under any other similar plan.

(b) No insurer shall issue for delivery or deliver in this state any life insurance policy or annuity contract providing benefits or values for surviving or continuing policyholders contingent upon the lapse or termination of the policies of other policyholders, whether by death or otherwise. This provision shall not be deemed to prohibit the payment or allowance of regular annual dividends or "savings" under participating forms of policies or contracts, nor prohibit

the annual distribution to policyholders or beneficiaries of sums representing in part gains to the insurer from lapses, surrenders or mortality either in general or as resulting from particular classifications of policies.

Sec. 21.45.330. INDUSTRIAL LIFE INSURANCE DEFINED. For the purposes of this chapter "industrial life insurance" is that form of life insurance written under policies of face amount of $1,000.00 or less bearing the words "industrial policy" imprinted on the face thereof as part of the descriptive matter, and under which premiums are payable monthly or more often.

CHAPTER 48. GROUP LIFE INSURANCE

Sec. 21.48.010. GROUP REQUIREMENTS FOR GROUP CONTRACTS. (a) No life insurance policy shall be delivered in this state insuring the lives of more than one individual unless to one of the groups as provided for in secs. 20 through 60 of this chapter, and unless in compliance with the other applicable provisions of this chapter.

(b) (a) of this section shall not apply to life insurance policies.

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

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

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

Sec. 21.48.020. EMPLOYEE GROUPS. The lives of a group

of individuals may be insured under a policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to the following requirements:

(1) the employees eligible for insurance under the policy shall be all of the employees of the employer, or all of any class or classes thereof determined by conditions pertaining to their employment; the policy may provide that the term "employees" shall include the employees of one or more subsidiary corporations, and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietors or partnerships if the business of the employer and of such affiliated corporations, proprietors or partnerships is under common control; the policy may provide that the term "employees" shall include the individual proprietor or partners if the employer is an individual proprietor or a partnership; the policy may provide that the term "employees" shall include retired employees; no director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation, by performing service other than the usual duties of a director; no individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership;

(2) the premium for the policy shall be paid by

the policyholder, either wholly from the employer's funds or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees; no policy may be issued on which the entire premium is to be derived from funds contributed by the insured employees; a policy on which part of the premium is to be derived from funds contributed by the insured employees may be placed in force only if at least 75 per cent of the then eligible employees, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contribution; a policy on which no part of the premium is to be derived from funds contributed by the insured employees must insure all eligible employees, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer;

(3) the policy must cover at least 10 employees at date of issue;

(4) the amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or by the employer or trustees.

Sec. 21.48.030. LABOR UNION GROUPS. The lives of a group of individuals may be insured under a policy issued to a labor union, which shall be deemed the policyholder, to insure members of such union for the benefit of persons other than the union or any of its officials, representatives or agents, subject to the following requirements:

(1) the members eligible for insurance under the policy shall be all of the members of the union, or all of any class or classes thereof determined by conditions

pertaining to their employment, or to membership in the union, or both;

(2) the premium for the policy shall be paid by the policyholder, either wholly from the union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance; no policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance; a policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed in force only if at least 75 per cent of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions; a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer;

(3) the policy must cover at least 25 members at date of issue;

(4) the amounts of insurance under the policy must be based upon some plan precluding individual selection either by the members or by the union.

Sec. 21.48.040. TRUSTEE GROUPS. The lives of a group of individuals may be insured under a policy issued to the trustees of a fund established by two or more employers or by one or more labor unions, or by one or more employers and one or more labor unions, which trustees shall be deemed the

policyholder, to insure employees of the employers or members of the unions for the benefit of persons other than the employers or the unions, subject to the following requirements:

(1) the persons eligible for insurance shall be all of the employees of the employers or all of the members of the unions, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the unions, or to both; the policy may provide that the term "employees" shall include retired employees, and the individual proprietor or partners if an employer is an individual proprietor or a partnership; no director of a corporate employer shall be eligible for insurance under the policy unless such person is otherwise eligible as a bona fide employee of the corporation by performing services other than usual duties of a director; no individual proprietor or partner shall be eligible for insurance under the policy unless he is actively engaged in and devotes a substantial part of his time to the conduct of the business of the proprietor or partnership; the policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship;

(2) the premium for the policy shall be paid by the trustees wholly from funds contributed by the employer or employers of the insured persons, or by the union or unions, or by both, or partly from such funds and partly from funds contributed by the insured persons; no policy may be issued on which the entire premium is to be derived from funds contributed by the insured persons specifically for their insurance; a policy on which part of the premium is to be derived

from funds contributed by the insured persons specifically for their insurance may be placed in force only if at least 75 per cent of the then eligible persons, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, elect to make the required contributions; a policy on which no part of the premium is to be derived from funds contributed by the insured persons specifically for their insurance must insure all eligible persons or all except any as to whom evidence of individual insurability is not satisfactory to the insurer;

(3) the policy must cover at date of issue at least 25 persons, and not less than an average of five (5) persons per employer unit; and if the fund is established by the members of an association of employers the policy may be issued if:

(A) either

(i) the participating employers constitute at date of issue at least 60 per cent of those employer members whose employees are not already covered for group life insurance; or

(ii) the total number of persons covered at date of issue exceeds 600; and

(B) the policy shall not require that, if a participating employer discontinues membership in the association, the insurance of his employees shall cease solely by reason of such discontinuance;

(4) the amounts of insurance under the policy must be based upon some plan precluding individual selection either by the insured persons or by the policyholder, em-

ployers, or unions.

Sec. 21.48.050. PUBLIC EMPLOYEE ASSOCIATIONS. (a) the lives of a group of public employees may be insured under a policy issued to the departmental head or to a trustee, or issued to an association of public employees formed for purposes other than obtaining insurance and having, when the policy is placed in force, a membership in the classes eligible for insurance of not less than 75 per cent of the number of employees eligible for membership in such classes, which department head or trustee or association shall be deemed the policyholder, to insure such employees for the benefit of persons other than the policyholder or any of its officials, subject to the following requirements:

(1) the persons eligible for insurance under the policy shall be all of the employees of the department or members of the association, or all of any class or classes thereof determined by conditions pertaining to their employment, or to membership in the association, or both;

(2) the premium for the policy shall be paid by the policyholder, in whole or in part either from salary deductions authorized by, or charges collected from, the insured employees or members specifically for the insurance, or from the association's own funds, or from both; any such deductions from salary may be paid by the employer to the association or directly to the insurer; no policy may be placed in force unless and until at least 75 per cent of the then eligible employees or association members, excluding any as to whom evidence of individual insurability is not satisfactory to the insurer, have elected to be covered and

have authorized their employer to make any required deductions from salary;

(3) the rate of charges to the insured employees or members specifically for the insurance, and the dues of the association if they include the cost of insurance, shall be determined according to each attained age or in not less than four reasonably spaced attained age groups; in no event shall the rate of such dues or charges be level for all members regardless of attained age;

(4) the policy must cover at least 10 persons at date of issue;

(5) the amounts of insurance under the policy must be based upon some plan precluding individual selection either by the employees or members or by the association; such amounts shall in no event exceed $5,000.00 of life insurance in the case of any employee or member, and the amount of life insurance shall not exceed $500.00 in the case of retired employees or members and persons over age 65.

(b) As used herein, "public employees" means employees of the United States government, or of any state, or of any political subdivision or instrumentality of any of them.

Sec. 21.48.060. DEBTOR GROUPS. The lives of a group of individuals may be insured under a policy issued to a creditor, who shall be deemed the policyholder, to insure the debtors of the creditor, subject to the following requirements:

(1) the debtors eligible for insurance under the policy shall be all of the debtors of the creditor whose indebtedness is repayable either (A) in installments, or (B) in one sum at the end of a period not in excess of

eighteen months from the initial date of the debt, or all of any class or classes thereof determined by conditions pertaining to the indebtedness or the purchase giving rise to the indebtedness; the policy may provide that the term "debtors" shall include the debtors of one or more subsidiary corporations, and the debtors of one or more affiliated corporations, proprietors or partnerships if the business of the policyholder and of such affiliated corporations, proprietors or partnerships is under common control;

(2) the premium for the policy shall be paid by the policyholder, either from the creditor's funds, or from charges collected from the insured debtors, or from both; a policy on which part or all of the premium is to be derived from the collection from the insured debtors of indentifiable charges not required of uninsured debtors shall not include, in the class or classes of debtors eligible for insurance, debtors under obligations outstanding at its date of issue without evidence of individual insurability unless at least 75 per cent of the then eligible debtors elect to pay the required charges; a policy on which no part of the premium is to be derived from the collection of such identifiable charges must insure all eligible debtors, or all except any as to whom evidence of individual insurability is not satisfactory to the insurer;

(3) the policy may be issued only if the group of eligible debtors is then receiving new entrants at the rate of at least 100 persons yearly, or may reasonably be expected to receive at least 100 new entrants during the first policy year, and only if the policy reserves to the insurer the

right to require evidence of individual insurability if less than 75 per cent of the new entrants become insured; the policy may exclude from the classes eligible for insurance classes of debtors determined by age;

(4) the amount of insurance in the life of any debtor shall at no time exceed the amount owed by him to the creditor, or $20,000.00, whichever is less; there the indebtedness is repayable in one sum to the creditor, the insurance on the life of any debtor shall in no instance be in effect for a period in excess of 18 months, except that such insurance may be continued for an additional period not exceeding six months in the case of default, extension or recasting of the loan;

(5) the insurance shall be payable to the policyholder; each payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of such payment.

Sec. 21.48.070. CREDIT UNION GROUP. The lives of a group of individuals may be insured under a policy issued to a credit union organized pursuant to the laws of the State of Alaska or the Federal Credit Union Act, which shall be deemed the policyholder, to insure eligible members for amounts of insurance not in excess of the share balance of each member, based upon some plan which will preclude individual selection, for the benefit of someone other than the credit union or its officials and subject to the following requirements:

(1) the members eligible for insurance under the policy shall be all the members of the credit union who meet standard physical requirement conditions of the insurer, or all of any class or classes thereof determined by conditions

pertaining to their age, or to membership in the credit union or both;

(2) the premiums for the policy shall be paid by the policyholder, either wholly from the credit union's funds, or partly from such funds and partly from funds contributed by the insured members specifically for their insurance; no policy may be issued on which the entire premium is to be derived from funds contributed by the insured members specifically for their insurance; a policy on which part of the premium is to be derived from funds contributed by the insured members specifically for their insurance may be placed only if at least 75 per cent of the then eligible members, excluding any as to whom evidence of individual insurability is not satisfactory to the insured, elect to make the required contribution; a policy on which no part of the premium is to be derived from funds contributed by the insured members specifically for their insurance must insure all eligible members or all except any as to whom evidence of individual insurability is not satisfactory to the insurer;

(3) the policy must cover at least 25 members at the date of issue.

Sec. 21.48.080. LIMIT AS TO AMOUNT. No such policy of group life insurance may be issued to an employer, or to a labor union, or to the trustees or a fund established in whole or in part by an employer or a labor union, which provides term insurance on any person which together with any other term insurance under any group life insurance policy or policies issued to the employers of such person or to a

labor union or labor unions of which such person is a member or to the trustees of a fund or funds established in whole or in part by such employer or employers or such labor union or labor unions, exceeds $20,000.00, unless 150 per cent of the annual compensation of such person from his employer or employers exceeds $20,000.00, in which event all such term insurance shall not exceed $40,000.00 or 150 per cent of such annual compensation, whichever is the lesser.

Sec. 21.48.090. DEPENDENTS' COVERAGE. Any group life policy issued under sec. 20 (employee groups), or sec. 30 (labor union groups) or sec. 40 (trustee groups) of this chapter may be extended to insure the employees or members against loss due to the death of their spouses and minor children, or any class or classes thereof, subject to the following requirements:

(1) the premium for the insurance shall be paid by the policyholder, either from the employer's or union's funds or funds contributed by the employer or union, or from funds contributed by the insured employees or members, or from both. If any part of the premium is to be derived from funds contributed by the insured employees or members, the insurance with respect to spouses and children may be placed in force only if at least 75 per cent of the then eligible employees or members, excluding any as to whose family members evidence of insurability is not satisfactory to the insurer, elect to make the required contribution. If no part of the premium is to be derived from funds contributed by the employees or members, all eligible employees or members, excluding any as to whose family members evidence

of insurability is not satisfactory to the insurer, must be insured with respect to their spouses and children;

(2) the amounts of insurance must be based upon some plan precluding individual selection either by the employees or members or by the policyholder, employer or union, and shall not exceed, with respect to any spouse or child, the amount shown in the following schedule:

Age of Family Member at Death	Maximum Amount of Insurance
Under 6 months	$ 100
6 months and under 2 years	200
2 years and under 3 years	400
3 years and under 4 years	600
4 years and under 5 years	800
5 years and over	1,000

(3) upon termination of the insurance with respect to the members of the family of any employee or member by reason of the employee's or member's termination of employment, termination of membership in the class or classes eligible for coverage under the policy, or death, the spouse shall be entitled to have issued by the insurer, without evidence of insurability, an individual policy of life insurance, without disability or other supplementary benefits, providing application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such termination, subject to the requirements of sec. 180 (1), (2), (3) of this chapter; if the group policy terminates or is amended so as to terminate the insurance of any class of employees or members and the employee or member is entitled

to have issued an individual policy under sec. 190 of this chapter, the spouse shall also be entitled to have issued by the insurer an individual policy, subject to the conditions and limitations provided above; if the spouse dies within the period during which he would have been entitled to have an individual policy issued in accordance with this provision, the amount of life insurance which he would have been entitled to have issued under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made;

(4) notwithstanding sec. 170 of this chapter, only one certificate need be issued for delivery to an insured person if a statement concerning any dependent's coverage is included in such certificate.

Sec. 21.48.100. PROVISIONS REQUIRED IN GROUP CONTRACTS. No policy of group life insurance shall be delivered in this state unless it contains in substance the provisions set forth in secs. 110 through 200 of this chapter or provisions which in the opinion of the director are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder; except, however, that:

(1) secs. 160 to 200 inclusive of this chapter, shall not apply to policies issued to a creditor to insure debtors of such creditor;

(2) the standard provisions required for individual life insurance policies shall not apply to group life insurance policies; and

(3) if the group life insurance policy is on a plan of insurance other than the term plan, it shall contain a nonforfeiture provision or provisions which in the opinion of the director is or are equitable to the insured persons and to the policyholder, but nothing herein shall be construed to require that group life insurance policies contain the same nonforfeiture provisions as are required for individual life insurance policies.

Sec. 21.48.110. GRACE PERIOD. The group life insurance policy shall contain a provision that the policyholder is entitled to a grace period of 31 days for the payment of any premium due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder shall have given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer for the payment of a pro rata premium for the time the policy was in force during such grace period.

Sec. 21.48.120. INCONTESTABILITY. The group life insurance policy shall contain a provision that the validity of the policy shall not be contested, except for nonpayment of premium, after it has been in force for two years from its date of issue; and that no statement made by any person insured under the policy relating to his insurability shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two years during such person's lifetime nor unless it is contained in a written

instrument signed by him.

Sec. 21.48.130. APPLICATION -- STATEMENTS DEEMED REPRESENTATIONS. The group life insurance policy shall contain a provision that a copy of the application, if any, of the policyholder shall be attached to the policy when issued, that all statements made by the policyholder or by the persons insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is or has been furnished to such person or his beneficiary.

Sec. 21.48.140. INSURABILITY. The group life insurance policy shall contain a provision setting forth the conditions, if any, under which the insurer reserves the right to require a person eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of his coverage.

Sec. 21.48.150. MISSTATEMENT OF AGE. The group life insurance shall contain a provision specifying an equitable adjustment of premiums or of benefits or of both to be made in the event the age of a person insured has been misstated, such provision to contain a clear statement of the method of adjustment to be used.

Sec. 21.48.160. PAYMENT OF BENEFITS. The group life insurance policy shall contain a provision that any sum becoming due by reason of the death of the person insured shall be payable to the beneficiary designated by the person insured, subject to the provisions of the policy in the event there is no designated beneficiary as to all or any part of

such sum living at the death of the person insured, and subject to any right reserved by the insurer in the policy and set forth in the certificate to pay at its option a part of such sum not exceeding $500.00 to any person appearing to the insurer to be equitably entitled thereto by reason of having incurred funeral or other expenses incident to the last illness or death of the person insured.

Sec. 21.48.170. CERTIFICATE. The group life insurance policy shall contain a provision that the insurer will issue to the policyholder for delivery to each person insured an individual certificate setting forth a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights and conditions set forth in secs. 180, 190 and 200 of this chapter.

Sec. 21.48.180. CONVERSION ON TERMINATION OF ELIGIBILITY. The group life insurance policy shall contain a provision that if the insurance, or any portion of it, on a person covered under the policy ceases because of termination of employment or of membership in the class or classes eligible for coverage under the policy, such person shall be entitled to have issued to him by the insurer, without evidence of insurability, an individual policy of life insurance without disability or other supplementary benefits, provided application for the individual policy shall be made, and the first premium paid to the insurer, within 31 days after such termination, and provided further that:

(1) the individual policy shall, at the option of such person, be on any one of the forms, except term insurance, then customarily issued by the insurer at the age

and for the amount applied for;

(2) the individual policy shall be in an amount not in excess of the amount of life insurance which ceases because of such termination, less the amount of any life insurance for which such person is or becomes eligible under any other group policy within 31 days after such termination, provided that any amount of insurance which shall have matured on or before the date of such termination as an endowment payable to the person insured, whether in one sum or in installments or in the form of annuity, shall not, for the purposes of this provision, be included in the amount which is considered to cease because of such termination; and

(3) the premium on the individual policy shall be at the insurer's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which such person then belongs, and to his age attained on the effective date of the individual policy.

Sec. 21.48.190. CONVERSION ON TERMINATION OF POLICY. The group life insurance policy shall contain a provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates and who has been so insured for at least five years prior to such termination date shall be entitled to have issued to him by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by sec. 180 of this chapter, except that the group policy may provide that the amount of

such individual policy shall not exceed the smaller of:

(1) the amount of the person'f life insurance protection ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which he is or becomes eligible under any group policy issued or reinstated by the same or another insurer within 31 days after such termination; and

(2) $2,000.00.

Sec. 21.48.200. DEATH PENDING CONVERSION. The group life insurance policy shall contain a provision that if a person insured under the policy dies during the period within which he would have been entitled to have an individual policy issued to him in accordance with secs. 180 or 190 of this chapter and before such an individual policy shall have become effective, the amount of life insurance which he would have been entitled to have issued to him under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made.

Sec. 21.48.210. NOTICE AS TO CONVERSION RIGHT. If any individual insured under a group life insurance policy hereafter delivered in this state becomes entitled under the terms of such policy to have an individual policy of life insurance issued to him without evidence of insurability, subject to making of application and payment of the first premium within the period specified in such policy, and if such individual is not given notice of the existence of such right at least 15 days prior to the expiration date of such period, then, in such event the individual shall have an

additional period within which to exercise such right, but nothing herein contained shall be construed to continue any insurance beyond the period provided in such policy. This additional period shall expire 15 days next after the individual is given such notice, but in no event shall such additional period extend beyond 60 days next after the expiration date of the period provided in such policy. Written notice presented to the individual or mailed by the policyholder to the last known address of the individual or mailed by the insurer to the last known address of the individual as furnished by the policyholder shall constitute notice for the purpose of this section.

Sec. 21.48.220. EMPLOYEE LIFE INSURANCE DEFINED. "Employee life insurance" is that plan of life insurance, other than salary savings life insurance or pension trust insurance and annuities, under which individual policies are issued to the employees of any employer and where such policies are issued on the lives of not less than five employees at date of issue. Premiums for such policies shall be paid by the employer or the trustee of a fund established by the employer either wholly from the employer's funds, or funds contributed by him, or partly from such funds and partly from funds contributed by the insured employees.

Sec. 21.48.230. VIOLATIONS. Violations of this chapter are subject to the penalties provided by AS 21.09.030.

CHAPTER 51. DISABILITY INSURANCE POLICIES

Sec. 21.51.010. SCOPE OF CHAPTER. Nothing in this chapter shall apply to or affect:

(1) any policy of liability or workmen's compen-

sation insurance with or without supplementary expense coverage therein;

(2) any group or blanket policy;

(3) life insurance, endowment or annuity contracts, or contracts supplemental thereto which contain only such provisions relating to disability insurance as:

(A) provide additional benefits in case of death or dismemberment or loss of sight by accident or accidental means; or as

(B) operate to safeguard such contracts against lapse, or to give a special surrender value or special benefit or an annuity in the event that the insured or annuitant becomes totally and permanently disabled, as defined by the contract or supplemental contract;

(4) reinsurance.

Sec. 21.51.020. SCOPE, FORMAT OF POLICY. No policy of disability insurance shall be delivered or issued for delivery to any person in this state unless it otherwise complies with this title, and complies with the following:

(1) the entire money and other considerations therefor shall be expressed therein;

(2) the time when the insurance takes effect and terminates shall be expressed therein;

(3) it shall purport to insure only one person, except that a policy may insure, originally or by subsequent amendment, upon the application of an adult member of a family, who shall be deemed the policyholder, any two or more eligible members of that family, including husband,

wife, dependent children or any children under a specified age which shall not exceed 19 years and any other person dependent upon the policyholder;

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

(5) the exceptions and reductions of indemnity shall be set forth in the policy and, other than those contained in secs. 40 to 260, inclusive, of this chapter, shall be printed, at the insurer's option, either included with the benefit provision to which they apply, or under an appropriate caption such as "Exceptions," or "Exceptions and Reductions," except that if an exception or reduction specifically applies only to a particular benefit of the policy, a statement of such exception or reduction shall be included with the benefit provision to which it applies;

(6) each such form, including riders and endorsements, shall be identified by a form number in the lower left-hand corner of the first page thereof;

(7) the policy shall contain no provision purporting to make any portion of the charter, rules, constitution or

bylaws of the insurer a part of the policy unless such portion is set forth in full in the policy, except in the case of the incorporation of, or reference to, a statement of rates or classification of risks, or short-rate table filed with the director.

Sec. 21.51.030. REQUIRED PROVISIONS -- CAPTIONS -- OMISSIONS -- SUBSTITUTIONS. (a) Except as provided in (b) of this section, each such policy delivered or issued for delivery to any person in this state shall contain the provisions specified in secs. 40 to 150, inclusive, of this chapter, in the words in which the same appear; except, that the insurer may, at its option, substitute for one or more of such provisions corresponding provisions of different wording approved by the director which are in each instance not less favorable in any respect to the insured or the beneficiary. Each such provision shall be preceded individually by the applicable caption shown, or, at the option of the insurer, by such appropriate individual or group captions or subcaptions as the director may approve.

(b) If any such provision is in whole or in part inapplicable to or inconsistent with the coverage provided by a particular form of policy, the insurer, with the approval of the director shall omit from such policy any inapplicable provision or part of a provision and shall modify any inconsistent provision or part of a provision in such manner as to make the provision as contained in the policy consistent with the coverage provided by the policy.

Sec. 21.51.040. ENTIRE CONTRACT -- CHANGES. There shall be a provision as follows:

"Entire Contract; Changes: This policy, including the endorsements and the attached papers, if any, constitutes the entire contract of insurance. No change in this policy shall be valid until approved by an executive officer of the insurer and unless such approval be endorsed hereon or attached hereto. No agent has authority to change this policy or to waive any of its provisions."

Sec. 21.51.050. TIME LIMIT ON CERTAIN DEFENSES. There shall be a provision as follows:

"Time Limit on Certain Defenses: (1) After three years from the date of issue of this policy no misstatements, except fraudulent misstatements, made by the applicant in the application for such policy shall be used to void the policy or to deny a claim for loss incurred or disability (as defined in the policy) commencing after the expiration of such three-year period."

(The foregoing policy provision shall not be so construed as to affect any legal requirement for avoidance of a policy or denial of a claim during such initial three-year period, nor to limit the application of secs. 170 through 210 of this chapter in the event of misstatement with respect to age or occupation or other insurance.)

(A policy which the insured has the right to continue in force subject to its terms by the timely payment of premium (a) until at least age 50 or, (b) in the case of a policy issued after age 44, for at least five years from its date of issue, may contain in lieu of the foregoing the following provision (from which the clause in parentheses may be omitted at the insurer's option) under the caption "Incontestable":

"After this policy has been in force for a period of three years during the lifetime of the insured (excluding any period during which the insured is disabled), it shall become incontestable as to the statements contained in the application.")

(2) No claim for loss incurred or disability (as defined in the policy) commencing after three years from the date of issue of this policy shall be reduced or denied on the ground that a disease or physical condition not excluded from coverage by name or specific description effective on the date of loss had existed prior to the effective date of coverage of this policy."

Sec. 21.51.060. GRACE PERIOD. (a) There shall be a provision as follows:

"Grace Period: A grace period of ... (insert a number not less than '7' for weekly premium policies, '10' for monthly premium policies and '31' for all other policies) days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force."

(b) A policy in which the insurer reserves the right to refuse renewal shall have, at the beginning of the above provision,

"Unless not less than 30 days prior to the premium due date the insurer has delivered to the insured or has mailed to his last address as shown by the records of the insurer written notice of its intention not to renew this policy beyond the period for which the premium has been accepted."

Sec. 21.51.070. REINSTATEMENT. (a) There shall be a

provision as follows:

"Reinstatement: If any renewal premium be not paid within the time granted the insured for payment, a subsequent acceptance of premium by the insurer or by any agent duly authorized by the insurer to accept such premium, without requiring in connection therewith an application for reinstatement, shall reinstate the policy; provided, however, that if the insurer or such agent requires an application for reinstatement and issues a conditional receipt for the premium tendered, the policy will be reinstated upon approval of such application by the insurer or, lacking such approval, upon the 45th day following the date of such conditional receipt unless the insurer has previously notified the insured in writing of its disapproval of such application. The reinstated policy shall cover only loss resulting from such accidental injury as may be sustained after the date of reinstatement and loss due to such sickness as may begin more than 10 days after such date. In all other respects the insured and insurer shall have the same rights thereunder as they had under the policy immediately before the due date of the defaulted premium, subject to any provisions endorsed hereon or attached hereto in connection with the reinstatement. Any premium accepted in connection with a reinstatement shall be applied to a period for which premium has not been previously paid, but not to any period more than 60 days prior to the date of reinstatement."

(b) The last sentence of the above provision may be omitted from any policy which the insured has the right to continue in force subject to its terms by the timely payment

of premiums:

(1) until at least age 50; or

(2) in the case of a policy issued after age 44, for at least five years from its date of issue.

Sec. 21.51.080. NOTICE OF CLAIM. (a) There shall be a provision as follows:

"Notice of Claim: Written notice of claim must be given to the insurer within 20 days after the occurrence or commencement of any loss covered by the policy, or as soon thereafter as is reasonably possible. Notice given by or on behalf of the insured or the beneficiary to the insurer at . . . (insert the location of such office as the insurer may designate for the purpose), or to any authorized agent of the insurer, with information sufficient to identify the insured, shall be deemed notice to the insurer."

(b) In a policy providing a loss-of-time benefit which may be payable for at least two years, an insurer may at its option insert the following between the first and second sentences of the above provision:

"Subject to the qualifications set forth below, if the insured suffers loss of time on account of disability for which indemnity may be payable for at least two years, he shall, at least once in every six months after having given notice of the claim, give to the insurer notice of continuance of the disability, except in the event of legal incapacity. The period of six months following any filing of proof by the insured or any payment by the insurer on account of such claim or any denial of liability in whole or in part by the insurer shall be excluded in applying this provision. Delay

in the giving of such notice shall not impair the insured's right to any indemnity which would otherwise have accrued during the period of six months preceding the date on which such notice is actually given."

Sec. 21.51.090. CLAIM FORMS. There shall be a provision as follows:

"Claim Forms: The insurer, upon receipt of a notice of claim, will furnish to the claimant such forms as are usually furnished by it for filing proofs of loss. If such forms are not furnished within 15 days after the giving of such notice the claimant shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting, within the time fixed in the policy for filing proofs of loss, written proof covering the occurrence, the character and the extent of the loss for which claim is made."

Sec. 21.51.100. PROOFS OF LOSS. There shall be a provision as follows:

"Proofs of Loss: Written proof of loss must be furnished to the insurer at its said office in case of claim for loss for which this policy provides any periodic payment contingent upon continuing loss within 90 days after the termination of the period for which the insurer is liable and in case of claim for any other loss within 90 days after the date of such loss. Failure to furnish such proof within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably possible and in no event, except in the absence of legal capacity, later than one year from the time proof is other-

wise required."

Sec. 21.51.110. TIME OF PAYMENT OF CLAIMS. There shall be a provision as follows:

"Time of Payment of Claims: Indemnities payable under this policy for any loss other than loss for which this policy provides any periodic payment, will be paid immediately upon receipt of due written proof of such loss. Subject to due written proof of loss, all accrued indemnities for loss for which this policy provides periodic payment will be paid . . . . (insert period for payment which must not be less frequently than monthly) and any balance remaining unpaid upon the termination of liability will be paid immediately upon receipt of due written proof."

Sec. 21.51.120. PAYMENT OF CLAIMS. There shall be a provision as follows:

"Payment of Claims: Indemnity for loss of life will be payable in accordance with the beneficiary designation and the provisions respecting such payment which may be prescribed herein and effective at the time of payment. If no such designation or provision is then effective, such indemnity shall be payable to the estate of the insured. Any other accrued indemnities unpaid at the insured's death may, at the option of the insurer, be paid either to such beneficiary or to such estate. All other indemnities will be payable to the insured."

The following provisions, or either of them, may be included with the foregoing provision at the option of the insurer:

"If any indemnity of this policy shall be payable to

the estate of the insured, or to an insured or beneficiary who is a minor or otherwise not competent to give a valid release, the insurer may pay such indemnity, up to an amount not exceeding $_____ (insert an amount which shall not exceed $1,000.00), to any relative by blood or connection by marriage of the insured or beneficiary who is deemed by the insurer to be equitably entitled thereto. Any payment made by the insurer in good faith pursuant to this provision shall fully discharge the insurer to the extent of such payment."

"Subject to any written direction of the insured in the application or otherwise all or a portion of any indemnities provided by this policy on account of hospital, nursing, medical or surgical services may, at the insurer's option and unless the insured requests otherwise in writing not later than the time of filing proof of such loss, be paid directly to the hospital or person rendering such services; but it is not required that the service be rendered by a particular hospital or person."

Sec. 21.51.130. PHYSICAL EXAMINATION, AUTOPSY. There shall be a provision as follows:

"Physical Examinations and Autopsy: The insurer at its own expense shall have the right and opportunity to examine the person of the insured when and as often as it may reasonably require during the pendency of a claim hereunder and to make an autopsy in case of death where it is not forbidden by law."

Sec. 21.51.140. LEGAL ACTIONS. There shall be a provision as follows:

"Legal Actions: No action at law or in equity shall be

brought to recover on this policy prior to the expiration of 60 days after written proof of loss has been furnished in accordance with the requirements of this policy. No such action shall be brought after the expiration of three years after the written proof of loss is required to be furnished."

Sec. 21.51.150. CHANGE OF BENEFICIARY. There shall be a provision as follows:

"Change of Beneficiary: Unless the insured makes an irrevocable designation of beneficiary, the right to change a beneficiary is reserved to the insured and the consent of the beneficiary or beneficiaries shall not be requisite to surrender or assignment of this policy or to any change of beneficiary or beneficiaries, or to any other changes in this policy." (The first clause of this provision, relating to the irrevocable designation of beneficiary, may be omitted at the insurer's option.)

Sec. 21.51.160. OPTIONAL POLICY PROVISIONS. Except as provided in sec. 30 (b) of this chapter, no such policy delivered or issued for delivery to any person in this state shall contain provisions respecting the matters set forth in secs. 170 to 260, inclusive, of this chapter unless such provisions are in the words in which the same appear in the applicable section, except that the insurer may, at its option, use in lieu of any such provision a corresponding provision of different wording approved by the director which is not less favorable in any respect to the insured or the beneficiary. Any such provision contained in the policy shall be preceded individually by the appropriate caption or, at the option of the insurer, by such appropriate individual

or group captions or subcaptions as the director may approve.

Sec. 21.51.170. CHANGE OF OCCUPATION. There may be a provision as follows:

"Change of Occupation: If the insured be injured or contract sickness after having changed his occupation to one classified by the insurer as more hazardous than that stated in this policy or while doing for compensation anything pertaining to an occupation so classified, the insurer will pay only such portion of the indemnities provided in this policy as the premium paid would have purchased at the rates and within the limits fixed by the insurer for such more hazardous occupation. If the insured changes his occupation to one classified by the insurer as less hazardous than that stated in this policy, the insurer, upon receipt of proof of such change of occupation, will reduce the premium rate accordingly, and will return the excess pro rata unearned premium from the date of change of occupation or from the policy anniversary date immediately preceding receipt of such proof, whichever is the more recent. In applying this provision, the classification of occupational risk and the premium rates shall be such as have been last filed by the insurer prior to the occurrence of the loss for which the insurer is liable or prior to date of proof of change in occupation with the state official having supervision of insurance in the state where the insured resided at the time this policy was issued; but if such filing was not required, then the classification of occupational risk and the premium rates shall be those last made effective by the insurer in such state prior to the occurrence of the loss or prior to

the date of proof of change in occupation."

Sec. 21.51.180. MISSTATEMENT OF AGE. There may be a provision as follows:

"Misstatement of Age: If the age of the insured has been misstated, all amounts payable under this policy shall be such as the premium paid would have purchased at the correct age."

Sec. 21.51.190. OTHER INSURANCE IN THIS INSURER. (a) There may be a provision as follows:

"Other Insurance in this Insurer: If an accident or sickness or accident and sickness policy or policies previously issued by the insurer to the insured be in force concurrently herewith, making the aggregate indemnity for _____ (insert type of coverage or coverages) in excess of $_____ (insert maximum limit of indemnity or indemnities) the excess insurance shall be void and all premiums paid for such excess shall be returned to the insured or to his estate."

(b) Or, in lieu thereof:

"Insurance effective at any one time on the insured under a like policy or policies in this insurer is limited to the one such policy elected by the insured, his beneficiary or his estate, as the case may be, and the insurer will return all premiums paid for all other such policies."

Sec. 21.51.200. INSURANCE WITH OTHER INSURERS (Provision of Service or Expense Incurred Basis). (a) There may be a provision as follows:

"Insurance with Other Insurers: If there be other valid coverage, not with this insurer, providing benefits for the same loss on a provision of service basis or on an expense

incurred basis and of which this insurer has not been given written notice prior to the occurrence or commencement of loss the only liability under any expense incurred coverage of this policy shall be for such proportion of the loss as the amount which would otherwise have been payable hereunder plus the total of the like amounts under all such other valid coverages for the same loss of which this insurer had notice bears to the total like amounts under all valid coverages for such loss and for the return of such portion of the premiums paid as shall exceed the pro rata portion for the amount so determined. For the purpose of applying this provision when other coverage is on a provision of service basis, the 'like amount' of such other coverage shall be taken as the amount which the services rendered would have cost in the absence of such coverage."

(b) If the foregoing policy provision is included in a policy which also contains the policy provision set out in sec. 210 of this chapter there shall be added to the caption of the foregoing provision the phrase "--Expense Incurred Benefits." The insurer may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the director, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, and by hospital or medical service organizations, and to any other coverage the inclusion of which may be approved by the director. In the absence of such definition such term shall not include group insurance, automobile medical payments insurance, or coverage provided by hospital

or medical service organizations or by union welfare plans or employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurer has had notice. In applying the foregoing policy provision no third-party liability coverage shall be included as "other valid coverage."

Sec. 21.51.210. INSURANCE WITH OTHER INSURERS. (a) There may be a provision as follows:

"Insurance With Other Insurers: If there be other valid coverage, not with this insurer, providing benefits for the same loss on other than an expense incurred basis and of which this insurer has not been given written notice prior to the occurrence or commencement of loss, the only liability for such benefits under this policy shall be for such proportion of the indemnities otherwise provided hereunder for such loss as the like indemnities of which the insurer has notice (including the indemnities under this policy) bear to the total amount of all like indemnities for such loss, and for the return of such portion of the premium paid as shall exceed the pro rata portion for the indemnities thus determined."

(b) If the foregoing policy provision is included in a policy which also contains the policy provision set out in Sec. 200 of this chapter, there shall be added to the caption of the foregoing provision the phrase "--Other Benefits."

The insurer may, at its option, include in this provision a definition of "other valid coverage," approved as to form by the director, which definition shall be limited in subject matter to coverage provided by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, and to any other coverage the inclusion of which may be approved by the director. In the absence of such definition such term shall not include group insurance, or benefits provided by union welfare plans or by employer or employee benefit organizations. For the purpose of applying the foregoing policy provision with respect to any insured, any amount of benefit provided for such insured pursuant to any compulsory benefit statute (including any workmen's compensation or employer's liability statute) whether provided by a governmental agency or otherwise shall in all cases be deemed to be "other valid coverage" of which the insurer has had notice. In applying the foregoing policy provision no third-party liability coverage shall be included as "other valid coverage."

Sec. 21.51.220. RELATION OF EARNINGS TO INSURANCE. (a) There may be a provision as follows:

"Relation of Earnings to Insurance: If the total monthly amount of loss of time benefits promised for the same loss under all valid loss of time coverage upon the insured, whether payable on a weekly or monthly basis, shall exceed the monthly earnings of the insured at the time disability commenced or his average monthly earnings for the period of two years immediately preceding a disability for which claim is made, whichever is the greater, the insurer will be liable

only for such proportionate amount of such benefits under this policy as the amount of such monthly earnings or such average monthly earnings of the insured bears to the total amount of monthly benefits for the same loss under all such coverage upon the insured at the time such disability commences and for the return of such part of the premiums paid during such two years as shall exceed the pro rata amount of the premiums for the benefits actually paid hereunder; but this shall not operate to reduce the total monthly amount of benefits payable under all such coverage upon the insured below the sum of $200.00 or the sum of the monthly benefits specified in such coverages, whichever is the lesser, nor shall it operate to reduce benefits other than those payable for loss of time."

(b) The foregoing policy provision may be inserted only in a policy which the insured has the right to continue in force subject to its terms by the timely payment of premiums (1) until at least age 50, or (2) in the case of a policy issued after age 44, for at least five years from its date of issue. The insurer may, at its option, include in this provision a definition of "valid loss of time coverage," approved as to form by the director, which definition shall be limited in subject matter to coverage provided by governmental agencies or by organizations subject to regulation by insurance law or by insurance authorities of this or any other state of the United States or any province of Canada, or to any other coverage the inclusion of which may be approved by the director or any combination of such coverages. In the absence of such definition such term shall not include any coverage provided for such insured pursuant to any compulsory benefit statute

(including any workmen's compensation or employer's liability statute), or benefits provided by union welfare plans or by employer or employee benefit organizations.

Sec. 21.51.230. UNPAID PREMIUMS. There may be a provision as follows:

"Unpaid Premiums: Upon the payment of a claim under this policy, any premium then due and unpaid or covered by any note or written order may be deducted therefrom."

Sec. 21.51.240. CONFORMITY WITH STATE STATUTES. There may be a provision as follows:

"Conformity with State Statutes: Any provision of this policy which, on its effective date is in conflict with the statutes of the state in which the insured resides on such date is hereby amended to conform to the minimum requirements of such statutes."

Sec. 21.51.250. ILLEGAL OCCUPATION. There may be a provision as follows:

"Illegal Occupation: The insurer shall not be liable for any loss to which a contributing cause was the insured's commission of or attempt to commit a felony or to which a contributing cause was the insured's being engaged in an illegal occupation."

Sec. 21.51.260. INTOXICANTS AND NARCOTICS. There may be a provision as follows:

"Intoxicants and Narcotics: The insurer shall not be liable for any loss sustained or contracted in consequence of the insured's being intoxicated or under the influence of any narcotic unless administered on the advice of a physician."

Sec. 21.51.270. RENEWAL AT OPTION OF INSURER. Disability

insurance policies, other than accident insurance only policies in which the insurer reserves the right to refuse renewal on an individual basis, shall provide in substance in a provision thereof or in an endorsement thereon or rider attached thereto that subject to the right to terminate the policy upon nonpayment of premium when due, such right to refuse renewal may not be exercised so as to take effect before the renewal date occurring on, or after and nearest, each policy anniversary (or in the case of lapse and reinstatement, at the renewal date occurring on, or after and nearest, each anniversary of the last reinstatement), and that any refusal of renewal shall be without prejudice to any claim originating while the policy is in force. (The parenthetic reference to lapse and reinstatement may be omitted at the insurer's option.)

Sec. 21.51.280. ORDER OF CERTAIN PROVISIONS. The provisions which are the subject of secs. 70 to 300, inclusive, of this chapter, or any corresponding provisions which are used in lieu thereof in accordance with such sections, shall be printed in the consecutive order of the provisions in such sections or, at the option of the insurer, any such provision may appear as a unit in any part of the policy, with other provisions to which it may be logically related, provided that the resulting policy shall not be in whole or in part unintelligible, uncertain, ambiguous, abstruse, or likely to mislead a person to whom the policy is offered, delivered or issued.

Sec. 21.51.290. THIRD-PARTY OWNERSHIP. The word "insured," as used in this chapter, shall not be construed as preventing a person other than the insured with a proper insurable interest from making application for and owning a

policy covering the insured or from being entitled under such a policy to any indemnities, benefits, and rights provided therein.

Sec. 21.51.300. REQUIREMENT OF OTHER JURISDICTIONS. (a) Any policy of a foreign or alien insurer, when delivered or issued for delivery to any person in this state, may contain any provision which is not less favorable to the insured or the beneficiary than the provisions of this chapter and which is prescribed or required by the law of the state or country under which the insurer is organized.

(b) Any policy of a domestic insurer may, when issued for delivery in any other state or country, contain any provision permitted or required by the laws of such other state or country.

Sec. 21.51.310. CONFORMING TO STATUTE. (a) No policy provision which is not subject to this chapter shall make a policy, or any portion thereof, less favorable in any respect to the insured or the beneficiary than the provisions thereof which are subject to this chapter.

(b) A policy delivered or issued for delivery to any person in this state in violation of this chapter shall be held valid but shall be construed as provided in this chapter. When any provision in a policy subject to this chapter is in conflict with any provision of this chapter, the rights, duties, and obligations of the insurer, the insured and the beneficiary shall be governed by the provisions of this chapter.

Sec. 21.51.320. AGE LIMIT. If any such policy contains a provision establishing, as an age limit or otherwise, a

date after which the coverage provided by the policy will not be effective, and if such date falls within a period for which premium is accepted by the insurer or if the insurer accepts a premium after such date, the coverage provided by the policy will continue in force subject to any right of cancellation until the end of the period for which premium has been accepted. In the event the age of the insured has been misstated and if, according to the correct age of the insured, the coverage provided by the policy would not have become effective, or would have ceased prior to the acceptance of such premium or premiums, then the liability of the insurer shall be limited to the refund, upon request, of all premiums paid for the period not covered by the policy.

Sec. 21.51.330. FAMILY EXPENSE DISABILITY INSURANCE DEFINED. (a) Family expense disability insurance is that covering members of any one family including one or both spouses and dependents provided under a master policy issued to the head of the family.

(b) Any authorized disability insurer may issue family expense disability insurance.

(c) A disability policy providing such family expense coverage, in addition to other provisions required to be contained in disability policies under this chapter, shall contain the following provisions:

(1) a provision that the policy and the application of the head of the family shall constitute the entire contract between the parties.

(2) a provision that to the family group originally insured shall, on notice to the insurer, be added from time to

time all new members of the family as they become eligible for insurance in such family group, and on the payment of such additional premium as may be required therefor.

Sec. 21.51.340. FRANCHISE DISABILITY INSURANCE LAW. (a) Disability insurance on a franchise plan is hereby declared to be that form of disability insurance issued to:

(1) five or more employees of any corporation, copartnership, or individual employer or any governmental corporation, agency or department thereof; or

(2) ten or more members, employees or employees of members of any trade or professional association or of a labor union or of any other association having had an active existence for at least two years where such association or union has a constitution or bylaws and is formed in good faith for purposes other than that of obtaining insurance.

(b) Where such persons with or without their dependents, are issued the same form of an individual policy varying only as to amounts and kinds of coverage applied for by such persons under an arrangement whereby the premiums on such policies may be paid to the insurer periodically by the employer, with or without payroll deductions, or by the association for its members, or by some designated person acting on behalf of such employer, association or union. The term "employees" as used herein may be deemed to include the officers, managers and employees and retired employees of the employer and the individual proprietor or partners if the employer is an individual proprietor or partners if the employer is an individual proprietor or partnership.

Sec. 21.51.350. VIOLATIONS. Violations of this chapter

are subject to the penalties provided by AS 21.03.170.

CHAPTER 54. GROUP AND BLANKET DISABILITY INSURANCE

Sec. 21.54.010. REQUIRED PROVISIONS OF GROUP POLICIES. Each group disability insurance policy shall contain in substance the following provisions:

(1) a provision that, in the absence of fraud, all statements made by applicants or the policyholder or by an insured person shall be deemed representations and not warranties, and that no statement made for the purpose of effecting insurance shall avoid such insurance or reduce benefits unless contained in a written instrument signed by the policyholder or the insured person, a copy of which has been furnished to such policyholder or to such person or his beneficiary;

(2) a provision that the insurer will furnish to the policyholder for delivery to each employee or member of the insured group, a statement in summary form of the essential features of the insurance coverage of such employee or member and to whom benefits thereunder are payable; if dependents are included in the coverage, only one certificate need be issued for each family unit;

(3) a provision that to the group originally insured may be added from time to time eligible new employees or members or dependents, as the case may be, in accordance with the terms of the policy.

Sec. 21.54.020. DIRECT PAYMENT OF HOSPITAL, MEDICAL SERVICES. Any group disability policy may on request by the group policyholder provide that all or any portion of any indemnities provided by any such policy on account of hospital, nursing, medical or surgical services may, at the insurer's

option, be paid directly to the hospital or person rendering such services; but the policy may not require that the service be rendered by a particular hospital or person. Payment so made shall discharge the insurer's obligation with respect to the amount of insurance so paid.

Sec. 21.54.030. REQUIRED PROVISIONS OF BLANKET POLICIES. Any insurer authorized to write disability insurance in this state shall have the power to issue blanket disability insurance. No such blanket policy may be issued or delivered in this state unless a copy of the form thereof shall have been filed in accordance with AS 21.42.120. Every such blanket policy shall contain provisions which in the opinion of the director are at least as favorable to the policyholder and the individual insured as the following:

(1) a provision that the policy and the application shall constitute the entire contract between the parties, and that all statements made by the policyholder shall, in absence of fraud, be deemed representations and not warranties, and that no such statements shall be used in defense to a claim under the policy, unless it is contained in a written application;

(2) a provision that written notice of sickness or of injury must be given to the insurer within 20 days after the date when such sickness or injury occurred; failure to give notice within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to give such notice and that notice was given as soon as was reasonably possible;

(3) a provision that the insurer will furnish to

the policyholder such forms as are usually furnished by it for filing proof of loss; if such forms are not furnished before the expiration of 15 days after the giving of such notice, the claimant shall be deemed to have complied with the requirements of the policy as to proof of loss upon submitting within the time fixed in the policy for filing proof of loss, written proof covering the occurrence, character and extent of the loss for which claim is made;

(4) a provision that in the case of claim for loss of time for disability, written proof of such loss must be furnished to the insurer within 30 days after the commencement of the period for which the insurer is liable, and that subsequent written proofs of the continuance of such disability must be furnished to the insurer at such intervals as the insurer may reasonably require, and that in the case of claim for any other loss, written proof of such loss must be furnished to the insurer within 90 days after the date of such loss; failure to furnish such proof within such time shall not invalidate nor reduce any claim if it shall be shown not to have been reasonably possible to furnish such proof and that such proof was furnished as soon as was reasonably possible;

(5) a provision that all benefits payable under the policy other than benefits for loss of time will be payable immediately upon receipt of due written proof of such loss, and that, subject to due proof of loss, all accrued benefits payable under the policy for loss of time will be paid not later than at the expiration of each period of 30 days during the continuance of the period for which the

insurer is liable, and that any balance remaining unpaid at the termination of such period will be paid immediately upon receipt of such proof;

(6) a provision that the insurer at its own expense, shall have the right and opportunity to examine the person of the insured when and so often as it may reasonably require during the pendency of claim under the policy and also the right and opportunity to make an autopsy in case of death where it is not prohibited by law;

(7) a provision that no action aw law or in equity shall be brought to recover under the policy prior to the expiration of 60 days after written proof of loss has been furnished in accordance with the requirements of the policy and that no such action shall be brought after the expiration of three years after the time written proof of loss is required to be furnished.

Sec. 21.54.040. APPLICATION AND CERTIFICATES NOT REQUIRED. An individual application shall not be required from a person covered under a blanket disability policy or contract, nor shall it be necessary for the insurer to furnish each person a certificate.

Sec. 21.54.050. INSURABLE INTEREST -- FACILITY OF PAYMENT. All benefits under any blanket disability policy shall be payable to the person insured, or to his designated beneficiary or beneficiaries, or to his estate; except, that if the person insured be a minor or mental incompetent, such benefits may be made payable to his parent, guardian, or other person actually supporting him; or if the entire cost of the insurance has been borne by the employer such benefits

may be made payable to the employer. Provided, however, that the policy may provide that all or any portion of any indemnities provided by such policy on account of hospital, nursing, medical or surgical services may, at the insurer's option, be paid directly to the hospital or person rendering such services; but the policy may not require that the service be rendered by a particular hospital or person. Payment so made shall discharge the insurer's obligation with respect to the amount of insurance so paid.

Sec. 21.54.060. GROUP DISABILITY INSURANCE DEFINED -- ELIGIBLE GROUPS. Group disability insurance is hereby declared to be that form of disability insurance covering groups of persons as defined below, with or without one or more members of their families or one or more of their dependents, or covering one or more members of the families or one or more dependents of such groups of persons and issued upon the following basis:

(1) under a policy issued to an employer or trustees of a fund established by an employer, who shall be deemed the policyholder, insuring employees of such employer for the benefit of persons other than the employer; the term "employees" as used herein shall be deemed to include the officers, managers, and employees of the employer, the individual proprietor or partner if the employer is an individual proprietor or partnership, the officers, managers, and employees of subsidiary or affiliated corporations, the individual proprietors, partners and employees of individuals and firms, if the business of the employer and such individual or firm is under common control through stock owner-

ship, contract, or otherwise; the term "employees" as used herein may include retired employees; a policy issued to insure employees of a public body may provide that the term "employees" shall include elected or appointed officials; the policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship;

(2) under a policy issued to an association, including a labor union, which shall have a constitution and bylaws and which has been organized and is maintained in good faith for purposes other than that of obtaining insurance, insuring members, employees, or employees of members of the association for the benefit of persons other than the association or its officers or trustees; the term "employees" as used herein may include retired employees;

(3) under a policy issued to the trustees of a fund established by two or more employers in the same or related industry or by one or more labor unions or by one or more employers and one or more labor unions or by an association as defined in (a) (2) of this chapter, which trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions or of such association, or employees of members of such association, for the benefit of persons other than the employers or the unions or such association; the term "employees" as used herein may include the officers, managers and employees of the employer, and the individual proprietor or partners if the employer is an individual proprietor or partnership; the term "employees" as used herein may include retired

employees; the policy may provide that the term "employees" shall include the trustees or their employees, or both, if their duties are principally connected with such trusteeship;

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

(5) under a policy issued to cover any other substantially similar group which, in the discretion of the director, may be subject to the issuance of a group disability policy or contract;

(6) any group disability policy which contains provisions for the payment by the insurer of benefits for expenses incurred on account of hospital, nursing, medical, or surgical services for members of the family or dependents of a person in the insured group may provide for the continuation of such benefit provisions, or any part or parts thereof, after the death of the person in the insured group.

Sec. 21.54.070. BLANKET DISABILITY INSURANCE DEFINED. Blanket disability insurance is hereby declared to be that form of disability insurance covering groups of persons as enumerated in one of the following subdivisions:

(1) under a policy or contract issued to any common carrier or to any operator, owner or lessee of a means of transportation, who or which shall be deemed the policyholder, covering a group defined as all persons or all persons of a class who may become passengers on such

common carrier or such means of transportation;

(2) under a policy or contract issued to an employer, who shall be deemed the policyholder, covering all employees, dependents or guests, defined by reference to specified hazards incident to the activities or operations of the employer or any class of employees, dependents or guests similarly defined;

(3) under a policy or contract issued to a school, or other institution of learning, camp or sponsor thereof; or to the head or principal thereof, who or which shall be deemed the policyholder, covering students or campers; supervisors and employees may be included;

(4) under a policy or contract issued in the name of any religious, charitable, recreations., educational, or civic organization, which shall be deemed the policyholder, covering participants in activities sponsored by the organization;

(5) under a policy or contract issued to a sports team or sponsors thereof which shall be deemed the policyholder, covering members, officials and supervisors;

(6) under a policy or contract issued in the name of any volunteer fire department, first aid, or other such volunteer group, or agency having jurisdiction thereof, which shall be deemed the policyholder, covering all of the members of such fire department or group;

(7) under a policy or contract issued to cover any other risk or class of risks which, in the discretion of the director may be properly eligible for blanket disability insurance; the discretion of the director may be

exercised on an individual risk basis or class of risks, or both.

CHAPTER 57. CREDIT LIFE AND DISABILITY INSURANCE

Sec. 21.57.010. PURPOSE. The purpose of the chapter is to promote the public welfare by regulating credit life insurance and credit disability insurance. Nothing in this chapter is intended to prohibit or discourage reasonable competition. The provisions of this chapter shall be liberally construed.

Sec. 21.57.020. SCOPE OF CHAPTER. All life insurance and all disability insurance sold in connection with loans or other crecit transactions shall be subject to the provisions of this chapter except such insurance sold in connection with a loan or other credit transaction of more than five years duration.

Sec. 21.57.030. FORMS OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE. Credit life insurance and credit disability insurance shall be issued only in the following forms:

(1) individual policies of life insurance issued to debtors on the term plan;

(2) individual policies of disability insurance issued to debtors on a term plan or disability provisions in individual life policies to provide such coverage;

(3) group policies of life insurance issued to creditors providing insurance upon the lives of debtors on the term plan;

(4) group policies of disability insurance issued to creditors on a term plan insuring debtors, or disability

provisions in group life policies to provide such coverage.

Sec. 21.57.040. AMOUNT OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE. (a) Credit life insurance: The amount of credit life insurance shall not exceed the indebtedness. Where indebtedness repayable in substantially equal installments is secured by an individual policy of credit life insurance the amount of insurance shall not exceed the approximate unpaid indebtedness on the date of death and, where secured by a group policy of credit life insurance shall not exceed the exact amount of unpaid indebtedness on such date. Except, that agricultural loans not exceeding one year may be written up to the amount of the loan commitment on a nondecreasing or level term plan.

(b) Credit disability insurance: The amount of periodic indemnity payable by credit disability insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of indebtedness and shall not exceed the original indebtedness divided by the number of periodic installments.

Sec. 21.57.050. TERM OF CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE. The term of any credit life insurance or credit disability insurance shall, subject to acceptance by the insurer, commence on the date when the debtor becomes obligated to the creditor; except that, where a group policy provides coverage with respect to existing obligations, the insurance on a debtor with respect to such indebtedness shall commence on the effective date of the policy. The term of such insurance shall not extend more than 15 days beyond the scheduled maturity date of the

indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited as provided in sec. 90 of this chapter.

Sec. 21.57.060. PROVISIONS OF POLICIES AND CERTIFICATES OF INSURANCE -- DISCLOSURE TO DEBTORS. (a) All credit life insurance and credit disability insurance sold shall be evidenced by an individual policy, or in the case of group insurance by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

(b) Each individual policy or group certificate of credit life insurance, and credit disability insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, and the identity by name or otherwise of the person or persons insured, the rate or amount of payment, if any, by the debtor separately in connection with credit life insurance and credit disability insurance, a description of the coverages including any exceptions, limitations or restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, wherever the amount of insurance may exceed the unpaid indebtedness, that any such excess shall be payable to a beneficiary, other than the creditor, named by the debtor or to his estate.

Sec. 21.57.070. DELIVERY OF POLICY OR CERTIFICATE. (a) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

(b) If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for such policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name or names of the debtor, the amount of payment by the debtor separately in connection with credit life insurance and credit disability insurance coverage, and a brief description of the coverage provided or to be provided shall be delivered to the debtor at the time such indebtedness is incurred. The copy of the application for, or notice of proposed insurance shall refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement unless the information required by this section is prominently set forth therein. Upon approval of the application, if any, or acceptance of the insurance and within 30 days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application or notice of proposed insurance shall state that, upon acceptance by the insurer, the insurance shall become effective as of the date the indebtedness is incurred.

Sec. 21.57.080. FILING, APPROVAL AND WITHDRAWAL OF FORMS. (a) All policies, certificates of insurance, notices of

proposed insurance, applications for insurance, binders, endorsements and riders shall be filed with the director of the state in which the policy is issued.

(b) The director may within 30 days after the filing of all policies, certificates of insurance, notices of proposed insurance, applications for insurance, binders, endorsements and riders, in addition to other requirements of law, disapprove any such form if the table of premium rates charged or to be charged appears by reasonable assumptions to be excessive in relation to benefits or if it contains provisions which are unjust, unfair, inequitable, misleading, deceptive or encourage misrepresentation of such policy.

(c) If the director notifies the insurer that the form does not comply with this section, it is unlawful thereafter for such insurer to issue or use such form. In such notice, the director shall specify the reason for his disapproval and state that a hearing will be granted within 20 days after request in writing by the insurer. No such policy, certificate of insurance, notice of proposed insurance, and no application, binder, endorsement or rider, shall be issued or used until the expiration of 30 days after it has been so filed, unless the director gives his prior written approval thereto.

(d) The director may, at any time after a hearing, of which not less than 20 days written notice was given to the insurer, withdraw his approval of any such form on any of such grounds.

(e) It is not lawful for the insurer to issue such forms or use them after the effective date of such withdrawal

of approval.

(f) Any order or final determination of the director under the provisions of this section shall be subject to judicial review.

Sec. 21.57.090. PREMIUMS AND REFUNDS. (a) Each insurer issuing credit life insurance or credit disability insurance shall file with the director its schedules of premium rates for use in connection with such insurance. Any insurer may revise such schedules from time to time, and shall file such revised schedules with the director. No insurer shall issue any credit life insurance policy or credit disability insurance policy for which the premium rate exceeds that determined by the schedules of such insurer as then on file with the director. The director may require the filing of the schedule of premium rates for use in connection with and as a part of the specific policy filings as provided by sec. 80 of this chapter.

(b) Each individual policy, group certificate or notice of proposed insurance of credit life insurance and credit disability insurance shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of premium due shall be paid or credited promptly to the person entitled thereto; provided, however, that the director shall prescribe a minimum refund and no refund which would be less than such minimum need be made. The formula to be used in computing refunds shall be filed with the director.

(c) If a creditor requires a debtor to make a payment in connection with credit life insurance or credit disability

insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to such debtor and shall promptly make an appropriate credit to the account.

Sec. 21.57.100. ISSUANCE OF POLICIES. All policies of credit life insurance and credit disability insurance shall be delivered or issued for delivery in this state only by an insurer authorized to do an insurance business therein, and shall be issued only through holders of licenses or authorizations issued by the director.

Sec. 21.57.110. CLAIMS. (a) All claims shall be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate claim files. All claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.

(b) All claims shall be paid either by draft drawn upon the insurer or by check of the insurer to the order of the claimant to whom payment of the claim is due pursuant to the policy provisions, or upon direction of such claimant to one specified.

(c) No plan or arrangement shall be used whereby any person, firm or corporation other than the insurer or its designated claim representative shall be authorized to settle or adjust claims. The creditor shall not be designated as claim representative for the insurer in adjusting claims; except, that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due to the group policyholder subject to audit and review by the insurer.

Sec. 21.57.120. EXISTING INSURANCE -- CHOICE OF INSURER. When credit life insurance or credit disability insurance is required as additional security for any indebtedness, the debtor shall, upon request to the creditor, have the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or of procuring and furnishing the required coverage through any insurer authorized to transact an insurance business within this state.

Sec. 21.57.130. ENFORCEMENT. The director may, after notice and hearing, issue such rules and regulations as he deems appropriate for the supervision of this chapter. Whenever the director finds that there has been a violation of this chapter or any rules or regulations issued pursuant thereto, and after written notice thereof and hearing given to the insurer or other person authorized or licensed by the director, he shall set forth the details of his findings together with an order for compliance by a specified date. Such order shall be finding on the insurer and other person authorized or licensed by the director on the date specified unless sooner withdrawn by the director or a stay thereof has been ordered by a court of competent jurisdiction.

Sec. 21.57.140. JUDICIAL REVIEW. Any party to the proceeding affected by an order of the director shall be entitled to judicial review by following the procedure set forth in AS 21.06.240.

Sec. 21.57.150. PENALTIES. In addition to any penalty provided by law, any person who violates an order of the director after it has become final, and while such order is

in effect, shall, upon proof thereof to the satisfaction of the court, forfeit and pay to the state of Alaska a sum not to exceed $250.00 which may be recovered in a civil action, except that if such violation is found to be willful, the amount of such penalty shall be a sum not to exceed $1,000.00. The director, in his discretion, may revoke or suspend the license or certificate of authority of the person guilty of such violation. Such order for suspension or revocation shall be subject to judicial review as provided in AS 21.06.240.

Sec. 21.57.160. DEFINITIONS. For the purposes of this chapter;

(1) "credit life insurance" means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction;

(2) "credit disability insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy;

(3) "creditor" means the lender of money or vendor or lessor of goods, services, property, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title or interest of such lender, vendor or lessor;

(4) "debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction;

(5) "indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

Sec. 21.57.170. SHORT TITLE. This chapter may be cited as "the model act for the regulation of credit life insurance and credit disability insurance."

CHAPTER 60. PROPERTY INSURANCE CONTRACTS

Sec. 21.60.010. OVER-INSURANCE PROHIBITED. (a) Over-insurance shall be deemed to exist if property or an insurable interest therein is insured by one or more insurance contracts against the same hazard in any amount in excess of the fair value of the property or of such interest, as determined as of the effective date of the insurance or of any renewal thereof.

(b) For the purposes of this section only the term "fair value" means the cost of replacement less such depreciation as is properly applicable to the subject insured.

(c) No person shall knowingly issue, place, procure, or accept any insurance contract which would result in over-insurance of the property or interest therein proposed to be insured, except as is provided in sec. 20 of this chapter.

(d) Each violation of this section shall subject the violator to the penalties provided in AS 21.90.030.

Sec. 21.60.020. REPLACEMENT INSURANCE. By any contract of insurance of property or of any insurable interest therein, the insurer may in connection with a special provision or endorsement made a part of the policy insure the cost of repair or replacement of such property, if damaged or destroyed by a hazard insured against, and without deduction of depreciation, subject to such reasonable rules and regulations as may be made by the director.

CHAPTER 63. SURETY INSURANCE CONTRACTS

Sec. 21.63.010. RIGHTS OF SURETY INSURER. A surety insurer authorized as such under this title shall have the power to become the surety on bonds and undertakings required by law, subject to all the rights and liabilities of private persons. This section shall not be deemed to limit in any way the powers, obligations and liabilities of such insurers as provided for in other provisions of this title.

Sec. 21.63.020. MAY BE SOLE SURETY ON OFFICIAL BONDS. Whenever any bond, undertaking, recognizance, or other obligation is by law, or the charter, ordinance, rules or regulations of any municipality, board, body, organization or public officer, required or permitted to be made, given, tendered or filed, with surety or sureties, and whenever the performance of any act, duty or obligation, or the refraining from any act, is required or permitted to be guaranteed, such bond, undertaking, obligation, recognizance or guaranty may be executed by a surety insurer qualified to act as surety or guarantor as authorized in this title. Such execution by such insurer of such bond, undertaking, obligation, recognizance or guaranty shall be in all respects a full and complete compliance with every requirement of the law, charter, ordinance, rule or regulation that such bond, undertaking, obligation, recognizance or guaranty shall be executed by one surety or by one or more sureties, or that such surety shall be a resident, or householder, or freeholder, or either or both, or possessed of any other qualifications; and all courts, judges, heads of departments, boards, bodies, municipalities, and public officers of every character

shall accept and treat accordingly such bond, undertaking, obligation, recognizance or guaranty when so executed by such insurer, as conforming to and fully and completely complying with every such requirement of every such law, charter, ordinance, rule or regulation.

Sec. 21.63.030. RELEASE FROM LIABILITY ON OFFICIAL BONDS. A surety insurer may be released from its liability on a bond referred to in sec. 20 of this chapter upon the same terms and conditions as are by law prescribed for the release of individual sureties.

CHAPTER 66. TITLE INSURANCE COMPANIES

Sec. 21.66.010. PAID IN CAPITAL REQUIRED: GUARANTY FUND. Every domestic or foreign corporation organized either solely or among other things for the purpose of insuring titles to real property in this state and of insuring against loss by reason of defective titles thereto, or incumbrances thereon, is subject to and shall comply with all the requirements of the laws of this state made applicable to insurance companies generally and with the rules and regulations of the director, excepting as hereinafter provided and insofar as said laws, rules, or regulations may be inconsistent with the other provisions in this chapter. Before it shall be entitled to a certificate of authority to transact a title insurance business in this state it shall have a paid-up unimpaired cash capital equal to not less than $100,000.00 in lawful money of the United States, $50,000.00 of which shall be deposited with the commissioner of revenue of the State of Alaska as a guaranty fund for the protection of the insured under policies of title insurance issued by such company.

Sec. 21.66.020. DEPOSITS IN GUARANTY FUND. Within 30 days after the filing of each annual statement the corporation shall deposit with the commissioner of revenue a sum equal to 10 per cent of the premiums received by it during the preceding year covering property in this state, as shown by such annual statement, until such accumulated deposits, added to the sums originally deposited with the commissioner of revenue, as provided herein, total $100,000.00 but in no event shall the corporation be required to deposit more than $10,000.00 in any one year.

Sec. 21.66.030. SECURITIES AUTHORIZED AS DEPOSITS. The deposits required to be kept with the commissioner of revenue as a guaranty fund may be made either in lawful money of the United States or in one or more of the following classes of securities:

(1) interest bearing obligations of the United States or of those for the payment of the principal and interest on which the faith of the United States is pledged;

(2) bonds of any state in the United States;

(3) bonds of any municipality in the United States having a population of more than 50,000, or bonds of any municipality, municipal corporation or civil subdivision in this state having a population of more than 2,000, the market value of which bonds, at all times while so deposited, shall be not less than 90 per cent of par value;

(4) a deposit not in excess of $10,000.00 in any one bank organized and existing under the laws of this state in a savings deposit account free of offsetting debts and claims insured in full by the Federal Deposit Insurance

Corporation and entered in the name of the commissioner of revenue of the State of Alaska in trust for the holders of the obligations of the _____ (depositing company) pursuant to sec. 20 of this chapter";

(5) a deposit not in excess of $10,000.00 in any one issuing institution, in investment certificates or share accounts of savings and loan associations organized and existing under the laws of this state, or of the United States, and holding membership in the Federal Home Loan Bank System; the certificates and share accounts shall be free of offsetting debts and claims and shall be issued in the name of the commissioner of revenue in the form indicated in (a) (4) of this section.

(6) with the written approval of the director bonds or notes secured by trust deed or first mortgage upon improved real property within this state not otherwise encumbered, and having a value of at least twice the amount loaned thereon or otherwise insured by an agency of the United States, which shall be accompanied by a policy of title insurance of a company qualified to insure title in this state insuring that the mortgage or trust deed so deposited is a first lien on the real property covered thereby.

Sec. 21.66.040. SPECIAL GUARANTY FUND: CONDITIONS. The securities to be deposited as provided in this chapter shall be held by the commissioner of revenue as a special guaranty fund securing the faithful performance on the part of any such company of all its undertakings and liabilities upon its guaranteed certificates of title, policies of title insurance, or other guarantees of title to property and to

the extent of any outstanding liabilities thereon; but shall not be subject to any other outstanding liabilities of such company while such securities are held by the commissioner of revenue. They shall be held subject to the following conditions:

(1) the Commissioner of Revenue shall deliver to the company depositing such guaranty fund a receipt in full for all securities so deposited with him; the company may from time to time withdraw securities or any part thereof on depositing with said commissioner of revenue cash or other authorized securities, so as at all times to maintain the value of said guaranty fund deposit at not less than the amount required by this chapter;

(2) all interest or dividends accruing on said securities deposited with the commissioner of revenue under the authority of this chapter shall belong to and at all times be available to the company making said deposit, and the said commissioner of revenue shall permit said company, so long as it shall continue solvent, to collect the interest or dividends on said securities so deposited; the commissioner of revenue shall be the agent of both parties to receive, receipt for and pay over said interest or dividends when the same are paid to him by reason of the custody of said deposit, and he is hereby authorized to make such endorsements on said securities as the occasion and the due and orderly course of business may require; the rights of said company to demand of and receive from the commissioner of revenue said interest or dividends, shall be subject, however, to the provisions of the following paragraph:

(3) if, pursuant to liability on guaranteed certificate of title, or policy of title insurance or other guaranty of title to property, a judgment shall be entered in a court of general jurisdiction in this state against a company which has made a deposit of securities with the commissioner of revenue subject to the provisions of this chapter and such judgment shall have become final either by failure to appeal, dismissal of appeal, or by affirmance on appeal, or otherwise, and such judgment shall not be paid and satisfied in full within 60 days after the judgment has become final, then in every such case said judgment may be enforced against said securities so deposited with the commissioner of revenue upon petition of the judgment creditor in the same cause wherein judgment was obtained, setting forth the facts aforesaid, whereupon it shall be the duty of the court wherein said judgment is entered to direct the issuance of a special execution directed to the proper peace officer, enforcing such executions, in the City of Juneau, Alaska, which execution shall be as near as may be in the usual form and shall require on the part of said officer the sale of said securities or so much thereof as may be necessary to the satisfaction of said judgment; when application is made for the issuance of said special execution herein provided for, and the court allows the same, the order in which said special execution is authorized shall direct that service of a copy of the said judgment and the said petition shall be made within five days thereafter upon the commissioner of revenue; all proceedings relating to the enforcement of said writ of execution against said securities shall conform as

near as may be to the practice in ordinary cases except as herein otherwise specially provided; proceedings under said execution shall be a sufficient authority, where notices aforesaid have been served on said commissioner of revenue, for the delivery by said commissioner of revenue to the officer of the securities to be sold upon said execution;

(4) except as herein provided, the commissioner of revenue shall hold intact the securities deposited with him and shall retain the same until such time as all liabilities under any guaranteed certificate of title or policy of title insurance, or other guaranty of title covering property in this state, issued by the company having deposited such securities, shall have legally terminated, or until such time as all liabilities of said company under such guaranteed certificates of title or policies of title insurance or other guarantees of title shall have been assumed by some other title insurance company authorized to transact business in this state. It shall be the duty of the director to advise the commissioner of revenue of the termination of all liability of such title insurance company, after the director shall have completed an examination into the affairs of such company and determined that all liability against the guaranty fund has been legally terminated or satisfactorily assumed by some other title insurance company licensed to do a title insurance business in this state; upon the advice of the director, the commissioner of revenue shall be authorized and it shall be his duty to forthwith return the securities to the said company and concurrently herewith the director shall revoke the certificate of authority granted such

company to do any title insurance business in the state;

(5) provided, however, that if the aforesaid guaranty fund is at any time impaired by reason of the payment of any judgment against the company depositing such funds or for any reason whatsoever and remains so impaired for a period of 30 days after written notice to the company, the director is hereby authorized and it shall be his duty to immediately revoke the certificate of authority granted said company, and to publish a notice of such revocation in a daily paper of general circulation published in the city wherein said company has its principal offices at least once a week for six successive weeks, the expense of such publication to be chargeable against the said guaranty fund of said company.

Sec. 21.66.050. TITLE INSURANCE UNEARNED PREMIUM RESERVE FUND. (a) Every title insurance company, either foreign or domestic, operating in this state under the provisions of this chapter, shall annually set apart, establish, segregate and maintain at the end of each year into an account to be known as Title Insurance Unearned Premium Reserve Fund, a sum equal to three per cent of its gross premiums on title insurance policies issued during the year then ending covering property in this state. Such reserve fund shall be in addition to the deposit with the commissioner of revenue. There shall be no other reserve requirements. Such reserve must be maintained separately and apart from the capital of the company, and shall be invested in such securities as are authorized for investment by domestic insurance companies under the laws of this state.

Funds accumulated under this provision shall never be used for the payment of any obligation other than those incurred in connection with title insurance, and, in the event of the insolvency of a company, the fund hereby provided shall be used to pay losses and to purchase reinsurance to protect title insurance policy holders even though there be no accrued title insurance claims. Said reserve fund shall be deemed, considered and shall constitute unearned portions of the original premiums and shall be charged as a reserve liability of such company in determining its financial condition.

(b) Such reserve funds shall be maintained in the treasury of such insurer as additional security to holders of title insurance policies issued by such insurer. When, on account of losses or otherwise, the amount of said reserve fund of any such insurer shall be less than the amount required by this chapter no further insurance policies shall be issued by such insurer until the deficiency below the amount so required is restored. The net income and profits derived from such fund shall be transferred to the general assets of the company. The company shall also at all times keep a separate record of the cash and securities of such reserve fund, giving complete identification of the assets belonging to such fund and showing full particulars as to withdrawals and additions. After the expiration of 120 months from the date of the first annual deposit in the unearned premium reserve fund made by any corporation now or hereafter qualified that portion of said reserve fund established more than 120 months prior shall be released

and shall no longer constitute a part of said reserve fund and may be used for any corporate purpose.

Sec. 21.66.060. DIVIDENDS. Such corporation may not pay dividends except from net profits remaining on hand after retaining unimpaired:

(1) the subscribed capital stock;

(2) the amount required to be set aside as unearned premium reserve fund;

(3) a sum sufficient to pay current liabilities for operating expenses and taxes, and losses established or in process of settlement, without impairment of the unearned premium reserve fund.

Sec. 21.66.070. FILING SCHEDULE OF RATES AND POLICY FORMS. Every title insurance corporation shall file with the director its schedule of rates and its policy forms. Rates shall be subject to regulation pursuant to the general insurance laws of the state. No such company shall in connection with the writing or issuance of any policy of title insurance deviate from such rate schedule or policy forms as filed, either by making any reduction or increase in rates or altering its policy form unless it had previously filed such new rate or policy form, or by discriminating in favor of or against its insured. No rebates or discounts shall be paid, allowed or permitted to any person.

Sec. 21.66.080. FILING ANNUAL STATEMENT: FILING FEE. Every corporation, before March 2 of each year, shall furnish the director a sworn statement of assets and liabilities, and of all title premiums received by it during the preceding calendar year, setting forth among other things that three

per cent of all gross premiums on title insurance policies issued by it during such year covering property in this state have been set aside and held by it in an account known as "Title Insurance Unearned Premium Reserve Fund" as provided in this chapter. Such statement shall also show in such form as may be prescribed by the director all unpaid losses and claims upon title insurance policies of which the corporation has received due notice in writing from or on behalf of the insured. With the filing of such statement the corporation shall pay a filing fee of $15.00, to be placed in the general fund.

Sec. 21.66.090. APPLICATION FOR CERTIFICATE OF AUTHORITY: FEE. (a) Every such company, before engaging in a title insurance business in this state, shall apply to the director for a certificate of authority to transact such business. The company shall submit with the application a statement duly sworn to by the proper officers of the company showing its assets and liabilities and that it has complied with the capital requirements and initial guarantee fund deposit prescribed by this chapter.

(b) With the filing of the application the corporation shall pay a fee of $50.00 to be deposited in the general fund and in addition thereto shall pay all traveling expenses of the director or his authorized representative and per diem of $21.00 a day incurred in examining the applicant's title plant or plants.

Sec. 21.66.100. ISSUANCE OF CERTIFICATE OF AUTHORITY BY DIRECTOR. If the director shall be satisfied that the applicant has fully complied with the foregoing and the

other provisions of this chapter he shall issue a certificate of authority. Any company which has heretofore qualified in this state as a trust company with title insurance powers under the banking act and is in good standing under existing law shall be entitled to a certificate of authority upon its filing the application and furnishing the information required in the preceding section.

Sec. 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS. Annually each title insurance company shall pay before April 1, a tax of one per cent of the amount of gross title insurance premiums received by it including as premium income received from guaranteed certificates of title and other guarantees of title during the preceding calendar year covering property in this state, as shown by its annual statement to the director.

Sec. 21.66.120. EXAMINATION BY DIRECTOR. (a) The director is authorized to examine the books, accounts, assets and title plants of a company authorized to write title insurance hereunder to satisfy himself that there has been no impairment of capital and that such company has complied with the provisions of this chapter.

(b) If the director finds that there is an impairment of capital or that the company is not complying with the provisions of this chapter, he shall give notice to such company to correct its capital structure so as to remove the impairment or to comply with the provisions of this chapter. If within 30 days such company has failed to comply with such notice or has refused to permit an examination, the director may revoke the certificate of authority issued

to such company authorizing it to do business in this state until such time as the company shall have fully complied with the orders of the director and the provisions of this chapter.

Sec. 21.66.130. EXPENSES OF EXAMINATION. The director shall collect from the company the reasonable expenses of the director and the compensation and reasonable expenses of the person or persons appointed to examine the company, and failure or refusal to pay such expenses and compensation shall constitute cause for revocation of the certificate of authority issued to such company.

Sec. 21.66.140. FINE OR INJUNCTION FOR DOING BUSINESS DURING SUSPENSION OF CERTIFICATE: REINSTATEMENT. (a) Any corporation continuing to do title insurance business after revocation of its certificate of authority to do business and while in default under this chapter shall be liable in addition to any other civil or criminal liability to a fine of $50.00 for each day of such default. Such fine may be recovered by an action to be instituted by the attorney general in the name of the state. The corporation may be enjoined from doing such business until payment of the fine is fully made and notice thereof given to the director.

(b) Upon payment of such fine to the state and full compliance in all other respects with the laws of this state, the certificate of authority shall be reinstated and such corporation shall be permitted to resume its business.

Sec. 21.66.150. APPLICATION OF ACT. This chapter relates only to the business of insuring or guaranteeing titles to real property.

Sec. 21.66.160. PENALTIES. Any officer, director,

agent or employee of any such company who, before obtaining a certificate of authority from the director or after a revocation thereof by the director and while in default under this chapter shall issue any policy of title insurance or certificate of title on property in this state, or who shall engage in title insurance business in this state, shall be guilty of a misdemeanor and shall be subject to a fine of not to exceed $500.00, or imprisonment not to exceed six months or both.

CHAPTER 69. ORGANIZATION AND CORPORATE PROCEDURES

Sec. 21.69.010. SCOPE OF CHAPTER. This chapter shall apply only to domestic stock insurers and domestic mutual insurers transacting, or proposing to transact, insurance on the cash premium or legal reserve plan, except that secs. 280 (membership in mutuals) and 460 (nonassessable policies, mutual insurers) of this chapter shall also apply to foreign and alien insurers.

Sec. 21.69.020. APPLICABILITY OF GENERAL CORPORATION STATUTES. The applicable laws of this state as to domestic corporations formed for profit shall apply as to domestic stock insurers and domestic mutual insurers, except where in conflict with the express provisions of this title and the reasonable implications of such provisions.

Sec. 21.69.030. INCORPORATION. (a) This section applies to stock and mutual insurers hereafter incorporated in this state.

(b) Incorporators. Five or more individuals, none of whom are less than 21 years of age, may incorporate a stock insurer; 10 or more of such individuals may incorporate a

mutual insurer. At least a majority of the incorporators shall be citizens of the United States. At least a majority of the incorporators shall be residents of this state.

(c) Articles of incorporation. The incorporators shall execute articles of incorporation in triplicate and acknowledge their execution thereof in the same manner as provided by law for the acknowledgment of deeds. The articles of incorporation shall state the purpose for which the corporation is formed and shall show:

(1) the name of the corporation; if a mutual, the word "mutual" must be a part of the name; an alternative name or names may be specified for use in jurisdictions wherein conflict of name with that of another insurer or organization might otherwise prevent the corporation from being authorized to transact insurance therein;

(2) the duration of its existence, which may be perpetual;

(3) the kinds of insurance, as defined in this title, which the corporation is formed to transact;

(4) if a stock corporation, its authorized capital stock, the number of shares of common stock into which divided, the par value of each such share, which par value shall be at least $1.00; shares without par value, or other than one class of voting common stock, shall not be authorized; the articles of incorporation may limit or deny present or future stockholders pre-emptive or preferential rights to acquire additional issues of the stock, or bonds, debentures or other obligations convertible into stock, of the corporation, subject to the laws of Alaska fixing the required

representation and proportion of outstanding capital stock required to be represented and voted, for specified action, at any and all corporate meetings, elections, votes or consent proceedings;

(5) if a stock corporation, the extent, if any, to which shares of its stock are subject to assessment;

(6) if a stock corporation, the number of shares subscribed, if any, by each incorporator;

(7) if a mutual corporation, the maximum contingent liability of its members, other than as to nonassessable policies, for payment of losses and expenses incurred; such liability shall be stated in the articles of incorporation, but shall not be less than one nor more than six times the premium for the member's policy at the annual premium rate for a term of one year;

(8) the minimum, not less than five, and the maximum, not more than 21, number of directors who shall constitute the board of directors and conduct the affairs of the corporation; also, the names, addresses and terms of the members of the initial board of directors; the term of office of initial directors shall be for not more than one year after the date of incorporation;

(9) the judicial district or other political subdivision within the judicial district, in which its principal office or principal place of business is to be located in this state;

(10) such other provisions, not inconsistent with law, deemed appropriate by the incorporators; and

(11) the name and residence address of each

incorporator, and the citizenship of each incorporator who is not a citizen of the United States.

Sec. 21.69.040. ARTICLES OF INCORPORATION, FILING AND APPROVAL. (a) The incorporators of a proposed domestic insurer shall deliver the triplicate originals of the articles of incorporation to the director together with the filing fees therefor specified in AS 21.06.250.

(b) When the articles of incorporation have been approved, the director shall endorse his approval upon each set of the articles; except, that if the director finds that the proposed insurer would not be eligible for a certificate of authority under AS 21.09.100 (management and affiliations), he shall refuse to approve the articles of incorporation, and shall return them to the proposed incorporators together with a written statement of the reasons for such refusal. If approved by him, the director shall then forward the articles of incorporation with his approval endorsed thereon, to the incorporators. The incorporators shall forthwith file one set of the articles of incorporation with the commissioner of commerce, one set with the director bearing the certification of the commissioner of commerce, and the remaining set of articles shall be made a part of the corporation's record.

(c) If the director finds that the proposed articles of incorporation do not comply with law, he shall refuse to approve the same, and shall return the triplicate sets thereof to the incorporators, together with a written statement of the reasons for his refusal to approve.

(d) The corporation shall have legal existence as such upon the issuance of the certificate of incorporation by the

commissioner of commerce and the completion of the filings referred to in (b) of this section, but it shall not transact business as an insurer until it has qualified for and received from the director a certificate of authority as provided in this title.

(e) A copy of the certificate of incorporation, duly certified by the commissioner of commerce, shall be admissible in all the courts of this state as prima facie evidence of due incorporation.

Sec. 21.69.050. AMENDMENT OF ARTICLES OF INCORPORATION. (a) A domestic stock insurer may amend its articles of incorporation for any lawful purpose by written authorization of the holders of a majority of the voting power of its outstanding capital stock or by affirmative vote of such a majority voting at a lawful meeting of stockholders of which the notice given to stockholders included due notice of the proposal to amend.

(b) A domestic mutual insurer hereafter formed may amend its articles of incorporation for any lawful purpose by affirmative vote of a majority of those of its members present or represented by proxy at a lawful meeting of its members of which the notice given members included due notice of the proposal to amend.

(c) Upon adoption of such am amendment the insurer shall make in triplicate under its corporate seal a certificate (sometimes referred to as "articles of amendment" setting forth such amendment and the date and manner of the adoption thereof, which certificate shall be executed by the insurer's president or vice-president and secretary or assistant

secretary and acknowledged by them before an officer authorized by law to take acknowledgments of deeds. The insurer shall deliver to the director the triplicate originals of the certificate, together with the filing fee specified therefor in AS 21.06.250. If he finds that the certificate and amendments comply with law, the director shall endorse his approval upon each of the triplicate originals and return them to the insurer. The insurer shall forthwith file one set of such endorsed articles of amendment with the Commissioner of Commerce, one set with the director bearing the certification of the Commissioner of Commerce, and retain the remaining set in the corporate records. The amendment shall be effective when such filings have been completed.

(d) If the director finds that the proposed amendment or certificate does not comply with the law, he shall not approve the same, and shall return the triplicate certificate of amendment to the insurer together with his written statement of reasons for nonapproval. The filing fee shall not be returnable.

(e) If an amendment of articles of incorporation would reduce the authorized capital stock of a stock insurer below the amount thereof then outstanding, the director shall not approve the amendment if he has reason to believe that the interests of policyholders or creditors of the insurer would be materially prejudiced by such reduction. If any such reduction of capital stock is effectuated the insurer may require return of the original certificates of stock held by each stockholder for exchange for new certificates for such number of shares as such stockholder is then entitled in the

proportion that the reduced capital bears to the amount of capital stock outstanding as of immediately prior to the effective date of such reduction.

Sec. 21.69.060. SOLICITATION PERMIT. (a) No person forming or proposing to form in this state an insurer, or insurance holding corporation, or stock corporation to finance an insurer or insurance production therefor, or corporation to manage an insurer, or corporation to be attorney in fact for a reciprocal insurer, or a syndicate for any of such purposes, shall advertise, or solicit or receive any funds, agreement, stock subscription, or membership on account thereof unless he has applied for and has received from the director a solicitation permit.

(b) Any person violating this section shall be subject to a fine of not more than $10,000.00 or imprisonment for not more than 10 years, or by both fine and imprisonment.

Sec. 21.69.070. APPLICATION FOR SOLICITATION PERMIT. To apply for a solicitation permit the person shall:

(1) file with the director a request therefor showing,

(A) name, type, and purpose of insurer, corporation or syndicate proposed to be formed;

(B) names, addresses, and business records of each person associated or to be associated in the formation of the proposed insurer, corporation, or syndicate;

(C) full disclosure of the terms of all understandings and agreements existing or proposed among persons so associated relative to the proposed

insurer, corporation, or syndicate, or the formation thereof;

(D) the plan according to which solicitations are to be made;

(E) such additional information as the director may reasonably require.

(2) file with the director,

(A) original and copies in triplicate of proposed articles of incorporation, or syndicate agreement; or, if the proposed insurer is a reciprocal, original and duplicate of the proposed subscriber's agreement and attorney in fact agreement;

(B) original and duplicate copy of any proposed bylaws;

(C) copy of any security proposed to be issued and copy of application or subscription agreement therefor;

(D) copy of any insurance contract proposed to be offered and copy of application therefor;

(E) copy of any prospectus, advertising, or literature proposed to be used;

(F) copy of proposed form of any escrow agreement required;

(3) deposit with the director the fees required by law to be paid for the application, for filing of the articles of incorporation of an insurer, for filing the subscribers' agreement and attorney in fact agreement if the proposed insurer is a reciprocal, for the solicitation permit, if granted, and for filing articles of incorporation with the commissioner of commerce.

Sec. 21.69.080. PROCEDURE UPON APPLICATION. (a) The director shall expeditiously examine the application for a solicitation permit and make any investigation relative thereto deemed necessary. If the director finds that

(1) the application is complete; and

(2) the documents therewith filed are equitable in terms and proper in form; and

(3) the agreements made or proposed are equitable to present and future shareholders, subscribers, members or policyholders, he shall give notice to the applicant that he will issue a solicitation permit, stating the terms to be contained therein, upon the filing of the bond required by sec. 140 of this chapter.

(b) If the director does not so find, or if he finds that any of the persons named in the application as being associated or to be associated in the formation of the insurer, corporation or syndicate are untrustworthy, he shall give notice to the applicant that the permit will not be granted, stating the grounds therefor, and shall refund to the applicant all sums so deposited except the application fee.

Sec. 21.69.090. ISSUANCE OF PERMIT -- BOND. Upon the filing of the bond required by sec. 140 of this chapter after notice by the director, the director shall

(1) file the articles of incorporation of the proposed incorporated insurer or other corporation with the commissioner of commerce; and

(2) issue to the applicant a solicitation permit.

Sec. 21.69.100. DURATION OF PERMIT -- CONTENTS. Every solicitation permit issued by the director shall:

(1) be for a period of not over two years, subject to the right of the director to grant a reasonable extension for good cause;

(2) state the securities for which subscriptions are to be solicited, the number, classes, par value, and selling price thereof, or identify the insurance contract for which applications and advance premiums or deposits are to be solicited;

(3) limit the portion of funds received on account of stock or syndicate subscriptions, if any are proposed to be taken, which may be used for promotion and organization expenses to such amount as he deems adequate, but in no event to exceed 15 per cent of such funds as and when actually received;

(4) if to be a mutual or reciprocal insurer, limit the portion of funds received on account of applications for insurance which may be used for promotion or organization expenses to a reasonable commission upon such funds, giving consideration to the kind of insurance and policy involved and to the costs incurred by insurers generally in the production of similar business, and provide that no such commission shall be deemed to be earned nor be paid until the insurer has received its certificate of authority and the policies applied for and upon which such commission is to be based, have been actually issued and delivered;

(5) contain such other information required by this chapter or reasonable conditions relative to accounting and reports or otherwise as the director deems necessary.

Sec. 21.69.110. PERMIT AS INDUCEMENT. The granting of a

solicitation permit is permissive only and shall not constitute an endorsement by the director of any person or thing related to the proposed insurer, corporation, or syndicate and the existence of the permit shall not be advertised or used as an inducement in any solicitation. The substance of this section in bold faced type not less than 10 point shall be printed at the top of each solicitation permit.

Sec. 21.69.120. SOLICITORS' LICENSES. Solicitation for sale of securities to members of the public under a solicitation permit shall be made only by individuals licensed therefor pursuant to the provisions of the securities act.

Sec. 21.69.130. MODIFICATION, REVOCATION OF PERMIT. (a) The director may, for cause, modify a solicitation permit, or may, after a hearing, revoke any solicitation permit for violation of any provision of this title, or of the terms of the permit, or of any proper order of the director, or for misrepresentation.

(b) The director shall revoke a solicitation permit if requested in writing by a majority of the syndicate members, or by a majority of the incorporators and two-thirds of the subscribers to stock or applicants for insurance in the proposed incorporated insurer or corporation, or if he is so requested by a majority of the subscribers of a proposed reciprocal insurer.

Sec. 21.69.140. BOND -- CASH DEPOSIT. (a) The director shall not issue a solicitation permit until the person applying therefor files with him a corporate surety bond

in the penalty of $10,000.00, in favor of the state and for the use and benefit of the state and of subscribers and creditors of the proposed organization.

(b) The bond shall be conditioned upon the payment of costs incurred by the state in event of any legal proceedings for liquidation or dissolution of the proposed organization before completion of organization or in event a certificate of authority is not granted; and upon a full accounting for funds received until the proposed insurer has been granted its certificate of authority, or until the proposed corporation or syndicate has completed its organization as defined in the solicitation permit.

(c) In lieu of filing such bond, the person may deposit with the director $10,000.00 in cash or in United States government bonds at par value, to be held in trust upon the same conditions as required for the bond.

(d) The director may waive the requirement for a bond or deposit in lieu thereof if the permit provides that:

(1) the proposed securities are to be distributed solely and finally to those few persons who are the active promoters intimate to the formation of the insurer, or other corporation or syndicate; or

(2) the securities are to be issued in connection with subsequent financing as provided in sec. 200 of this chapter.

(e) Any bond filed or deposit or remaining portion thereof held under this section shall be released and discharged upon settlement or termination of all liabilities against it.

Sec. 21.69.150. ESCROW OF FUNDS. (a) All funds received

pursuant to a solicitation permit shall be deposited and held in escrow in a bank or trust company under an agreement approved by the director. No part of any such deposit shall be withdrawn, except:

(1) for the payment of promotion and organization expenses as authorized by the solicitation permit; or

(2) for the purpose of making any deposit with the director required for the issuance of a certificate of authority to an insurer; or

(3) if the proposed organization is not to be an insurer, upon completion of payments on stock or syndicate subscriptions made under the solicitation permit and deposit or appropriation of such funds to the purposes specified in the solicitation permit; or

(4) for making of refunds as provided in sec. 190 of this chapter.

(b) When the director has issued a certificate of authority to an insurer any such funds remaining in escrow for its account shall be released to the insurer.

Sec. 21.69.160. LIABILITY OF ORGANIZERS -- ORGANIZATION EXPENSE. (a) The incorporators of any insurer or other corporation, or the persons proposing to form a reciprocal insurer, or a syndicate, shall be jointly and severally liable for its debts or liabilities until it has secured a certificate of authority, if an insurer, or has completed its organization if a corporation other than an insurer or a syndicate.

(b) Any portion of funds received on account of stock or syndicate subscriptions which is allowed therefor under the solicitation permit, may be applied concurrently toward

the payment of promotion and organization expense theretofore incurred.

Sec. 21.69.170. PAYMENT FOR SUBSCRIPTIONS -- FORFEITURE. (a) No such proposed stock insurer, corporation, or syndicate shall issue any share of stock or participation agreement except for payment in cash or in securities eligible for investment of funds of insurers. No such shares or agreement shall be issued until all subscriptions received under the solicitation permit have been so fully paid, nor, if an insurer, until a certificate of authority has been issued to it.

(b) Every subscription contract to shares of stock insurer or other corporation calling for payment in installments, together with all amounts paid thereon may be forfeited at the option of the corporation, upon failure to make good a delinquency in any installment upon not less than 45 days notice in writing, and every such contract shall so provide.

Sec. 21.69.180. INSURANCE APPLICATIONS -- MUTUAL AND RECIPROCAL INSURERS. All applications for insurance obtained in forming a mutual or reciprocal insurer shall provide that:

(1) issuance of the policy is contingent upon completion of organization of the insurer and issuance to it of a certificate of authority;

(2) the prepaid premium or deposit will be refunded in full to the applicant if the organization is not completed and certificate of authority issued prior to the solicitation permit's date of expiration; and

(3) the agreement for insurance is not effective

until a policy has been issued under it.

Sec. 21.69.190. PROCEDURE ON FAILURE TO COMPLETE ORGANIZATION OR TO QUALIFY. The director shall withdraw all funds held in escrow and refund to subscribers or applicants all sums paid in on stock or syndicate subscriptions, less that part of such sums paid in on subscriptions as has been allowed and used for promotion and organization expenses, and all sums paid in on insurance applications, and shall dissolve the proposed insurer, corporation or syndicate if

(1) the proposed insurer, corporation or syndicate fails to complete its organization and obtain full payment for subscriptions and applications, and, if an insurer, it fails to secure its certificate of authority, all before expiration of the solicitation permit; or

(2) the director revokes the solicitation permit.

Sec. 21.69.200. SUBSEQUENT FINANCING. (a) No domestic insurer, or insurance holding corporation, or stock corporation for financing operations of a mutual insurer, or attorney in fact corporation of a reciprocal insurer, after

(1) it has received a certificate of authority, if an insurer; or

(2) it has completed its initial organization and financing if a corporation other than an insurer, shall solicit or receive funds in exchange for any new issue of its corporate securities, other than through a stock dividend, until it has applied to the director for, and has been granted, a solicitation permit.

(b) The director shall issue such a permit unless he finds that:

(1) the funds proposed to be secured are excessive in amount for the purpose intended; or

(2) the proposed securities or the manner of their distribution are inequitable; or

(3) the issuance of the securities would jeopardize the interests of policyholders or the holders of other securities of the insurer or corporation.

(c) Any such solicitation permit granted by the director shall be for such duration, and shall contain such terms and be issued upon such conditions as the director may reasonably specify or require.

Sec. 21.69.210. PENALTY FOR EXHIBITING FALSE ACCOUNTS, ETC. Every person who, with intent to deceive, knowingly exhibits any false account, or document, or advertisement, relative to the affairs of an insurer, or of any corporation or syndicate of the kind enumerated in sec. 60 of this chapter, formed or proposed to be formed, shall be punishable by imprisonment for not more than five years, or a fine of not more than $10,000, or both.

Sec. 21.69.220. INITIAL QUALIFICATIONS -- DOMESTIC MUTUALS. (a) When newly organized, a domestic mutual insurer may be authorized to transact any one of the kinds of insurance listed in the schedule contained in (b) of this section.

(b) When applying for an original certificate of authority, the insurer must be otherwise qualified therefor under this title, and must have received and accepted bona fide applications as to substantial insurable subjects for insurance coverage of a substantial character of the kind of insurance proposed to be transacted, must have collected in

cash the full premium therefor at a rate not less than that usually charged by stock insurers for comparable coverages, must have surplus funds on hand and deposited as of the date such insurance coverages are to become effective, or, in lieu of such applications, premiums and surplus, may deposit surplus, all in accordance with that part of the following schedule which applies to the one kind of insurance the insurer proposes to transact:

(a) Kind of insurance	(b) Minimum No.of applicants accepted	(c) Minimum No.of Subjects Covered	(d) Minimum premium collected
Life (1)	500	500	annual
Disability (2)	500	500	quarterly
Property (3)	100	250	annual
Casualty (4)	250	500	annual
With workmen's compensation	250	1,500	quarterly

(e) Minimum amount of insurance each subject	(f) Maximum amount of insurance each subject (5)	(g) Minimum Surplus funds deposited (6)	(h) Deposit of surplus in lieu of (7)
$1,000	$ 2,500	$ 50,000	$100,000
$ 10 (weekly	$ 25 (weekly	$ 50,000	$100,000

indem.)	indem.)		
$1,000	$ 3,000	$100,000	$200,000
$1,000	$10,000	$150,000	$200,000
$1,000	$10,000	$200,000	$300,000

(c) The following provisos are respectively applicable to the foregoing schedule and provisions as indicated by like numerals appearing in such schedule:

(1) no group insurance or term policies for terms of less than 10 years shall be included;

(2) no group, blanket or family plans of insurance shall be included; in lieu of weekly indemnity a like premium value in medical, surgical and hospital benefits may be provided; any accidental death or dismemberment benefit provided shall not exceed $2,500,00;

(3) only insurance of the owner's interest in real property may be included;

(4) must include insurance of legal liability for bodily injury and property damage, to which the maximum and minimum insured amounts apply;

(5) the maximums provided for in this column (f) are net of applicable reinsurance;

(6) the deposit of surplus in the amount specified in columns (g) and (h) must thereafter be maintained unimpaired; the deposit is subject to the provisions of chapter 24 of this title (administration of deposits).

Sec. 21.69.230. FORMATION OF MUTUAL INSURER -- BOND. (a) Before soliciting any applications for insurance required under sec. 220 of this chapter as qualification for the original certificate of authority, the incorporators of the pro-

posed insurer shall file with the director a corporate surety bond in the penalty of $20,000.00, in favor of the state and for the use and benefit of the state and of applicant members and creditors of the corporation. The bond shall be conditioned as follows:

(1) for the prompt return to applicant members of all premiums collected in advance;

(2) for payment of all indebtedness of the corporation; and

(3) for payment of costs incurred by the state in event of any legal proceedings for liquidation or dissolution of the corporation, all in the event the corporation fails to complete its organization and secure a certificate of authority within one year from after the date of its certificate of incorporation.

(b) In lieu of such bond, the incorporators may deposit with the director $20,000.00 in cash or United States government bonds, negotiable and payable to the bearer, with a market value at all times of not less than $20,000.00, to be held in trust upon the same conditions as required for the bond.

(c) Any such bond filed or deposit or remaining portion thereof held under this section shall be released and discharged upon settlement and termination of all liabilities against it.

Sec. 21.69.240. APPLICATIONS FOR INSURANCE IN FORMATION OF MUTUAL INSURER. (a) Upon receipt of the director's approval of the bond or deposit as provided in sec. 230 of this chapter, the directors and officers of the proposed

domestic mutual insurer may commence solicitation of such requisite applications for insurance policies as they may accept, and may receive deposits of premiums thereon.

(b) All such applications shall be in writing signed by the applicant, covering subjects of insurance resident, located or to be performed in this state.

(c) All such applications shall provide that:

(1) issuance of the policy is contingent upon the insurer qualifying for and receiving a certificate of authority;

(2) no insurance is in effect unless and until the certificate of authority has been issued; and

(3) the prepaid premium or deposit, and membership or policy fee, if any, shall be refunded in full to the applicant if organization is not completed and the certificate of authority is not issued and received by the insurer before a specified reasonable date which date shall be not later than one year after the date of the certificate of incorporation.

(d) All qualifying premiums collected shall be in cash.

(e) Solicitation for such qualifying applicants for insurance shall be by licensed agents of the corporation, and the director shall, upon the corporation's application therefor, issue temporary agent's licenses expiring on the date specified pursuant to (c) (3) of this section to individuals qualified as for a resident agent's license except as to the taking or passing of an examination. The director may suspend or revoke any such license for any of the causes and pursuant to the same procedures as are applicable to suspension or revocation of licenses of agents in general

under chapter 27.

Sec. 21.69.250. FORMATION OF MUTUALS -- TRUST DEPOSIT OF PREMIUMS -- ISSUANCE OF POLICIES. (a) All sums collected by a domestic mutual corporation as premiums or fees on qualifying applications for insurance therein shall be deposited in trust in a bank or trust company in this state under a written trust agreement consistent with this section and with sec. 240 (c) (3) of this chapter. The corporation shall file an executed copy of such trust agreement with the director.

(b) Upon issuance to the corporation of a certificate of authority as an insurer for the kind of insurance for which such applications were solicited, all funds so held in trust shall become the funds of the insurer, and the insurer, shall thereafter in due course issue and deliver its policies for which premiums had been paid and accepted. The insurance provided by such policies shall be effective as of the date of the certificate of authority or thereafter as provided by the respective policies.

Sec. 21.69.260. FORMATION OF MUTUALS -- FAILURE TO QUALIFY. If the proposed domestic insurer fails to complete its organization and to secure its original certificate of authority within one year from and after date of its certificate of incorporation, its corporate powers shall cease, and the director shall return or cause to be returned to the persons entitled thereto all advance deposits or payments of premiums held in trust under sec. 250 of this chapter.

Sec. 21.69.270. ADDITIONAL KINDS OF INSURANCE, MUTUALS.

A domestic mutual insurer, after being authorized to transact one kind of insurance, may be authorized by the director to transact such additional kinds of insurance as are permitted under AS 21.09.060, while otherwise in compliance with this title and while maintaining unimpaired surplus funds in an amount not less than the amount of paid-in capital stock required of a domestic stock insurer transacting like kinds of insurance, subject further to the additional expendable surplus requirements of AS 21.09.080 applicable to such a stock insurer.

Sec. 21.69.280. MEMBERSHIP IN MUTUALS. (a) Each policyholder of a domestic mutual insurer, other than of a reinsurance contract, is a member of the insurer with all rights and obligations of such membership, and the policy shall so specify.

(b) Any person, government or governmental agency, state or political subdivision thereof, public or private corporation, board, association, firm, estate, trustee or fiduciary may be a member of a domestic, foreign, or alien mutual insurer. Any officer, stockholder, trustee or legal representative of any such corporation, board, association or estate may be recognized as acting for or on its behalf for the purpose of such membership, and shall not be personally liable upon any contract of insurance for acting in such representative capacity.

(c) Any domestic corporation may participate as a member of a mutual insurer as an incidental purpose for which such corporation is organized, and as much granted as the rights and powers expressly conferred.

Sec. 21.69.290. BYLAWS OF MUTUAL. (a) A domestic mutual insurer shall have bylaws for the governing of its affairs. The initial board of directors of the insurer shall adopt original bylaws, subject to the approval of the insurer's members at the next succeeding meeting. The members shall have power to make, modify and revoke bylaws.

(b) The bylaws shall provide:

(1) that each member is entitled to one vote upon each matter coming to a vote at meetings of members; or to more votes in accordance with a reasonable classification of members as set forth in the bylaws and based upon the amount of insurance in force, number of policies held or upon the amount of the premiums paid by such member, or upon other reasonable factors; a member shall have the right to vote in person or by his written proxy; no such proxy shall be made irrevocable or for longer than a reasonable period of time;

(2) for election of directors by the members, and the number, qualifications, terms of office and powers of directors;

(3) the time, notice, quorum, and conduct of annual and special meetings of members and voting thereat; the by-laws may provide that the annual meeting shall be held at a place, date and time to be set forth in the policy and without giving other notice of such meeting;

(4) the number, designation, election, terms and powers and duties of the respective corporate officers;

(5) for deposit, custody, disbursement and accounting as to corporate funds;

(6) for any other reasonable provisions customary, necessary or convenient for the management or regulation of its corporate affairs.

(c) No provision in the bylaws for determining a quorum of members at any meeting thereof of less than a majority of all the insurer's members shall be effective unless approved by the director. This subsection shall not affect any other provision of law requiring vote of a larger percentage of members for a specified purpose.

(d) The insurer shall promptly file with the director a copy, certified by the insurer's secretary, of its bylaws and of every modification thereof or addition thereto. The director shall disapprove any bylaw provision deemed by him to be unlawful, unreasonable, inadequate, unfair or detrimental to the proper interests or protection of the insurer's members or any class thereof. The insurer shall not, after receiving written notice of such disapproval and during the existence thereof, effectuate any bylaw provision so disapproved.

Sec. 21.69.300. BYLAWS OF STOCK INSURER -- MODIFICATION. Any bylaw so adopted at any meeting of stockholders of a domestic insurer shall not be modified or revoked except by the stockholders at a subsequent meeting unless the bylaws as adopted or amended by the stockholders grants authority to the board of directors to revoke or modify bylaw provisions; but the board of directors shall not so revoke or modify any bylaw relating to the qualifications, election, terms, or compensation of directors, or to the calling or notice of meetings of stockholders. Any revocation or modification of bylaws made by the directors under this provision shall be

presented at the next following meeting of stockholders for the information of the stockholders.

Sec. 21.69.310. MEETINGS OF STOCKHOLDERS OR MEMBERS. (a) Meetings of stockholders or members of a domestic insurer shall be held in the city or town of its principal office or place of business in this state.

(b) No meeting of stockholders or members shall amend the insurer's articles of incorporation unless the proposal so to amend was included in the notice of the meeting.

(c) Each insurer shall, during the first six months of each calendar year, hold the annual meeting of its stockholders or members, to fill vacancies existing or occurring in the board of directors, receive and consider reports of the insurer's officers as to its affairs, and transact such other business as may properly be brought before it. Not less than 20 days' notice shall be given of such meeting in the manner provided in the bylaws, except where notice of the annual meeting of a mutual insurer is contained in its policies.

(d) Special meetings of the stockholders or members may be called at any time for any purpose by the board of directors, upon not less than 10 days notice as provided in the bylaws. The notice shall state the purpose of the meeting, and no business shall be transacted at the meeting of which notice was not so given.

(e) If more than 15 months are allowed to elapse without an annual stockholders' or members' meeting being held, any stockholder or member may call such a meeting to be held. At any time, upon written request of any director, or of any stockholders or members holding in the aggregate one-fifth of

the voting power of all stockholders or members, it shall be the duty of the secretary to call a special meeting of stockholders or members to be held at such time as the secretary may fix, not less than 10 nor more than 30 days after the receipt of the request. If the secretary fails to issue such call, the director, stockholders or members making the request may do so.

(f) A stockholders' or members' meeting duly held can be organized for the transaction of business whenever a quorum is present. Except as otherwise provided by law or the articles of incorporation:

(1) the presence, in person or by proxy, of the holders of a majority of the voting power of all stockholders or of all members shall constitute a quorum;

(2) the stockholders or members present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders or members to leave less than a quorum;

(3) if any necessary officer fails to attend such meeting, any stockholder or member present may be elected to act temporarily in lieu of any such absent officer;

(4) if a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time as they may determine, but in the case of any meeting called for the election of any director the adjournment must be to the next day and those who attend the second of such adjourned meetings, although less than a quorum as fixed in this seccion or in the articles of incorporation, shall nevertheless constitute a quorum for the purpose of

electing any director; and

(5) an annual or special meeting of stockholders or members may be adjourned to another date without new notice being given.

Sec. 21.69.320. PROXIES. (a) Every proxy of a stockholder of an insurer, unless coupled with an interest, shall be revocable at will and this provision cannot be waived. The validity of every unrevoked proxy shall cease 11 months after the date of its execution unless some other definite period of validity is expressly provided therein, but in no event shall a proxy, unless coupled with an interest, be voted on after three years from the date of its execution.

(b) The revocation of a proxy shall not be effective until notice thereof has been given to the secretary of the insurer.

Sec. 21.69.330. CORRUPT PRACTICES -- PENALTY. No person shall buy or sell or barter a vote or proxy, relative to any meeting of stockholders or members of an insurer, or engage in any corrupt or dishonest practice in or relative to the conduct of any such meeting. Violation of this section shall be punishable as provided in AS 21.90.030.

Sec. 21.69.340. DIRECTORS -- NUMBER, ELECTION. (a) The affairs of every domestic insurer shall be managed by the number of directors fixed in the insurer's bylaws, which shall not be less than five nor more than 21 directors.

(b) Directors must be elected from and by the members or stockholders of a domestic insurer, except as provided in sec. 350 of this chapter, at such time and place, and for such terms, not exceeding three years, as may be provided in

the insurer's bylaws.

(c) The term of a director shall extend until his successor has been elected and has qualified.

Sec. 21.69.350. PARTICIPATION OF POLICYHOLDERS IN ELECTION OF DIRECTORS OF STOCK INSURER. The bylaws of a domestic stock life insurer may provide a plan for its policyholders to participate with stockholders in the election of its directors.

Sec. 21.69.360. BOND OF OFFICERS OF MUTUAL. (a) The president, secretary and treasurer of every mutual insurer shall each file with the director and thereafter maintain in force so long as he is such an officer, a fidelity bond in the sum of $10,000.00 issued by an authorized corporate surety in favor of the insurer. In lieu of individual bonds, all such officers may be covered under a blanket bond for the same respective amounts, and which blanket bond shall likewise be filed with the director.

(b) The premium for the bond shall be payable by the insurer.

(c) No such bond shall be subject to cancellation except upon written notice to both the insurer and the director, delivered not less than 30 days in advance of the effective date of such cancellation.

(d) The insurer shall provide for the bonding by authorized corporate surety of all other officers in any way responsible for the handling of the funds of the insurer.

(e) This section shall not be deemed to limit the amount of bonded protection which the insurer may carry as to any officer.

Sec. 21.69.370. PROHIBITED PECUNIARY INTEREST OF

OFFICIALS. (a) Any officer or director, or any member of any committee or an employee of a domestic insurer who is charged with the duty of investing or handling the insurer's funds shall not deposit or invest such funds except in the insurer's corporate name; shall not borrow the funds of such insurer; shall not be pecuniarily interested in any loan, pledge of deposit, security, investment, sale purchase, exchange, reinsurance, or other similar transaction or property of such insurer except as a stockholder or member; shall not take or receive to his own use any fee, brokerage, commission, gift, or other consideration for or on account of any such transaction made by or on behalf of such insurer.

(b) No insurer shall guarantee any financial obligation of any of its officers or directors.

(c) This section shall not prohibit such a director or officer, or member of a committee or employee from becoming a policyholder of the insurer and enjoying the usual rights so provided for its policyholders.

(d) The director may, by regulations from time to time, define and permit additional exceptions to the prohibition contained in (a) of this section solely to enable payment of reasonable compensation to a director who is not otherwise an officer or employee of the insurer, or to a corporation or firm in which a director is interested, for necessary services performed or sales or purchases made to or for the insurer in the ordinary course of the insurer's business and in the usual private professional or business capacity of such director or such corporation or firm.

Sec. 21.69.380. MANAGEMENT AND EXCLUSIVE AGENCY CONTRACTS

(a) No domestic insurer shall make any contract whereby any person is granted or is to enjoy in fact the management of the insurer to the substantial exclusion of its board of directors or to have the controlling or pre-emptive right to produce substantially all insurance business for the insurer, unless the contract is filed with and approved by the director. The contract shall be deemed approved unless disapproved by the director within 20 days after date of filing, subject to such reasonable extension of time as the director may require by notice given within such 20 days. Any disapproval shall be delivered to the insurer in writing, stating the grounds therefor.

(b) The director shall disapprove any such contract if he finds that it:

(1) subjects the insurer to excessive charges; or

(2) is to extend for an unreasonable length of time; or

(3) does not contain fair and adequate standards of performance; or

(4) contains other inequitable provision or provisions which impair the proper interests of stockholders or members of the insurer.

Sec. 21.69.390. HOME OFFICE AND RECORDS -- PENALTY FOR UNLAWFUL REMOVAL OF RECORDS. (a) Every domestic insurer shall have and maintain its principal place of business and home office in this state, and shall keep therein complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind or kinds of insurance transacted.

(b) Every domestic insurer shall have and maintain its assets in this state, except as to:

(1) real property and personal property appurtenant thereto lawfully owned by the insurer and located outside this state; and

(2) such property of the insurer as may be customary, necessary, and convenient to enable and facilitate the operation of its branch offices and "regional home offices" located outside this state as referred to in (d) of this section.

(c) Removal of all or a material part of the records or assets of a domestic insurer from this state except pursuant to a plan of merger or consolidation approved by the director under this title, or for such reasonable purposes and periods of time as may be approved by the director in writing in advance of such removal, or concealment of such records or assets or material part thereof from the director, is prohibited. Any person who removes or attempts to remove such records or assets or such material part thereof from the home office or other place of business or of safekeeping of the insurer in this state with the intent to remove the same from this state, or who conceals or attempts to conceal the same from the director, in violation of this subsection, shall be punishable by a fine of not more than $10,000.00 or by imprisonment for not more than 5 years, or by both. Upon any removal or attempted removal of such records or assets or upon retention of such records or assets or material part thereof outside this state, beyond the period therefor specified in the director's consent under which the records were so removed thereat, or upon concealment of or attempt to conceal

records or assets in violation of this section, the director may institute delinquency proceedings against the insurer pursuant to the provisions of chapter 78 of this title.

(d) This section shall not be deemed to prohibit or prevent an insurer from:

(1) establishing and maintaining branch offices or "regional home offices" in other states where necessary or convenient to the transaction of its business and keeping therein the detailed records and assets customary and necessary for the servicing of its insurance in force and affairs in the territory served by such an office, as long as such records and assets are made readily available at such office for examination by the director at his request;

(2) having, depositing or transmitting funds and assets of the insurer in or to jurisdictions outside of this state as reasonably and customarily required in the regular course of its business;

(3) making deposits under custodial arrangements as provided by AS 21.24.040 (C).

Sec. 21.69.400. VOUCHERS FOR EXPENDITURES. (a) No insurer shall make any disbursement of $100.00 or more, unless evidenced by a voucher correctly describing the consideration for the payment and supported by a check or receipt endorsed or signed by or on behalf of the person receiving the money.

(b) If the disbursement is for services and reimbursement, the voucher shall describe the services and expenditures

(c) If the disbursement is in connection with any matter pending before any legislature or public body or before any public official, the voucher shall also correctly describe

the nature of the matter and of the insurer's interest therein.

(d) If a voucher cannot be obtained, the expenditure referred to in (a) of this section shall be evidenced by an affidavit in which is set forth the character and object of the expenditure and the reasons for not obtaining a voucher therefor.

Sec. 21.69.410. AGREEMENT NOT TO SELL PROPERTY PROHIBITED. No insurer shall enter into any agreement to withhold from sale any of its property. Disposition of an insurer's property shall be at all times within the control of its board of directors.

Sec. 21.69.420. SOLICITATIONS IN OTHER STATES. (a) No domestic insurer shall knowingly solicit insurance business in any reciprocating state in which it is not then licensed as an authorized insurer.

(b) This section shall not prohibit advertising through publication and radio, television and other broadcasts originating outside such reciprocating state, if the insurer is licensed in a majority of the states in which such advertising is disseminated, and if such advertising is not specifically directed to residents of such reciprocating state.

(c) This section shall not prohibit insurance, covering persons or risks located in a reciprocating state, under contracts solicited and issued in states in which the insurer is then licensed. Nor shall it prohibit insurance effectuated by the insurer as an unauthorized insurer in accordance with the laws of the reciprocating state.

(d) A "reciprocating" state, as used herein, is one under the laws of which a similar prohibition is imposed upon

and enforced against insurers domiciled in that state.

(e) The director shall suspend or revoke the certificate of authority of a domestic insurer found by him, after a hearing, to have violated this section.

Sec. 21.69.430. CONTINGENT LIABILITY OF MUTUAL MEMBERS. (a) Each member of a domestic mutual insurer shall, except as otherwise hereinafter provided with respect to nonassessable policies, have a contingent liability, pro rata and not one for another, for the discharge of its obligations, which contingent liability shall be expressed in the policy and be in such maximum amount as is specified in the insurer's articles of incorporation.

(b) Termination of the policy of any such member shall not relieve the member of contingent liability for his proportion, if any, of the obligations of the insurer which accrued while the policy was in force.

(c) Unrealized contingent liability of members does not constitute an asset of the insurer in any determination of its financial condition.

Sec. 21.69.440. LEVY OF CONTINGENT LIABILITY. (a) If at any time the assets of a domestic mutual insurer are less than its liabilities and the minimum amount of surplus required to be maintained by it by this title for authority to transact the kinds of insurance being transacted, and the deficiency is not cured from other sources, its directors shall levy an assessment only upon its members who held policies providing for contingent liability at any time within the 12 months preceding the date notice of such assessment was mailed to them, and such members shall be liable to the

insurer for the amount so assessed.

(b) The assessment shall be for such an amount as is required to cure such deficiency and to provide a reasonable amount of working funds above such minimum amount of surplus, but such working funds so provided shall not exceed five per cent of the insurer's liabilities as of the date as of which the amount of such deficiency was determined.

(c) In levying an assessment upon a policy providing for contingent liability, the assessment shall be computed on the basis of the premiums earned on such policy during the period to which the assessment relates.

(d) No member shall have an offset against any assessment for which he is liable, on account of any claim for unearned premium or loss payable.

(e) As to life insurance, any part of such an assessment upon a member which remains unpaid following notice of assessment, demand for payment, and lapse of a reasonable waiting period as specified in such notice, may, if approved by the director as being in the best interests of the insurer and its members, be secured by placing a lien upon the cash surrender values and accumulated dividends held by the insurer to the credit of such member.

Sec. 21.69.450. ENFORCEMENT OF CONTINGENT LIABILITY. (a) Any assessment made by an insurer under secs. 440 or 540 of this chapter shall be deemed to be prima facie correct. The amount of such assessment to be paid by each member as determined by the insurer shall be deemed to be likewise prima facie correct.

(b) The insurer shall notify each member of the amount

of the assessment to be paid by written notice mailed to the address of the member last of record with the insurer. Failure of the member to receive the notice so mailed, within the time specified therein for the payment of the assessment or at all, shall be no defense in any action to collect the assessment.

(c) If a member fails to pay the assessment within the period specified in the notice, which period shall not be less than 20 days after mailing, the insurer may institute suit to collect the same.

Sec. 21.69.460. NONASSESSABLE POLICIES, MUTUAL INSURERS. (a) While possessing surplus funds in amount not less than the paid-in capital stock required of a domestic stock insurer transacting like kinds of insurance, a domestic mutual insurer may, upon receipt of the director's order so authorizing, extinguish the contingent liability of its members as to all its policies in force and may omit provisions imposing contingent liability in all its policies currently issued.

(b) A foreign or alien mutual insurer may issue nonassessable policies to its members in this state pursuant to its articles of incorporation and the laws of its domicile.

(c) No policy of a domestic mutual insurer which, pursuant to the director's order, is without contingent liability and thereby nonassessable by its terms shall be subject to assessment for any debt or liability of the insurer.

Sec. 21.69.470. NONASSESSABLE POLICIES, REVOCATION OF AUTHORITY. The director shall revoke the authority of a domestic mutual insurer to issue policies without contingent

liability if at any time the insurer's assets are less than the sum of its liabilities and the surplus required for such authority, or if the insurer, by resolution of its board of directors approved by a majority of its members, requests that the authority be revoked. During the absence of such authority the insurer shall not issue any policy without providing therein for the contingent liability of the policyholder, nor renew any policy which is renewable at the option of the insurer without endorsing the same to provide for such contingent liability.

Sec. 21.69.480. PARTICIPATING POLICIES. (a) If provided in its articles of incorporation, a domestic stock or domestic mutual insurer may issue any or all of its policies with or without participation in profits, savings or unabsorbed portions of premiums, may classify policies issued on a participating and nonparticipating basis, and may determine the right to participate and the extent of participation of any class or classes of policies. Any such classification or determination shall be reasonable, and shall not unfairly discriminate as between policyholders within the same such classifications. A life insurer may issue both participating and nonparticipating policies only if the right or absence of right to participate is reasonably related to the premium charged. Any such domestic insurer which, prior to the effective date of this title, has been issuing all or part of its policies on a participating basis without specific authorization in its articles of incorporation, may continue to issue such policies on a basis not inconsistent with this section.

(b) After the third policy year no dividend otherwise earned, shall be made contingent upon the payment of renewal premium on any policy.

Sec. 21.69.490. DIVIDENDS TO STOCKHOLDERS. (a) A domestic stock insurer shall not pay any cash dividend to stockholders except out of that part of its available surplus funds which is derived from realized net profits on its business.

(b) A stock dividend may be paid out of any available surplus funds in excess of the aggregate amount of surplus loaned to the insurer under sec. 520 of this chapter.

(c) A dividend otherwise proper may be payable out of the insurer's earned surplus even though its total surplus is then less than the aggregate of its past contributed surplus resulting from issuance of its capital stock at a price in excess of the par value thereof.

Sec. 21.69.500. DIVIDENDS TO MUTUAL POLICYHOLDERS. (a) The directors of a domestic mutual insurer may from time to time apportion and pay or credit to its members dividends only out of that part of its surplus funds which represents net realized savings and net realized earnings in excess of the surplus required by law to be maintained.

(b) A dividend otherwise proper may be payable out of such savings and earnings even though the insurer's total surplus is then less than the aggregate of its contributed surplus.

Sec. 21.69.510. ILLEGAL DIVIDENDS -- PENALTY. (a) Any director of a domestic stock or mutual insurer who votes for or concurs in declaration or payment of a dividend to stock-

holders or members other than as authorized under secs. 490 or 510 of this chapter shall upon conviction thereof be guilty of a misdemeanor and shall be jointly and severally liable, together with other such directors likewise voting for or concurring, for any loss thereby sustained by the insurer.

(b) Any stockholder receiving such an illegal dividend shall be liable in the amount thereof to the insurer.

(c) The director may revoke or suspend the certificate of authority of an insurer which has declared or paid such an illegal dividend.

Sec. 21.69.520. BORROWED SURPLUS. (a) A domestic stock or mutual insurer may borrow money to defray the expenses of its organization, provide it with surplus funds, or for any purpose of its business, upon a written agreement that such money is required to be repaid only out of the insurer's surplus in excess of that stipulated in such agreement. The agreement may provide for interest not exceeding six per cent per annum, which interest shall or shall not constitute a liability of the insurer as to its funds other than such excess of surplus, as stipulated in the agreement. No commission or promotion expense shall be paid in connection with any such loan.

(b) Money so borrowed, together with the interest thereon if so stipulated in the agreement, shall not form a part of the insurer's legal liabilities except as to its surplus in excess of the amount thereof stipulated in the agreement, or be the basis of any setoff; but until repaid, financial statements filed or published by the insurer shall show as a

footnote thereto the amount thereof then unpaid together with any interest thereon accrued but unpaid.

(c) Any such loan to a mutual insurer shall be subject to the director's approval. The insurer shall, in advance of the loan, file with the director a statement of the purpose of the loan and a copy of the proposed loan agreement. The loan and agreement shall be deemed approved unless within 15 days after date of such filing the insurer is notified of the director's disapproval and the reasons therefor. The director shall disapprove any proposed loan or agreement if he finds the loan is unnecessary or excessive for the purpose intended, or that the terms of the loan agreement are not fair and equitable to the parties, and to other similar lenders, if any, to the insurer, or that the information so filed by the insurer is inadequate.

(d) Any such loan to a mutual insurer or substantial portion thereof shall be repaid by the insurer when no longer reasonably necessary for the purpose originally intended. No repayment of such loan shall be made by a mutual insurer unless in advance approved by the director.

(e) This section shall not apply to loans obtained by the insurer in ordinary course of business from banks and other financial institutions, nor to loans secured by pledge or mortgage of assets.

Sec. 21.69.530. IMPAIRMENT OF CAPITAL OR ASSETS. (a) If a stock insurer's capital (as represented by the aggregate par value of its outstanding capital stock) becomes impaired, or the assets of a mutual insurer are less than its liabilities and the minimum amount of surplus required to be maintained

by it under secs. 220 or 270 of this chapter for authority to transact the kinds of insurance being transacted, the director shall at once determine the amount of deficiency and serve notice upon the insurer to make good the deficiency within 60 days after service of such notice.

(b) The deficiency may be made good in cash or in assets eligible under chapter 21 (investments) for the investment of the insurer's funds; or if a stock insurer, by reduction of the insurer's capital to an amount not below the minimum required for the kinds of insurance thereafter to be transacted; or if a mutual insurer, by amendment of its certificate of authority to cover only such kind or kinds of insurance thereafter for which the insurer has sufficient surplus under this title.

(c) If the deficiency is not made good and proof thereof filed with the director within such 60 day period, the insurer shall be deemed insolvent and the director shall institute delinquency proceedings against it under chapter 78 ot this title; except that if such deficiency exists because of increased loss reserves required by the director, or because of disallowance by the director of certain assets or reduction of the value at which carried in the insurer's accounts, the director may, in his discretion and upon application and good cause shown, extend for not more than an additional 60 days the period within which such deficiency may be so made good and such proof thereof so filed.

Sec. 21.69.540. ASSESSMENT OF STOCKHOLDERS OR MEMBERS. Any insurer receiving the director's notice mentioned in sec. 530 (a) of this chapter:

(1) if a stock insurer, by resolution of its board of directors and subject to any limitations upon assessment contained in its articles of incorporation, may assess its stockholders for amounts necessary to cure the deficiency and provide the insurer with a reasonable amount of surplus in addition; if any stockholder fails to pay a lawful assessment after notice given to him in person or by advertisement in such time and manner as approved by the director, the insurer may require the return of the original certificate of stock held by the stockholder, and in cancellation and in lieu thereof issue a new certificate for such number of shares as the stockholder may then be entitled to, upon the basis of the stockholder's proportionate interest in the amount of the insurer's capital stock as determined by the director to be remaining at the time of determination of amount of impairment under sec. 530 of this chapter, after deducting from such proportionate interest the amount of such unpaid assessment; the insurer may pay for or reissue fractional shares under this subsection;

(2) if a mutual insurer, shall levy such an assessment upon members as is provided for under sec. 440 of this chapter;

(3) neither this section nor sec. 530 of this chapter shall be deemed to prohibit the insurer from curing any such deficiency through any lawful means other than those referred to in such sections.

Sec. 21.69.550. DIRECTORS' LIABILITY FOR LOSSES DURING DEFICIENCY. The directors of the insurer shall be individually

liable as to losses incurred under policies issued by the insurer after expiration of the period provided in sec. 530 of this chapter for curing any deficiency of the insurer's capital stock or surplus and prior to the curing of the deficiency.

Sec. 21.69.560. STOCK TRANSFER DURING IMPAIRMENT OF CAPITAL. Any transfer of the stock of a domestic insurer made during the existence of any impairment of such insurer's capital does not release the stockholder making the transfer from any liability as a stockholder of such insurer which accrued prior to such transfer.

Sec. 21.69.570. MUTUALIZATION OF STOCK INSURERS. (a) A stock insurer other than a title insurer may become a mutual insurer under such plan and procedure as may be approved by the director after a hearing thereon.

(b) The director shall not approve any such plan, procedure or mutualization unless:

(1) it is equitable to stockholders and policyholders;

(2) it is subject to approval by the holders of not less than three-fourths of the insurer's outstanding capital stock having voting rights and by not less than two-thirds of the insurer's policyholders who vote on such plan in person, by proxy or by mail pursuant to such notice and procedure as may be approved by the director;

(3) if a life insurer, the right to vote thereon is limited to holders of policies other than term or group policies, and whose policies have been in force for more than one year;

(4) mutualization will result in retirement of shares of the insurer's capital stock at a price not in excess of the fair market value thereof as determined by competent disinterested appraisers;

(5) the plan provides for the purchase of the shares of any nonconsenting stockholder in the same manner and subject to the same applicable conditions as provided by the general corporation law of the state, as to rights of nonconsenting stockholders, with respect to consolidation or merger of private corporations;

(6) the plan provides for definite conditions to be fulfilled by a designated early date upon which such mutualization will be deemed effective; and

(7) the mutualization leaves the insurer with surplus funds reasonably adequate for the security of its policyholders and to enable it to continue successfully in business in the state in which it is then authorized to transact insurance, and for the kinds of insurance included in its certificates of authority in such states.

(c) This section shall not apply to mutualization under order of court pursuant to rehabilitation or reorganization of an insurer under chapter 78.

Sec. 21. 69.580. CONVERTING MUTUAL INSURER. (a) A mutual insurer shall not be converted to a stock insurer.

Sec. 21.69.590. MERGERS AND CONSOLIDATIONS OF STOCK INSURERS. (a) A domestic stock insurer may merge or consolidate with one or more domestic or foreign stock insurers authorized to transact insurance in this state, by complying with the applicable provisions of the statutes

of this governing the merger or consolidation of stock corporations formed for profit, but subject to (b) and (c) of this section.

(b) No such merger or consolidation shall be effectuated unless in advance thereof the plan and agreement therefor have been filed with the director and approved in writing by him after a hearing thereon. The director shall give such approval within a reasonable time after such filing unless he finds such plan or agreement:

(1) is contrary to law; or

(2) inequitable to the stockholders of any domestic insurer involved; or

(3) would substantially reduce the security of and service to be rendered to policyholders of the domestic insurer in this state or elsewhere.

(c) No director, officer, agent or employee of any insurer party to such merger or consolidation shall receive any fee, commission, compensation or other valuable consideration whatsoever for in any manner aiding, promoting or assisting therein except as set forth in such plan or agreement.

(d) If the director does not approve any such plan or agreement he shall so notify the insurer in writing specifying his reasons therefor.

(e) If any domestic insurer involved in the proposed merger or consolidation is authorized to transact insurance also in other states, the director may request the insurance commissioner, director of insurance, superintendent of insurance or other similar public insurance supervisory official of the two other such states in which such insurer

has in force the larger amounts of insurance, to participate in the hearing provided for under (b) of this section, with full right to examine all witnesses and evidence and to offer to the director such pertinent information and suggestions as they may deem proper.

(f) Any plan or proposal through which a stock insurer proposes to acquire a controlling stock interest in another stock insurer through an exchange of stock of the first insurer, issued by the insurer for the purpose, for such controlling stock of the second insurer is deemed to be a plan or proposal of merger of the second insurer into the first insurer for the purposes of this section and is subject to the applicable provisions hereof.

Sec. 21.69.600. MERGERS AND CONSOLIDATIONS, MUTUAL INSURERS. (a) A domestic mutual insurer shall not merge or consolidate with a stock insurer.

(b) A domestic mutual insurer may merge or consolidate with another mutual insurer under the applicable procedures prescribed by the statutes of this state applying to corporations formed for profit, except as hereinbelow provided.

(c) The plan and agreement for merger or consolidation shall be submitted to and approved by at least two-thirds of the members of each mutual insurer involved voting thereon at meetings called for the purpose pursuant to such reasonable notice and procedure as has been approved by the director. If a life insurer, right to vote may be limited to members whose policies are other than term and group policies, and have been in effect for more than one year.

(d) No such merger or consolidation shall be effectuated unless in advance thereof the plan and agreement therefor have been filed with the director and approved by him in writing after a hearing thereon. The director shall give such approval within a reasonable time after such filing unless he finds such plan or agreement:

(1) inequitable to the policyholders of any domestic insurer involved; or

(2) would substantially reduce the security of and service to be rendered to policyholders of the domestic insurer in this state and elsewhere.

(e) If the director does not approve such plan or agreement he shall so notify the insurers in writing specifying his reasons therefor.

(f) Sec. 590. (e) of this chapter shall also apply as to mergers and consolidations of such mutual insurers.

Sec. 21.69.610. BULK REINSURANCE, STOCK INSURERS. (a) A domestic stock insurer may reinsure all or substantially all of its insurance in force or a major class thereof, with another insurer by an agreement of bulk reinsurance; but no such agreement shall become effective unless filed with the director and approved by him in writing after a hearing thereon. (b) The director shall approve such agreement within a reasonable time after such filing unless he finds that it is inequitable to the stockholders of the domestic insurer or would substantially reduce the protection or service to its policyholders. If the director does not approve the agreement he shall so notify the insurer in writing specifying his reasons therefor.

Sec. 21.69.620. BULK REINSURANCE, MUTUAL INSURERS. (a) A domestic mutual insurer may reinsure all or substantially all its business in force, or all or substantially all of a major class thereof, with another insurer, stock or mutual, by an agreement of bulk reinsurance after compliance with this section. No such agreement shall become effective unless filed with the director and approved by him in writing after a hearing thereon.

(b) The director shall approve such agreement within a reasonable time after filing if he finds it to be fair and equitable to each domestic insurer involved, and that such reinsurance if effectuated would not substantially reduce the protection or service to its policyholders. If the director does not so approve, he shall so notify each insurer involved in writing specifying his reasons therefor.

(c) The plan and agreement for such reinsurance must be approved by vote of not less than two-thirds of each domestic mutual insurer's members voting thereon at meetings of members called for the purpose, pursuant to such reasonable notice and procedure as the director may approve. If a life insurer, right to vote may be limited to members whose policies are other than term or group policies, and have been in effect for more than one year.

(d) If for reinsurance in a stock insurer of all or substantially all of the insurance in force of a mutual insurer, the agreement must provide for payment in cash to each member of the insurer entitled thereto of his equity, if any, in the business reinsured as determined under a fair formula approved by the director, as based upon the reserves,

assets (whether or not "admitted" assets) and surplus, if any, of the mutual insurer to be taken over by the stock insurer.

(e) No director, officer, agent or employee of any insurer party to such reinsurance, nor any other person, shall receive any fee, commission or other valuable consideration whatsoever for in any manner aiding, promoting, or assisting therein except as set forth in the reinsurance agreement.

Sec. 21.69.630. MUTUAL MEMBER'S SHARE OF ASSETS ON LIQUIDATION. (a) Upon any liquidation of a domestic mutual insurer, its assets remaining after discharge of its indebtedness, policy obligations, repayment of contributed or borrowed surplus, if any, and expenses of administration, shall be distributed to existing persons who were its members at any time within 36 months next preceding the date such liquidation was authorized or ordered, or date of last termination of the insurer's certificate of authority, whichever date is the earlier.

(b) The distributive share of each such member shall be in the proportion that the aggregate premiums earned by the insurer on the policies of the member during the combined periods of his membership bear to the aggregate of all premiums so earned on the policies of all such members. The insurer may, and if a life insurer shall, make a reasonable classification of its policies so held by such members, and a formula based upon such classification, for determining the equitable distributive share of each such member. Such classification and formula shall be subject to the approval

of the director.

Sec. 21.69.640. EXTINGUISHMENT OF UNUSED CORPORATE CHARTERS. (a) The corporate charter of any corporation formed under the laws of this state more than three years prior to the effective date of this title for the purpose of becoming an insurer, and which corporation within such three-year period has not actively engaged in business as a domestic insurer under a certificate of authority issued to it by the director under laws then in force, is hereby extinguished and nullified.

(b) The corporate charter of any other corporation formed under the laws of this state for the purpose of becoming an insurer, and which corporation during any period of 36 consecutive months after the effective date of this title is not actively engaged in business as a domestic insurer under a certificate of authority issued to it by the director under law currently in force, is automatically hereby extinguished and nullified at the expiration of such 36-month period.

(c) The period during which any such corporation referred to in (b) of this section is the subject of delinquency proceedings under chapter 78 of this title shall not be counted as part of any such 36-month period.

(d) Upon merger or consolidation of a domestic insurer with another insurer under this chapter, the corporate charter of such merged or consolidated domestic insurer shall thereby automatically be extinguished and nullified.

Sec. 21.69.650. STOCK INSURER DEFINED. A domestic "stock" insurer is an incorporated insurer with capital

divided into shares and owned by its stockholders.

Sec. 21.69.660. MUTUAL INSURER DEFINED. A domestic "mutual"insurer is an incorporated insurer without capital stock, and the governing body of which is elected by the policyholders.

CHAPTER 72. BENEVOLENT ASSOCIATIONS

Sec. 21.72.010. SCOPE OF CHAPTER -- PROVISIONS EXCLUSIVE. (a) This chapter applies only to benevolent associations.

(b) No provisions of this title shall apply to any such association unless contained or referred to in this chapter.

Sec. 21.72.020. NEW BENEVOLENT ASSOCIATIONS PROHIBITED -- FOREIGN ASSOCIATIONS. (a) No benevolent association shall transact or be authorized to transact any business in this state unless it lawfully had authority to transact such business as such an association immediately prior to the effective date of this title.

(b) No new benevolent association shall hereafter be organized or formed in this state.

(c) No association formed or existing under the laws of any other state, or jurisdiction shall be authorized to transact business in this state.

Sec. 21.72.030. AMENDMENTS FILED WITH DIRECTOR. Each benevolent association shall promptly file with the director a copy, certified to by its president and secretary, of each of the following:

(1) if incorporated, any amendment of articles of incorporation or of bylaws;

(2) if not incorporated, any amendment of articles of association, of agreement or of rules or agreements with

its members;

(3) any modification of its form of membership contracts.

Sec. 21.72.040. OFFICERS -- NUMBER -- BOND. (a) Each benevolent association shall be in the charge of its officers, and shall not have more than five officers.

(b) The treasurer and any other officer having charge of any funds of a benevolent association shall each be bonded in the amount of $5,000.00, executed to the state of Alaska, joint and several, for the use and benefit of the members or beneficiaries of such association. Each such bond shall be on file in the principal office and address of the association and a certified copy thereof must be filed with the director.

Sec. 21.72.050. AGENTS -- LICENSE. Agents for any benevolent association may be appointed in accordance with chapter 27 of this title, and shall be subject to the applicable provisions of such chapter, except as provided in sec. 60 of this chapter. No such agent may be appointed if there are less than three officers in charge of the association.

Sec. 21.72.060. OFFICERS AS AGENTS. Not exceeding five officers of any benevolent association may act for the association without obtaining a license as an agent. Such officers shall be subject to the jurisdiction of the director in the same manner as though they were licensed as agents under chapter 27 of this title.

Sec. 21.72.070. RECEIPTS FOR PAYMENT TO ASSOCIATION. Every benevolent association shall issue a receipt or other evidence of payment to each person making a payment of any kind to the association.

Sec. 21.72.080. MINIMUM MEMBERSHIP. Each benevolent association shall have at all times not less than 200 members in good standing.

Sec. 21.72.090. EXPENSES -- ASSESSMENT FOR EXPENSES -- SHOWN IN ANNUAL STATEMENT. (a) The total expenses of any benevolent association during any calendar year shall not exceed the larger of the following:

(1) 10 per cent of the total amount received during such year, whether as assessments, dues, donations or by whatever name called, except fees collected for new memberships; or

(2) $15.00 dollars per death loss incurred during such year.

(b) Such an association may, instead of providing for expenses as in (a) of this section, assess each of its members for expenses at an amount not to exceed $3.00 per calendar year, except that such assessment shall not exceed $4.00 per year where a membership certificate includes within its protection a family group consisting of two or more persons. The proceeds of such assessments shall be placed in an expense fund out of which all of the expenses of the association for such year shall be paid. The association shall show the condition of such expense fund in its annual statement.

(c) The association shall state in its annual statement whether the expenses as to be shown in its next annual statement will be determined as in (a) of this section, or whether the members will be assessed for the same as in (b) of this section. No association shall use both methods, nor a combination of such methods.

Sec. 21.72.100. PAYMENTS OF DEATH CLAIMS. (a) Each completed proof of claim for death of a member of a benevolent association shall be assigned a number by the association in consecutive order of receipt for each calendar year.

(b) Payment in full on final settlement of death benefits shall be made by the association to the legal heir or heirs, or the designated beneficiary or beneficiaries, within 20 days after the expiration date stated in the association's notice referred to in sec. 110 (a) (3) of this chapter.

Sec. 21.72.110. ASSESSMENT FOR DEATH BENEFIT -- NOTICE -- PROCEDURE. (a) Within 30 days after a benevolent association receives a completed proof of claim for death of a member, it must mail to each of its members in good standing an assessment notice stating:

(1) the name, date and place of death of the deceased member;

(2) the number of the proof of death claim assigned thereto by the association;

(3) the amount of the assessment and the expiration date of the assessment payment; and

(4) the number of members in good standing to whom such notices are being sent, as computed from the last completed assessment.

(b) At the time of mailing the assessment notice required by (a) above, the association shall send a duplicate thereof to the director for filing, together with information as to the mailing of the notice to members.

Sec. 21.72.120. ANNUAL STATEMENT. (a) In addition to compliance with AS 21.09.020, the annual statement of a

benevolent association shall exhibit the following items and facts:

(1) the name and business address of the association;

(2) the names and addresses of the officers of the association;

(3) the number of membership contracts in force at the commencement of the year and the number of memberships in good standing at the close of the year for which the statement is made; this provision is also applicable to each subgroup or class, if any, of the association;

(4) the number of death losses claimed; the number and total amount of death losses paid; the number of death claims compromised, denied or resisted, and reasons therefor;

(5) the number of assessments in the association and in each subgroup or class, if any; the amount collected in each such assessment; income to the benevolent association from all other sources; and all other fees, assessments, donations, of any kind or nature, except new membership fees from new members;

(6) the expenses actually incurred during the year; debts unpaid at the commencement of the year; debts and obligations of any kind (not including death losses actually paid) incurred during the year; debts unpaid at the close of the year; a breakdown of expenses to show the amount paid in salaries or commissions, office expense and other expenses, in those cases where members of the benevolent association are assessed for operating expenses of such association;

(7) whether the association has complied with all of the provisions of secs. 90 and 100 of this chapter;

(8) the information required by sec. 90 of this chapter.

(b) Two officers of the association shall attest under oath to the truth of the facts contained in the annual statement. At least one of such officers must have charge of making up the statement.

(c) A copy of the annual statement certified by the director must be filed before the first day of April each year by the association in the office of the magistrate in the judicial district in which the business office of the association is located.

Sec. 21.72.130. BENEVOLENT ASSOCIATION DEFINED. (a) Any corporation, association or society, or by whatever name called, which issues any certificate, policy, membership agreement, or makes any promise or agreement with its members, whereby, upon decease of a member, any money or other benefit, charity, aid or relief is to be paid, provided or rendered by such corporation, association or society to his legal representatives, or to the beneficiary designated by him, which money, benefit, charity, aid or relief is derived from voluntary donations, or from admission fees, dues or assessments, or any of them collected or to be collected from the members thereof, or members of a class therein, or interest or accretions thereon, or accumulations thereof; and wherein the money or other benefit, charity, aid or relief, so realized, is applied to or accumulated for the uses and purposes herein specified, and/or the uses of such corporation, association

or society, and/or the expenses of management and prosecution of its business, shall be deemed to be a "benevolent association" for the purposes of this chapter.

(b) The definition of benevolent association in (a) of this section is not applicable to:

(1) burial or death benefits, annuities, endowments or any other benefit payments of any legal reserve life or disability insurer, or of any labor union, railroad brotherhood, or lodge having as a primary business the improvement of working conditions; or

(2) any ladies auxiliaries to any labor union, railroad brotherhood or lodge referred to in (b) (1) of this section; or

(3) The benevolent plans within fraternal orders if limited to members and if the plan is not the principal object for the formation or continuance of the fraternal order.

Sec. 21.72.140. MEMBER -- MEMBER IN GOOD STANDING -- DEFINED. A "member" or "member in good standing" is an individual who must contribute to a benevolent association upon notice of assessment.

Sec. 21.72.150. MEMBERSHIP CONTRACT. (a) "Membership contract" is any certificate, policy, membership agreement, by whatever name called, or any promise or agreement, of a benevolent association with any or all of its members, whereby any money or other benefit, charity, aid or relief is to be paid, provided or rendered by such association upon the decease of a member to his legal representatives, or to the beneficiary or beneficiaries designated by him.

(b) There shall be one contributing member for each

membership contract, but a membership contract may cover more than one individual.

Sec. 21.72.160. OFFICER DEFINED. "Officer" is any of the individuals having supervision and control of a benevolent association, and engaging in the management and the prosecution of the business thereof, whether designated as officers, trustees, comptrollers, managers or by whatever name called.

Sec. 21.72.170. OTHER PROVISIONS APPLICABLE. In addition to the provisions contained in the chapter, other chapters and provisions of this title shall apply to benevolent associations, to the extent applicable, as follows:

(1) AS 21.03 (scope of code);

(2) AS 21.06 (the director of insurance);

(3) the following sections of AS 21.09 (authorization of insurers and general requirements);

(A) AS 21.09.010 (certificate of authority required -- in general).

(B) AS 21.09.050 (name of insurer).

(C) AS 21.09.100 (management and affiliations).

(D) AS 21.09.130 (continuance, expiration, reinstatement and amendment of certificate of authority).

(E) AS 21.09.140 (mandatory revocation, suspension of certificate of authority).

(F) AS 21.09.150 (suspension or revocation for violations and special grounds).

(G) AS 21.09.160 (notice of suspension or revocation -- effect upon agent's authority).

(H) AS 21.09.170 (duration of suspension -- insurer's obligations -- reinstatement).

(I) AS 21.09.180 (director attorney for service of process).

(J) AS 21.09.190. (serving process -- time to plead).

(4) The following provisions of AS 21.18 (assets and liabilities):

(A) AS 21.18.010 (allowable assets).

(B) AS 21.18.030 (assets not allowed).

(5) AS 21.21.320 (prohibited investments).

(6) AS 21.36 (trade practices and frauds).

(7) AS 21.42 (the insurance contract).

(8) The following sections of AS 21.69 (organization and corporate procedures of domestic stock and mutual insurers):

(A) AS 21.69.370 (prohibited pecuniary interest of officials).

(B) AS 21.69.390 (home office and records -- penalty for unlawful removal of records).

(C) AS 21.69.400 (vouchers for expenditures).

(D) AS 21.69.630 (mutual member's share of assets on liquidation).

(E) AS 21.69.640 (extinguishment of unused corporate charters).

(9) AS 21.78 (rehabilitations and liquidations).

CHAPTER 75. RECIPROCAL INSURERS

Sec. 21.75.010. SCOPE OF CHAPTER. (a) All authorized reciprocal insurers shall be governed by those sections of this chapter not expressly made applicable to domestic reciprocals.

(b) Existing authorized reciprocal insurers shall after the effective date of this title comply with the provisions of this chapter, and shall make such amendments to their subscribers' agreement, power of attorney, policies and other documents and accounts and perform such other acts as may be required for such compliance.

Sec. 21.75.020. INSURING POWERS OF RECIPROCALS. (a) A reciprocal insurer may, upon qualifying therefor as provided for by this title, transact any kind or kinds of insurance defined by this title, other than life or title insurances.

(b) Such an insurer may purchase reinsurance, and may grant reinsurance as to any kind of insurance it is authorized to transact.

Sec. 21.75.030. NAME, SUITS. A reciprocal insurer shall:

(1) have and use a business name; the name shall include the word "reciprocal," or "interinsurer," or "interinsurance," or "exchange," or "underwriters," or "underwriting;"

(2) sue and be sued in its own name.

Sec. 21.75.040. ATTORNEY. (a) "Attorney," as used in this chapter refers to the attorney-in-fact of a reciprocal insurer. The attorney may be an individual, firm or corporation.

(b) The attorney of a foreign or alien reciprocal insurer, which insurer is duly authorized to transact insurance in this state, shall not, by virtue of discharge of its duties as such attorney with respect to the insurer's transactions in this state, be thereby deemed to be doing business in this state within the meaning of any laws of this state applying

to foreign firms or corporations.

Sec. 21.75.050. SURPLUS FUNDS REQUIRED. (a) A domestic reciprocal insurer hereunder formed, if it has otherwise complied with the applicable provisions of this title, may be authorized to transact insurance if it has and thereafter maintains surplus funds as follows:

(1) to transact property insurance, surplus funds of not less than $200,000.00;

(2) to transact casualty insurance, (other than workmen's compensation) surplus funds of not less than $200,000.00.

(b) in addition to surplus required to be maintained under (a) above, the insurer shall have, when first so authorized, expendable surplus in amount as required of a like foreign reciprocal insurer under AS 21.09.070.

(c) A domestic reciprocal insurer may be authorized to transact additional kinds of insurance if it has otherwise complied with the provisions of this title therefor and possesses and so maintains surplus funds in amount equal to the minimum capital stock required of a stock insurer for authority to transact a like combination of kinds of insurance.

Sec. 21.75.060. ORGANIZATION OF RECIPROCAL INSURER. (a) Twenty-five or more persons domiciled in this state may organize a domestic reciprocal insurer and make application to the director for a certificate of authority to transact insurance.

(b) The proposed attorney shall fulfill the requirements of and shall execute and file with the director when applying

for a certificate of authority, a declaration setting forth:

(1) the name of the insurer;

(2) the location of the insurer's principal office, which shall be the same as that of the attorney and shall be maintained within this state;

(3) the kinds of insurance proposed to be transacted;

(4) the names and addresses of the original subscribers;

(5) the designation and appointment of the proposed attorney and a copy of the power of attorney;

(6) the names and addresses of the officers and directors of the attorney, if a corporation, or its members, if a firm;

(7) the powers of the subscribers' advisory committee; and the names and terms of office of the members thereof;

(8) that all moneys paid to the reciprocal (insurer) shall, after deducting therefrom any sum payable to the attorney, be held in the name of the insurer and for the purposes specified in the subscribers' agreement;

(9) a copy of the subscribers' agreement;

(10) a statement that each of the original subscribers has in good faith applied for insurance of a kind proposed to be transacted, and that the insurer has received from each such subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than six months at an adequate rate theretofore filed with and approved by the director;

(11) a statement of the financial condition of the

insurer, a schedule of its assets, and a statement that the surplus as required by sec. 50 of this chapter is on hand; and

(12) a copy of each policy, endorsement and application form it then proposes to issue or use.

Such declaration shall be acknowledged by the attorney in the manner required for the acknowledgment of deeds.

Sec. 21.75.070. CERTIFICATE OF AUTHORITY. (a) The certificate of authority of a reciprocal insurer shall be issued to its attorney in the name of the insurer.

(b) The director may refuse, suspend or revoke the certificate of authority, in addition to other grounds therefor, for failure of the attorney to comply with any provision of this title.

Sec. 21.75.080. POWER OF ATTORNEY. (a) The rights and powers of the attorney of a reciprocal insurer shall be as provided in the power of attorney given it by the subscribers.

(b) The power of attorney must set forth:

(1) the powers of the attorney;

(2) that the attorney is empowered to accept service of process on behalf of the insurer in actions against the insurer upon contracts exchanged;

(3) the general services to be performed by the attorney;

(4) the maximum amount to be deducted from advance premiums or deposits to be paid to the attorney and the general items of expense in addition to losses, to be paid by the insurer; and

(5) except as to nonassessable policies, a provision for a contingent several liability of each subscriber in a specified amount which amount shall be not less than one nor more than ten times the premium or premium deposit stated in the policy.

(c) The power of attorney may:

(1) provide for the right of substitution of the attorney and revocation of the power of attorney and rights thereunder;

(2) impose such restrictions upon the exercise of the power as are agreed upon by the subscribers;

(3) provide for the exercise of any right reserved to the subscribers directly or through their advisory committee; and

(4) contain other lawful provisions deemed advisable.

(d) The terms of any power of attorney or agreement collateral thereto shall be reasonable and equitable, and no such power or agreement shall be used or be effective as to a domestic reciprocal insurer until approved by the director.

Sec. 21.75.090. MODIFICATIONS. Modifications of the terms of the subscribers' agreement or of the power of attorney of a domestic reciprocal insurer shall be made jointly by the attorney and the subscribers' advisory committee. No such modification shall be effective retroactively, nor as to any insurance contract issued prior thereto.

Sec. 21.75.100. ATTORNEY's BOND. (a) Concurrently with the filing of the declaration provided in sec. 60 of

this chapter, the attorney of a domestic reciprocal insurer shall file with the director a bond in favor of this state for the benefit of all persons damaged as a result of breach by the attorney of the conditions of his bond as set forth in (b) of this section hereof. The bond shall be executed by the attorney and by an authorized corporate surety, and shall be subject to the director's approval.

(b) The bond shall be in the penal sum of $25,000.00, aggregate in form, conditioned that the attorney will faithfully account for all moneys and other property of the insurer coming into his hands, and that he will not withdraw or appropriate to his own use from the funds of the insurer, any moneys or property to which he is not entitled under the power of attorney.

(c) The bond shall provide that it is not subject to cancellation unless 30 days' advance notice in writing of cancellation is given both the attorney and the director.

Sec. 21.75.110. ACTION ON BOND. Action on the attorney's bond or to recover against any such deposit made in lieu thereof may be brought at any time by one or more subscribers suffering loss through a violation of its conditions, or by a receiver or liquidator of the insurer. Amounts recovered on the bond shall be deposited in and become part of the insurer's funds. The total aggregate liability of the surety shall be limited to the amount of the penalty of such bond.

Sec. 21.75.120. SERVICE OF PROCESS -- JUDGMENT. (a) Legal process shall be served upon a domestic reciprocal insurer by serving the insurer's attorney at his principal

offices or by serving the director as the insurer's process agent under AS 21.09.180 and 21.09.190.

(b) Any judgment based upon legal process so served shall be binding upon each of the insurer's subscribers as their respective interests may appear but in an amount not exceeding their respective contingent liabilities, if any, the same as though personal service of process was had upon each such subscriber.

Sec. 21.75.130. ANNUAL STATEMENT. (a) The annual statement of a reciprocal insurer shall be made and filed by its attorney.

(b) The statement shall be supplemented by such information as may be required by the director relative to the affairs and transactions of the attorney in so far as they relate to the reciprocal insurer.

Sec. 21.75.140. CONTRIBUTIONS TO INSURER. The attorney or other parties may advance to a domestic reciprocal insurer upon reasonable terms such funds as it may require from time to time in its operations. Sums so advanced shall not be treated as a liability of the insurer, and, except upon liquidation of the insurer, shall not be withdrawn or repaid except out of the insurer's realized earned surplus in excess of its minimum required surplus. No such withdrawal or repayment shall be made without the advance approval of the director. This section does not apply to bank loans or to loans for which security is given.

Sec. 21.75.150. FINANCIAL CONDITION -- METHOD OF DETERMINING. In determining the financial condition of a reciprocal insurer the director shall apply the following

rules:

(1) he shall charge as liabilities the same reserves as are required of incorporated insurers issuing nonassessable policies on a reserve basis;

(2) the surplus deposits of subscribers shall be allowed as assets, except that any premium deposits delinquent for 90 days shall first be charged against such surplus deposit;

(3) the surplus deposits of subscribers shall not be charged as a liability;

(4) all premium deposits delinquent less than 90 days shall be allowed as assets;

(5) an assessment levied upon subscribers, and not collected, shall not be allowed as an asset;

(6) the contingent liability of subscribers shall not be allowed as an asset;

(7) the computation of reserves shall be based upon premium deposits other than membership fees and without any deduction for expenses and the compensation of the attorney.

Sec. 21.75.160. WHO MAY BE SUBSCRIBERS. Individuals, partnerships, and corporations of this state may make application, enter into agreement for and hold policies or contracts in or with and be a subscriber of any domestic, foreign, or alien reciprocal insurer. Any corporation now or hereafter organized under the laws of this state shall, in addition to the rights, powers, and franchises specified in its articles of incorporation, have full power and authority as a subscriber to exchange insurance contracts

through such reciprocal insurer. The right to exchange such contracts is hereby declared to be incidental to the purposes for which such corporations are organized and to be as fully granted as the rights and powers expressly conferred upon such corporations. Government or governmental agencies, state or political subdivisions thereof, boards, associations, estates, trustees or fiduciaries are authorized to exchange nonassessable reciprocal interinsurance contracts with each other and with individuals, partnerships and corporations to the same extent that individuals, partnerships and corporations are herein authorized to exchange reciprocal interinsurance contracts. Any officer, representative, trustee, receiver, or legal representative of any such subscriber shall be recognized as acting for or on its behalf for the purpose to such contract but shall not be personally liable upon such contract by reason of acting in such representative capacity.

Sec. 21.75.170. SUBSCRIBERS' ADVISORY COMMITTEE. (a) The advisory committee of a domestic reciprocal insurer exercising the subscribers' rights shall be selected under such rules as the subscribers adopt.

(b) Not less than two-thirds of such committee shall be subscribers other than the attorney, or any person employed by, representing, or having a financial interest in the attorney.

(c) The committee shall:

(1) supervise the finances of the insurer;

(2) supervise the insurer's operations to such extent as to assure conformity with the subscribers' agreement

and power of attorney;

(3) procure the audit of the accounts and records of the insurer and of the attorney at the expense of the insurer; and

(4) have such additional powers and functions as may be conferred by the subscribers' agreement.

Sec. 21.75.180. SUBSCRIBERS' LIABILITY. (a) The liability of each subscriber, other than as to a nonassessable policy, for the obligations of the reciprocal insurer shall be an individual, several and proportionate liability, and not joint.

(b) Except as to a nonassessable policy each subscriber shall have a contingent assessment liability, in the amount provided for in the power of attorney or in the subscribers' agreement, for payment of actual losses and expenses incurred while his policy was in force. Such contingent liability may be at the rate of not less than one nor more than ten times the premium or premium deposit stated in the policy, and the maximum aggregate thereof shall be computed in the manner set forth in sec. 190 of this chapter.

(c) Each assessable policy issued by the insurer shall contain a statement of the contingent liability.

Sec. 21.75.190. SUBSCRIBERS' LIABILITY ON JUDGMENT. (a) No action shall lie against any subscriber upon any obligation claimed against the insurer until a final judgment has been obtained against the insurer and remains unsatisfied for thirty days.

(b) Any such judgment shall be binding upon each subscriber only in such proportion as his interest may

appear and in amount not exceeding his contingent liability, if any.

Sec. 21.75.200. ASSESSMENTS. (a) Assessments may from time to time be levied upon subscribers of a domestic reciprocal insurer liable therefor under the terms of their policies by the attorney upon approval in advance by the subscribers' advisory committee and the director; or by the director in liquidation of the insurer.

(b) Each subscriber's share of a deficiency for which an assessment is made, but not exceeding in any event his aggregate contingent liability as stated in accordance with sec. 180 of this chapter, shall be computed by applying to the premium earned on the subscriber's policy or policies during the period to be covered by the assessment, the ratio of the total deficiency to the total premiums earned during such period upon all policies subject to the assessment.

(c) In computing the earned premiums for the purposes of this section, the gross premium received by the insurer for the policy shall be used as a base, deducting therefrom solely charges not recurring upon the renewal or extension of the policy.

(d) No subscriber shall have an offset against any assesment for which he is liable, on account of any claim for unearned premium or losses payable.

Sec. 21.75.210. TIME LIMIT FOR ASSESSMENTS. Every subscriber of a domestic reciprocal insurer having contingent liability shall be liable for, and shall pay his share of any assessment, as computed and limited in accordance with this chapter, if:

(1) while his policy is in force or within one year after its termination, he is notified by either the attorney or the director of his intentions to levy such assessment, or

(2) an order to show cause why a receiver, conservator, rehabilitator or liquidator of the insurer should not be appointed is issued while his policy is in force or within one year after its termination.

Sec. 21.75.220. AGGREGATE LIABILITY. No one policy or subscriber as to such policy, shall be assessed or charged with an aggregate of contingent liability as to obligations incurred by a domestic reciprocal insurer in any one calendar year, in excess of the amount provided for in the power of attorney or in the subscribers' agreement, computed solely upon premium earned on such policy during that year.

Sec. 21.75.230. NONASSESSABLE POLICIES. (a) If a reciprocal insurer has a surplus of assets over all liabilities at least equal to the minimum capital stock required of a domestic stock insurer authorized to transact like kinds of insurance, upon application of the attorney and as approved by the subscribers' advisory committee the director shall issue his certificate authorizing the insurer to extinguish the contingent liability of subscribers under its policies then in force in this state, and to omit provisions imposing contingent liability in all policies delivered or issued for delivery in this state for so long as all such surplus remains unimpaired.

mpairment of such surplus, the director

shall forthwith revoke the certificate. Such revocation shall not render subject to contingent liability any policy then in force and for the remainder of the period for which the premium has theretofore been paid; but after such revocation no policy shall be issued or renewed without providing for contingent assessment liability of the subscriber.

(c) The director shall not authorize a domestic reciprocal insurer so to extinguish the contingent liability of any of its subscribers or in any of its policies to be issued, unless it qualifies to and does extinguish such liability of all its subscribers and in all such policies for all kinds of insurance transacted by it. Except, that if required by the laws of another state in which the insurer is transacting insurance as an authorized insurer, the insurer may issue policies providing for the contingent liability of such of its subscribers as may acquire such policies in such state, and need not extinguish the contingent liability applicable to policies theretofore in force in such state.

Sec. 21.75.240. DISTRIBUTION OF SAVINGS. A reciprocal insurer may from time to time return to its subscribers any unused premiums, savings or credits accruing to their accounts. Any such distribution shall not unfairly discriminate between classes of risks, or policies, or between subscribers, but this shall not prevent retrospective rating, nor distribution on a retrospective plan, nor distribution varying as to classes of subscribers based on the experience of such subscribers.

Sec. 21.75.250. SUBSCRIBERS' SHARE IN ASSETS. Upon the

liquidation of a domestic reciprocal insurer, its assets remaining after discharge of its indebtedness and policy obligations, the return of any contributions of the attorney or other persons to its surplus made as provided in sec. 140 of this chapter, and the return of any unused premium, savings, or credits then standing on subscribers' accounts, shall be distributed to its subscribers who were such within the 12 months prior to the last termination of its certificate of authority, according to such reasonable formula as the director may approve.

Sec. 21.75.260. MERGER OR CONVERSION. (a) A domestic reciprocal insurer upon affirmative vote of not less than two-thirds of its subscribers who vote on such merger pursuant to due notice and the approval of the director of the terms therefor, may merge with another reciprocal insurer or be converted to a stock or mutual insurer.

(b) Such a stock or mutual insurer shall be subject to the same capital or surplus requirements and shall have the same rights as a like domestic insurer transacting like kinds of insurance.

(c) The director shall not approve any plan for such merger or conversion which is inequitable to subscribers, or which, if for conversion to a stock insurer, does not give each subscriber preferential right to acquire stock of the proposed insurer proportionate to his interest in the reciprocal insurer as determined in accordance with sec. 250 of this chapter and a reasonable length of time within which to exercise such right.

Sec. 21.75.270. IMPAIRED RECIPROCALS. (a) If the

assets of a reciprocal insurer are at any time insufficient to discharge its liabilities, other than any liability on account of funds contributed by the attorney or others, and to maintain the required surplus, its attorney shall forthwith make up the deficiency or levy an assessment upon the subscribers for the amount needed to make up the deficiency; but subject to the limitation set forth in the power of attorney or policy.

(b) If the attorney fails to make up such deficiency or to make the assessment within 30 days after the director orders him to do so, or if the deficiency is not fully made up within 60 days after the date the assessment was made, the insurer shall be deemed insolvent and shall be proceeded against as authorized by this title.

(c) If liquidation of such an insurer is ordered, an assessment shall be levied upon the subscriber for such an amount, subject to limits as provided by this chapter, as the director determines to be necessary to discharge all liabilities of the insurer, exclusive of any funds contributed by the attorney or other persons, but including the reasonable cost of the liquidation.

Sec. 21.75.280. RECIPROCAL INSURANCE DEFINED. "Reciprocal insurance is that resulting from an interexchange among persons, known as "subscribers," of reciprocal agreements of indemnity, the interexchange being effectuated through an "attorney-in-fact" common to all such pe rsons.

Sec. 21.75.290. RECIPROCAL INSURER DEFINED. A "reciprocal insurer" means an unincorporated aggregation of subscribers operating individually and collectively through

an attorney-in-fact to provide reciprocal insurance among themselves.

CHAPTER 78. REHABILITATION AND LIQUIDATION

Sec. 21.78.010. JURISDICTION OF DELINQUENCY PROCEEDINGS -- VENUE -- EXCLUSIVENESS OF REMEDY -- APPEAL. (a) The court is vested with exclusive original jurisdiction of delinquency proceedings under this chapter, and is authorized to make all necessary and proper orders to carry out the purposes of this chapter.

(b) The venue of delinquency proceedings against a domestic insurer shall be in the judicial district of the insurer's principal place of business. The venue of such proceedings against foreign and alien insurers shall be in the First Judicial District in Juneau.

(c) Delinquency proceedings pursuant to this chapter shall constitute the sole and exclusive method of liquidating, rehabilitating, reorganizing or conserving an insurer, and no court shall entertain a petition for the commencement of such proceedings unless it has been filed in the name of the state on the relation of the director.

(d) An appeal shall lie to the supreme court from an order granting or refusing rehabilitation, liquidation, or conservation, and from every other order in delinquency proceedings having the character of a final order as to the particular portion of the proceedings embraced therein.

Sec. 21.78.020. COMMENCEMENT OF DELINQUENCY PROCEEDINGS. The director shall commence any such proceedings by application to the court for an order directing the insurer to show cause why the director should not have the relief prayed for. On

the return of such order to show cause, and after a full hearing, the court shall either deny the application or grant the application, together with such other relief as the nature of the case and the interests of the policyholders, creditors, stockholders, members, subscribers or the public may require.

Sec. 21.78.030. INJUNCTIONS. (a) Upon application by the director for such an order to show cause, or at any time thereafter, the court may without notice issue an injunction restraining the insurer, its officers, directors, stockholders, members, subscribers, agents and all other persons from the transaction of its business or the waste or disposition of its property until the further order of the court.

(b) The court may at any time during a proceeding under this chapter issue such injunctions or orders as may be deemed necessary to prevent interference with the director or the proceeding, or waste of the assets of the insurer, or the commencement or prosecution of any actions, or the obtaining of preferences, judgments, attachments or other liens, or the making of any levy against the insurer or against its assets or any part thereof.

(c) Notwithstanding any other provision of law, no bond shall be required of the director as a prerequisite for the issuance of any injunction or restraining order pursuant to this section.

Sec. 21.78.040. GROUNDS FOR REHABILITATION -- DOMESTIC INSURERS. The director may apply to the court for an order appointing him as receiver of and directing him to reha-

bilitate a domestic insurer upon one or more of the following grounds. That the insurer:

(1) is impaired or insolvent;

(2) has refused to submit any of its books, records, accounts or affairs to reasonable examination by the director;

(3) has concealed or removed records or assets or otherwise violated AS 21.69.390;

(4) has failed to comply with an order of the director to make good an impairment of capital or surplus or both;

(5) has transferred or attempted to transfer substantially its entire property or business, or has entered into any transaction the effect of which is to merge substantially its entire property or business in that of any other insurer without having first obtained the written approval of the director;

(6) is found, after examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to its members, subscribers, or stockholders, or to the public; or,

(7) has an officer, director, or manager who has refused to be examined under oath, concerning its affairs, for which purpose the director is authorized to conduct and to enforce by all appropriate and available means any such examination under oath in any other state or territory of the United States, in which any such officer, director or manager may then presently be, to the full extent permitted by the laws of any such other state or territory, this

special authorization considered;

(8) has been or is the subject of an application for the appointment of a receiver, trustee, custodian or sequestrator of the insurer or its property otherwise than pursuant to the provisions of this title, but only if such appointment has been made or is imminent and its effect is or would be to oust the courts of this state of jurisdiction hereunder;

(9) has consented to such an order through a majority of its directors, stockholders, members or subscribers; or

(10) has failed to pay a final judgment rendered against it in this state upon any insurance contract issued or assumed by it, within 30 days after the judgment became final or within 30 days after the time for taking an appeal has expired, or within 30 days after dismissal of an appeal before final termination, whichever date is the later.

Sec. 21.78.050. GROUNDS FOR LIQUIDATION. The director may apply to the court for an order appointing him as receiver (if his appointment as receiver shall not be then in effect) and directing him to liquidate the business of a domestic insurer or of the United States branch of an alien insurer having trusteed assets in this state, regardless of whether or not there has been a prior order directing him to rehabilitate such insurer, upon any of the grounds specified in sec. 40 of this chapter, or if such insurer:

(1) has ceased transacting business for a period of one year, or

(2) is an insolvent insurer and has commenced

voluntary liquidation or dissolution, or attempts to commence or prosecute any action or proceeding to liquidate its business or affairs, or to dissolve its corporate charter, or to procure the appointment of a receiver, trustee, custodian or sequestrator under any law except this title.

Sec. 21.78.060. GROUNDS FOR CONSERVATION -- FOREIGN INSURERS. The director may apply to the court for an order appointing him as receiver or ancillary receiver, and directing him to conserve the assets within this state, of a foreign insurer upon any of the following grounds:

(1) upon any of the grounds specified in secs. 40 or 50 of this chapter; or

(2) upon the ground that its property has been sequestrated in its domiciliary sovereignty or in any other sovereignty.

Sec. 21.78.070. GROUNDS FOR CONSERVATION -- ALIEN INSURERS. The director may apply to the court for an order appointing him as receiver or ancillary receiver, and directing him to conserve the assets within this state, of any alien insurer upon any of the following grounds:

(1) upon any of the grounds specified in secs. 40 or 50 of this chapter;

(2) upon the ground that the insurer has failed to comply, within the time designated by the director, with an order made by him to make good an impairment of its trusteed funds; or

(3) upon the ground that the property of the insurer has been sequestrated in its domiciliary sovereignty or elsewhere.

Sec. 21.78.080. GROUNDS FOR ANCILLARY LIQUIDATION -- FOREIGN INSURERS. The director may apply to the court for an order appointing him as ancillary receiver of and directing him to liquidate the business of a foreign insurer having assets, business or claims in this state upon the appointment in the domiciliary state of such insurer of a receiver, liquidator, conservator, rehabilitator or other officer by whatever name called for the purpose of liquidating the business of such insurer.

Sec. 21.78.090. ORDER OF REHABILITATION -- TERMINATION. (a) An order to rehabilitate a domestic insurer shall require the director to take immediate possession of the property of the insurer and to conduct its business, and to take such steps toward removal of the causes and conditions which have made rehabilitation necessary as the court may direct.

(b) If at any time the director considers that further efforts to rehabilitate the insurer would be useless, he may apply to the court for an order of liquidation.

(c) The director, or any interested person upon due notice to the director, at any time may apply to the court for an order terminating the rehabilitation proceedings and permitting the insurer to resume possession of its property and the conduct of its business, but no such order shall be made or entered except when, after a hearing, the court has determined that the purposes of the proceeding have been fully accomplished.

Sec. 21.78.100. ORDER OF LIQUIDATION -- DOMESTIC INSURERS. (a) An order to liquidate the business of a domestic insurer shall require the director to take immediate

possession of the property of the insurer, to liquidate its business, to deal with the insurer's property and business in his own name as director of insurance or in the name of the insurer, as the court may direct, and to give notice to all creditors who may have claims against the insurer to present such claims.

(b) The director may apply for and secure an order dissolving the corporate existence of a domestic insurer upon his application for an order of liquidation of such insurer or at any time after such order has been granted.

Sec. 21.78.110. ORDER OF LIQUIDATION -- ALIEN INSURERS. An order to liquidate the business of a United States branch of an alien insurer having trusteed assets in this state shall be in the same terms as those prescribed for domestic insurers, save and except only that the assets of the business of such United States branch shall be the only assets included therein.

Sec. 21.78.120. ORDER OF CONSERVATION OR ANCILLARY LIQUIDATION OF FOREIGN OR ALIEN INSURERS. (a) An order to conserve the assets of a foreign or alien insurer shall require the director to take immediate possession of the property of the insurer within this state and to conserve it, subject to the further direction of the court.

(b) An order to liquidate the assets in this state of a foreign insurer shall require the director to take immediate possession of the property of the insurer within this state and to liquidate it subject to the orders of the court and with due regard to the rights and powers of the domiciliary receiver, as provided in this chapter.

Sec. 21.78.130. CONDUCT OF DELINQUENCY PROCEEDINGS AGAINST DOMESTIC AND ALIEN INSURERS. (a) Whenever under this chapter a receiver is to be appointed in delinquency proceedings for a domestic or alien insurer, the court shall appoint the director as such receiver. The court shall order the director forthwith to take possession of the assets of the insurer and to administer the same under the orders of the court.

(b) As a domiciliary receiver, the director shall be vested by operation of law with the title to all of the property, contracts and rights of action, and all of the books and records of the insurer, wherever located, as of the date of entry of the order directing him to rehabilitate or liquidate a domestic insurer or to liquidate the United States branch of an alien insurer domiciled in this state, and he shall have the right to recover the same and reduce the same to possession; except that ancillary receivers in reciprocal states shall have, as to assets located in their respective states, the rights and powers which are herein prescribed for ancillary receivers appointed in this state as to assets located in this state.

(c) The filing or recording of the order directing possession to be taken, or a certified copy thereof, in any office where instruments affecting title to property are required to be filed or recorded shall impart the same notice as would be imparted by a deed, bill of sale, or other evidence of title duly filed or recorded.

(d) The director as domiciliary receiver shall be responsible for the proper administration of all assets

coming into his possession or control. The court may at any time require a bond from him or his deputies if deemed desirable for the protection of such assets.

(e) Upon taking possession of the assets of an insurer, the domiciliary receiver shall, subject to the direction of the court, immediately proceed to conduct the business of the insurer or to take such steps as are authorized by this chapter for the purpose of rehabilitating, liquidating or conserving the affairs or assets of the insurer.

(f) In connection with delinquency proceedings, the director may appoint one or more special deputies to act for him and he may employ such counsel, clerks and assistants as he deems necessary. The compensation of the special deputies, counsel, clerks or assistants and all expenses of taking possession of the insurer and of conducting the proceedings shall be fixed by the receiver, subject to the approval of the court, and shall be paid out of the funds or assets of the insurer. Within the limits of duties imposed upon them, special deputies shall possess all the powers given to, and in the exercise of those powers, shall be subject to all of the duties imposed upon the receiver with respect to such proceedings.

Sec. 21.78.140. CONDUCT OF DELINQUENCY PROCEEDINGS AGAINST FOREIGN INSURERS. (a) Whenever under this chapter an ancillary receiver is to be appointed in delinquency proceedings for an insurer not domiciled in this state, the court shall appoint the director as ancillary receiver. The director shall file a petition requesting the appointment on the grounds set forth in sec. 80 of this chapter:

(1) if he finds that there are sufficient assets of the insurer located in this state to justify the appointment of an ancillary receiver; or

(2) if 10 or more persons resident in this state having claims against such insurer file a petition with the director requesting the appointment of such ancillary receiver.

(b) The domiciliary receiver for the purpose of liquidating an insurer domiciled in a reciprocal state shall be vested by operation of law with the title to all of the property, contracts and rights of action, and all of the books and records of the insurer located in this state, and he shall have the immediate right to recover balances due from local agents and to obtain possession of any books and records of the insurer found in this state. He shall also be entitled to recover the other assets of the insurer located in this state, except that upon the appointment of an ancillary receiver in this state, the ancillary receiver shall during the ancillary receivership proceedings have the sole right to recover such other assets. The ancillary receiver shall, as soon as practicable, liquidate from their respective securities those special deposit claims and secured claims which are proved and allowed in the ancillary proceedings in this state, and shall pay the necessary expenses of the proceedings. All remaining assets he shall promptly transfer to the domiciliary receiver. Subject to the foregoing provisions, the ancillary receiver and his deputies shall have the same powers and be subject to the same duties with respect to the administration of such assets

as a receiver of an insurer domiciled in this state.

(c) The domiciliary receiver of an insurer domiciled in a reciprocal state may sue in this state to recover any assets of such insurer to which he may be entitled under the laws of this state.

Sec. 21.78.150. CLAIMS OF NONRESIDENTS AGAINST DOMESTIC INSURERS. (a) In a delinquency proceeding begun in this state against a domestic insurer, claimants residing in reciprocal states may file claims either with the ancillary receivers, if any, in their respective states, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceedings.

(b) Controverted claims belonging to claimants residing in reciprocal states may either:

(1) be proved in this state; or

(2) if ancillary proceedings have been commenced in such reciprocal states, may be proved in those proceedings; in the event a claimant elects to prove his claim in ancillary proceedings, if notice of the claim and opportunity to appeal and be heard is afforded the domiciliary receiver of this state, as provided in sec. 160 of this chapter with respect to ancillary proceedings in this state, the final allowance of such claim by the courts in the ancillary state shall be accepted in this state as conclusive as to its amount and shall also be accepted as conclusive as to its priority, if any, against special deposits or other security located within the ancillary state.

Sec. 21.78.160. CLAIMS AGAINST FOREIGN INSURERS. (a) In

a delinquency proceeding in a reciprocal state against an insurer domiciled in that state, claimants against such insurer who reside within this state may file claims either with the ancillary receiver, if any, appointed in this state, or with the domiciliary receiver. All such claims must be filed on or before the last date fixed for the filing of claims in the domiciliary delinquency proceedings.

(b) Controverted claims belonging to claimants residing in this state may either:

(1) be proved in the domiciliary state as provided by the law of that state; or

(2) if ancillary proceedings have been commenced in this state, be proved in those proceedings; in the event that any such claimant elects to prove his claim in this state, he shall file his claim with the ancillary receiver and shall give notice in writing to the receiver in the domiciliary state, either by registered mail or by personal service at least 40 days prior to the date set for hearing; the notice shall contain a concise statement of the amount of the claim, the facts on which the claim is based, and the priorities asserted, if any; if the domiciliary receiver within 30 days after the giving of such notice shall give notice in writing to the ancillary receiver and to the claimant, either by registered mail or by pe rsonal service, of his intention to contest such claim, he shall be entitled to appear or to be represented in any proceeding in this state involving adjudication of the claim; the final allowance of the claim by the courts of this state shall be accepted as conclusive as to its amount and shall also be accepted as conclusive as

to its priority, if any, against special deposits or other security located within this state.

Sec. 21.78.170. FORM OF CLAIM -- NOTICE -- HEARING. (a) All claims against an insurer against which delinquency proceedings have been begun shall set forth in reasonable detail the amount of the claim, or the basis upon which such amount can be ascertained, the facts upon which the claim is based, and the priorities asserted, if any. All such claims shall be verified by the affidavit of the claimant, or someone authorized to act on his behalf and having knowledge of the facts, and shall be supported by such documents as may be material thereto.

(b) All claims filed in this state shall be filed with the receiver, whether domiciliary or ancillary, in this state, on or before the last date of filing as specified in this chapter.

(c) Within 10 days of the receipt of any claim, or within such further period as the court may, for good cause shown, fix, the receiver shall report the claim to the court, specifying in such report his recommendation with respect to the action to be taken thereon. Upon receipt of such report, the court shall fix a time for hearing the claim and shall direct that the claimant or the receiver, as the court shall specify, shall give such notice as the court shall determine to such persons as shall appear to the court to be interested therein. All such notices shall specify the time and place of the hearing and shall concisely state the amount and nature of the claim, the priorities asserted, if any, and the recommendation of the receiver with reference thereto.

(d) At the hearing, all persons interested shall be entitled to appear and the court shall enter an order allowing allowing in part, or disallowing the claim. Any such order shall be deemed to be an appealable order.

Sec. 21.78.180. PRIORITY OF CERTAIN CLAIMS. (a) In a delinquency proceeding against an insurer domiciled in this state, claims owing to residents of ancillary states shall be preferred claims if like claims are preferred under the laws of this state. All such claims owing to residents or non-residents shall be given equal priority of payment from general assets regardless of where such assets are located.

(b) In a delinquency proceeding against an insurer domiciled in a reciprocal state, claims owing to residents of this state shall be preferred if like claims are preferred by the laws of that state.

(c) The owners of special deposit claims against an insurer for which a receiver is appointed in this or any other state shall be given priority against their several special deposits in accordance with the provisions of the statutes governing the creation and maintenance of such deposits. If there is a deficiency in any such deposit so that the claims secured thereby are not fully discharged therefrom, the claimants may share in the general assets, but such sharing shall be deferred until general creditors and also claimants against other special deposits who have received smaller percentages from their respective special deposits, have been paid percentages of their claims equal to the percentage paid from the special deposit.

(d) The owner of a secured claim against an insurer for

which a receiver has been appointed in this or any other state may surrender his security and file his claim as a general creditor, or the claim may be discharged by resort to the security, in which case the deficiency, if any, shall be treated as a claim against the general assets of the insurer on the same basis as claims of unsecured creditors. If the amount of the deficiency has been adjudicated in ancillary proceedings as provided in this chapter, or if it has been adjudicated by a court of competent jurisdiction in proceedings in which the domiciliary receiver has had notice and opportunity to be heard, such amounts shall be conclusive; otherwise the amount shall be determined in delinquency proceeding in the domiciliary state.

Sec. 21.78.190. ATTACHMENT AND GARNISHMENT OF ASSETS. During the pendency of delinquency proceedings in this or any reciprocal state, no action or proceeding in the nature of an attachment, garnishment or execution shall be commenced or maintained in the courts of this state against the delinquent insurer or its assets. Any lien obtained for any such action or proceeding within four months prior to the commencement of any such delinquency proceeding or at any time thereafter shall be void as against any rights arising in such delinquency proceeding.

Sec. 21.78.200. UNIFORM INSURERS LIQUIDATION ACT. Sec. 330 (2) to (13) inclusive, together with secs. 20, 30, and 130 through 190 of this chapter constitute and may be referred to as the "Uniform Insurers Liquidation Act".

(b) The Uniform Insurers Liquidation Act shall be so interpreted and construed as to effectuate its general purpose

to make uniform the law of those states that enact it. To the extent that its provisions when applicable conflict with other provisions of this chapter, the provisions of such title shall control.

Sec. 21.78.210. DEPOSIT OF MONEYS COLLECTED. The moneys collected by the director in a proceeding under this chapter shall be from time to time deposited in one or more state or national banks, savings banks, and in the case of the insolvency or voluntary liquidation of any such depositary which is an institution organized and supervised under the laws of this state, such deposits shall be entitled to priority of payment on an equility with any other priority given by the banking laws of this state. The director may in his descretion deposit such moneys or any part thereof in a national bank or as a trust fund.

Sec. 21.78.220. EXEMPTION FROM FEES. The director shall not be required to pay any fee to any public officer in this state for filing, recording, issuing a transcript or certificate or authenticating any paper or instrument pertaining to the exercise by the director of any of the powers or duties conferred upon him under this chapter, whether or not such paper or instrument be executed by the director or his deputies, employees or attorneys of record and whether or not it is connected with the commencement of any action or proceeding by or against the director, or with the subsequent conduct of such action or proceeding.

Sec. 21.78.230. BORROWING ON PLEDGE OF ASSETS. For the purpose of facilitating the rehabilitation, liquidation, conservation or dissolution of an insurer pursuant to this

chapter, the director may, subject to the approval of the court, borrow money and execute, acknowledge and deliver notes or other evidences of indebtedness therefor and secure the repayment of the same by the mortgage, pledge, assignment, transfer in trust, or hypothecation of any or all of the property, whether real, personal or mixed, of such insurer, and the director subject to the approval of the court shall have power to take any and all other action necessary and proper to consummate any such loan and to provide for the repayment thereof. The director shall be under no obligation personally or in his official capacity to repay any loan made pursuant to this section.

Sec. 21.78.240. DATE RIGHTS FIXED ON LIQUIDATION. The rights and liabilities of the insurer and of its creditors, policyholders, stockholders, members, subscribers and all other persons interested in its estate shall, unless otherwise directed by the court, be fixed as of the date on which the order directing the liquidation of the insurer is filed in the office of the clerk of the court which made the order, subject to the provisions of this chapter with respect to the rights of claimants holding contingent claims.

Sec. 21.78.250. VOIDABLE TRANSFERS. (a) Any transfer of, or lien upon, the property of an insurer which is made or created within four months prior to the granting of an order to show cause under this chapter with the intent of giving to any creditor a preference or of enabling him to obtain a greater percentage of his debt than any other creditor of the same class and which is accepted by such creditor having reasonable cause to believe that such preference will occur,

shall be voidable.

(b) Every director, officer, employee, stockholder, member, subscriber and any other person acting on behalf of such insurer who shall be concerned in any such act or deed and every person receiving thereby any property of such insurer or the benefit thereof shall be personally liable therefor and shall be bound to account to the director.

(c) The director as receiver in any proceeding under this chapter may avoid any transfer of or lien upon the property of an insurer which any creditor, stockholder, subscriber or member of such insurer might have avoided and may recover the property so transferred unless such person was a bona fide holder for value prior to the date of the entering of an order to show cause under this chapter. Such property or its value may be recovered from anyone who has received it except a bona fide holder for value as herein specified.

Sec. 21.78.260. PRIORITY OF CLAIMS FOR COMPENSATION. (a) Compensation actually owing to employees other than officers of an insurer, for services rendered within three months prior to the commencement of a proceeding against the insurer under this chapter, but not exceeding $500.00 for each employee, shall be paid prior to the payment of any other debt or claim, and in the discretion of the director may be paid as soon as practicable after the proceeding has been commenced; except that at all times the director shall reserve such funds as will in his opinion be sufficient for the expenses of administration.

(b) Such priority shall be in lieu of any other similar priority which may be authorized by law as to wages or

compensation of such employees.

Sec. 21.78.270. OFFSETS. (a) In all cases of mutual debts or mutual credits between the insurer and another person in connection with any action or proceeding under this chapter, such credits and debts shall be set off and the balance only shall be allowed or paid, except as provided in (b) of this section.

(b) No offset shall be allowed in favor of any such person where:

(1) the obligation of the insurer to such person would not at the date of the entry of any liquidation order or otherwise, as provided in sec. 240 of this chapter entitle him to share as a claimant in the assets of the insurer; or

(2) the obligation of the insurer to such person was purchased by or transferred to such person with a view of its being used as an offset; or

(3) the obligation of such person is to pay an assessment levied against the members of a mutual insurer, or against the subscribers of a reciprocal insurer, or is to pay a balance upon the subscription to the capital stock of a stock insurer.

Sec. 21.78.280. ALLOWANCE OF CERTAIN CLAIMS. (a) No contingent and unliquidated claim shall share in a distribution of the assets of an insurer which has been adjudicated to be insolvent by an order made pursuant to this chapter, except that such claim shall be considered, if properly presented, and may be allowed to share where:

(1) such claim becomes absolute against the insurer on or before the last day for filing claims against the assets

of such insurer; or

(2) there is a surplus and the liquidation is thereafter conducted upon the basis that such insurer is solvent.

(b) Where an insurer has been so adjudicated to be insolvent any person who has a cause of action against an insured of such insurer under a liability insurance policy issued by such insurer shall have the right to file a claim in the liquidation proceeding, regardless of the fact that such claim may be contingent, and such claim may be allowed:

(1) if it may be reasonably inferred from the proof presented upon such claim that such person would be able to obtain a judgment upon such cause of action against such insured; and

(2) if such person shall furnish suitable proof, unless the court for good cause shown shall otherwise direct, that no further valid claim against such insurer arising out of his cause of action other than those already presented can be made; and

(3) if the total liability of such insurer to all claimants arising out of the same act of its insured shall be no greater than its maximum liability would be were it not in liquidation.

(c) No judgment against such an insured taken after the date of entry of the liquidation order shall be considered in the liquidation proceedings as evidence of liability, or of the amount of damages, and no judgment against an insured taken by default, or by collusion prior to the entry of the liquidation order shall be considered as conclusive evidence

in the liquidation proceedings, either of the liability of such insured to such person upon such cause of action or of the amount of damages to which such person is therein entitled.

(d) No claim of any secured claimant shall be allowed at a sum greater than the difference between the value of the claim without security and the value of the security itself as of the date of the entry of the order of liquidation or such other date set by the court for determining rights and liabilities as provided in sec. 240 of this chapter unless the claimant shall surrender his security to the director, in which event the claim shall be allowed in the full amount for which it is valued.

Sec. 21.78.290. TIME TO FILE CLAIMS. (a) If upon the entry of an order of liquidation under this chapter or at any time thereafter during liquidation proceedings the insurer shall not be clearly solvent, the court shall, upon hearing after such notice it deems proper, make and enter an order adjudging the insurer to be insolvent.

(b) After the entry of the order of insolvency, regardless of any prior notice that may have been given to creditors, the director shall notify all persons who may have claims against such insurer to file such claims with him, at a place and within the time specified in the notice, or that such claims shall be forever barred. The time specified in the notice shall be as fixed by the court for filing of claims and which shall be not less than six months after the entry of the order of insolvency. The notice shall be given in such manner and for such reasonable period

of time as may be ordered by the court.

Sec. 21.78.300. REPORT AND PETITION FOR ASSESSMENT. Within three years after the date of the entry of an order of rehabilitation or liquidation of a domestic mutual insurer or a domestic reciprocal insurer, the director may make and file his report and petition to the court setting forth:

(1) the reasonable value of the assets of the insurer;

(2) the liabilities of the insurer to the extent thus far ascertained by the director;

(3) the aggregate amount of the assessment, if any, which the director deems reasonably necessary to pay all claims, the costs and expenses of the collection of the assessments and the costs and expenses of the delinquency proceedings in full;

(4) any other information relative to the affairs or property of the insurer that the director deems material.

Sec. 21.78.310. ORDER AND LEVY OF ASSESSMENT. (a) Upon the filing and reading of the report and petition provided for in sec. 300 of this chapter, the court, ex parte, may order the director to assess all members or subscribers of the insurer who may be subject to such an assessment, in such an aggregate amount as the court finds reasonably necessary to pay all valid claims as may be timely filed and proved in the delinquency proceedings, together with the costs and expenses of levying and collecting assessments and the costs and expenses of the delinquency proceedings in full. Any such order shall require the director to assess each such member or subscriber for his proportion of the

aggregate assessment, according to such reasonable classification of such members or subscribers and formula as may be made by the director and approved by the court.

(b) The court may order additional assessments upon the filing and reading of any amendment or supplement to the report and petition referred to in (a) of this section, if such amendment or supplement is filed within three years after the date of the entry of the order of rehabilitation or liquidation.

(c) After the entry of the order to levy and assess members or subscribers of an insurer referred to in (a) or (b) of this section, the director shall levy and assess members or subscribers in accordance with the order.

(d) The total of all assessments against any member or subscriber with respect to any policy, whether levied pursuant to this chapter or pursuant to any other provision of this title, shall be for no greater amount than that specified in the policy or policies of the member or subscriber and as limited under this title, except as to any policy which was issued at a rate of premium below the minimum rate lawfully permitted for the risk insured, in which event the assessment against any such policyholder shall be upon the basis of the minimum rate for such risk.

(e) No assessment shall be levied against any member or subscriber with respect to any nonassessable policy issued in accordance with this title.

Sec. 21.78.320. ASSESSMENT PRIMA FACIE CORRECT -- NOTICE -- PAYMENT -- PROCEEDINGS TO COLLECT. (a) Any assessment of a subscriber or member of an insurer made

by the director pursuant to the order of court fixing the aggregate amount of the assessment against all members or subscribers and approving the classification and formula made by the director under sec. 310 of this chapter, shall be prima facie correct.

(b) Each member or subscriber shall be notified of the amount of assessment to be paid by him by written notice mailed to the address of the member or subscriber last of record with the insurer. Failure of the member or subscriber to receive the notice so mailed, within the time specified therein for the payment of the assessment or at all, shall be no defense in any proceeding to collect the assessment.

(c) If any such member or subscriber fails to pay the assessment within the period specified in the notice, which period shall not be less than 20 days after mailing, the director may obtain an order in the delinquency proceedings requiring the member or subscriber to show cause at a time and place fixed by the court why judgment should not be entered against such member or subscriber for the amount of the assessment together with all costs, and a copy of the order and a copy of the petition therefor shall be served upon the member or subscriber within the time and in the manner designated in the order.

(d) If the subscriber or member after due service of a copy of the order and petition referred to in (c) above is made upon him:

(1) fails to appear at the time and place specified in the order, judgment shall be entered against him as prayed for in the petition; or

(2) appears in the manner and form required by law in response to the order, the court shall hear and determine the matter and enter a judgment in accordance with its decision.

(e) The director may collect any such assessment through any other lawful means.

Sec. 21.78.330. DEFINITIONS. For the purpose of this chapter:

(1) "impairment" or "insolvency"; the capital of a stock insurer or the surplus of a mutual or reciprocal insurer shall be deemed to be impaired and the insurer shall be deemed to be insolvent, when such insurer is not possessed of assets at least equal to all liabilities and required reserves together with its total issued and outstanding capital stock if a stock insurer, or the minimum surplus if a mutual or reciprocal insurer required by this title to be maintained for the kind or kinds of insurance it is then authorized to transact;

(2) "insurer" means any person, firm, corporation, association or aggregation of persons doing an insurance business and subject to the insurance supervisory authority of, or to liquidation, rehabilitation, reorganization or conservation by the director or the equivalent insurance supervisory official of another state;

(3) "delinquency proceeding" means any proceeding commenced against an insurer pursuant to this chapter for the purpose of liquidating, rehabilitating, reorganizing or conserving such insurer;

(4) "state" means any state of the United States

and also the District of Columbia and Puerto Rico;

(5) "foreign country" means territory not in any state;

(6) "domiciliary state" means the state in which an insurer is incorporated or organized, or in the case of an insurer incorporated or organized in a foreign country, the state in which such insurer, having become authorized to do business in such state, has at the commencement of delinquency proceedings, the largest amount of its assets held in trust and assets held on deposit for the benefit of its policy-holders or policyholders and creditors in the United States, and any such insurer is deemed to be domiciled in such state;

(7) "ancillary state" means any state other than a domiciliary state;

(8) "reciprocal state" means any state other than this state in which in substance and effect the provisions of the Uniform Insurers Liquidation Act, as defined in sec. 200 of this chapter, are in force, including the provisions requiring that the director of insurance or equivalent insurance supervisory official be the receiver of a delinquent insurer;

(9) "general assets" means all property, real, personal, or otherwise, not specifically mortgaged, pledged, deposited or otherwise encumbered for the security or benefit of specified persons or a limited class or classes of persons, and as to such specifically encumbered property the term includes all such property or its proceeds in excess of the amount necessary to discharge the sum or sums secured thereby; assets held in trust and assets held on deposit for the

security or benefit of all policyholders or all policyholders and creditors in the United States shall be deemed general assets;

(10) "prefereed claim" means any claim with respect to which the law of the state or of the United States accords priority of payments from the general assets of the insurer;

(11) "special deposit claim" means any claim secured by a deposit made pursuant to statute for the security or benefit of a limited class or classes of persons, but not including any general assets;

(12) "secured claim" means any claim secured by mortgage, trust deed, pledge, deposit as security, escrow or otherwise, but not including special deposit claim or claims against general assets; the term also includes claims which more than four months prior to the commencement of delinquency proceedings in the state of the insurer's domicile have become liens upon specific assets by reason of judicial process;

(13) "receiver" means receiver, liquidator, rehabilitator or conservator as the context may require.

CHAPTER 81. TRUSTEED ASSETS OF ALIEN INSURERS

Sec. 21.81.010. SCOPE OF CHAPTER. This chapter applies to all alien insurers using Alaska as a state of entry to transact insurance in the United States.

Sec. 21.81.020. REQUIRED DEPOSIT OF ASSETS. (a) An alien insurer may use Alaska as a state of entry to transact insurance in the United States by making and maintaining in this state a deposit of assets in trust with a solvent bank or trust company approved by the director.

(b) The deposit, together with other trust deposits of the insurer held in the United States for the same purpose, shall be in amount not less than the deposits required of an alien insurer under AS 21.09.090 (3) and shall consist of cash and/or securities of the same character and diversification as those eligible for the investment of the funds of domestic insurers under chapter 21 of this title.

(c) Such a deposit may be referred to as "trusteed assets."

Sec. 21.81.030. EXISTING TRUSTS. All trusts of trusteed assets heretofore created and now existing shall be continued under the instruments creating them, unless inconsistent with the provisions of this chapter.

Sec. 21.81.040. PURPOSE AND DURATION. The deposit required by sec. 20 of this chapter shall be for the benefit, security and protection of the policyholders, or policyholders and creditors, of the insurer in the United States. It shall be maintained as long as there is outstanding any liability of the insurer arising out of its insurance transactions in the United States.

Sec. 21.81.050. TRUST AGREEMENT -- APPROVAL (a) The deposit referred to in sec. 20 of this chapter shall be made under a written trust agreement between the insurer and the trustee, consistent with the provisions of this chapter, and shall be authenticated in such form and manner as the director may designate or approve.

(b) The agreement shall not be effective until filed with and approved in writing by the director. The director shall not approve any trust agreement found by him not to be

in compliance with law, or the terms of which do not in fact provide reasonably adequate protection for the insurer's policyholders or policyholders and creditors in the United States.

Sec. 21.81.060. AUTHORITY TO EXECUTE TRUST AGREEMENT. An alien insurer using or proposing to use Alaska as a state of entry to transact insurance in the United States, whether or not it is then authorized to transact insurance in this state, is authorized to make and execute any trust agreement required by this chapter.

Sec. 21.81.070. AMENDMENT OF TRUST AGREEMENT. A trust agreement may be amended, but the amendment shall not be effective until filed with and approved in writing by the director as being in compliance with this chapter.

Sec. 21.81.080. WITHDRAWAL OF APPROVAL. The director's approval of any trust agreement or of any amendment thereof may be withdrawn by the director if he finds upon hearing, after notice thereof to the insurer and the trustee or trustees, that the requisites for such approval, as provided in this chapter, no longer exist.

Sec. 21.81.090. TITLE TO TRUSTEED ASSETS. Title to the trusteed assets is vested in the trustee or trustees and their successors for the purposes of the trust deposit, and the trust agreement shall so provide.

Sec. 21.81.100. ASSETS KEPT SEPARATE. The trustee shall keep the trusteed assets separate from other assets and shall maintain a record thereof sufficient to identify trusteed assets at all times.

Sec. 21.81.110. STATEMENT OF TRUSTEE. (a) The trustee

of trusteed assets shall, from time to time, file with the director statements, in such form as he may designate and request in writing, certifying the character of such assets and the amounts thereof.

(b) If the trustee fails to file any such statement after request therefor and expiration of reasonable time thereafter, the director may suspend or revoke the certificate of authority of the insurer.

Sec. 21.81.120. EXAMINATION OF ASSETS. The director may examine trusteed assets of any insurer at any time in accordance with the same conditions and procedures as govern the examination of insurers in general under chapter 6 of this title.

Sec. 21.81.130. WITHDRAWAL OF ASSETS. (a) the trust agreement shall provide, in substance, that no withdrawals of trusteed assets shall be made by the insurer or permitted by the trustee without the written authorization or approval of the director in advance thereof, except as follows:

(1) any or all income, earnings, dividends or interest accumulations of the trusteed assets may be paid over to the United States manager of the insurer upon request of the insurer or the manager;

(2) for substitution, coincidentally with such withdrawal, of other securities or assets of value at least equal in amount to those being withdrawn, if such substituted securities or assets are likewise such as are eligible for investment of the funds of domestic insurers under chapter 21 of this title, if such withdrawal is requested in writing by the insurer's United States manager pursuant to general

or specific written authority previously given or delegated by the insurer's board of directors or other similar governing body, and a copy of such authority has been filed with the trustee;

(3) for the purpose of making deposits required by law in any state in which the insurer is or thereafter becomes an authorized insurer, for the protection of the insurer's policyholders or policyholders and creditors in such state or in the United States, if such withdrawal does not reduce the insurer's deposit in this state to an amount less than the minimum deposit required under AS 21.09.090 (b)(3) (A) and (B), the trustee shall transfer any assets so withdrawn and in the amount so required to be deposited in the other state direct to the depositary required to receive such deposit in such other state, as certified in writing by the public official having supervision of insurance in the other state;

(4) for the purpose of transferring the trusteed assets to an official liquidator, conservator or rehabilitator pursuant to the order of a court of competent jurisdiction.

(b) The director shall so authorize or approve withdrawal of only such assets as are in excess of the amount of assets required to be so held in trust under sec. 20 or as may otherwise be consistent with the provisions of this chapter.

(c) If at any time the insurer becomes insolvent, or if its assets held in the United States are less in amount than as required under sec. AS 21.09.090 (b)(3), upon determination thereof the director shall in writing order the trustee to

suspend the right of the insurer or any other person to withdraw assets as authorized under (a) (1), (2) and (3) of this section, and the trustee shall comply with such order and until the fursher order of the director.

Sec. 21.81.140. SUBSTITUTION OF TRUSTEE. (a) A new trustee or new trustees may be substituted for the original trustee or trustees of trusteed assets in the event of a vacancy or for other proper cause. Any such substitution shall be subject to the director's approval.

(b) If the trustees of any trusteed assets heretofore created are individuals, and if the number of such trustees is reduced to less than three by death, resignation or otherwise, the director shall require that there be substituted for such trustees a bank or trust company in this state approved by him.

Sec. 21.81.150. CANADIAN INSURERS. The provisions of this chapter applicable to a United States manager shall, in the case of insurers domiciled in Canada, be deemed to refer to the president, vice-president, secretary or treasurer of such a Canadian insurer.

CHAPTER 84. FRATERNAL BENEFIT SOCIETIES

Sec. 21.84.010. CHAPTER EXCLUSIVE -- APPLICABILITY OF OTHER LAWS. Except as herein provided, societies shall be governed by this chapter and shall be exempt from all other provisions of the insurance laws of this state, not only in governmental relations with the state, but for every other purpose. No law hereafter enacted shall apply to them, unless they be expressly designated therein.

Sec. 21.84.020. EXEMPTED SOCIETIES. (a) Nothing

contained in this chapter shall be so construed as to affect or apply to:

(1) grand or subordinate lodges of societies, orders or associations now doing business in this state which provide benefits exclusively through local or subordinate lodges;

(2) orders, societies or associations which admit to membership only persons engaged in one or more crafts or hazardous occupations, in the same or similar lines of business, and the ladies' societies or ladies' auxiliaries to such orders, societies or associations;

(3) domestic societies which limit their membership to employees of a particular city or town, designated firm, business house or corporation which provide for a death benefit of not more than $400.00 or disability benefits of not more than $350.00 to any person in any one year, or both; or

(4) domestic societies, or associations of a purely religious, charitable or benevolent description, which provide for a death benefit of not more than $400.00 or for disability benefits of not more than $350.00 to any one pe rson in any one year, or both.

(b) Any such society or association described in (a) (3) or (4) above, which provides for death or disability benefits for which benefit certificates are issued, and any such society or association included in (a) (4) which has more than 1,000 members, shall not be exempted from the provisions of this chapter but shall comply with all requirements thereof.

(c) No society which, by the provisions of this section, is exempt from the requirements of this chapter, except any

society described in (a) (2), above, shall give or allow, or promise to give or allow to any person any compensation for procuring new members.

(d) Every society which provides for benefits in case of death or disability resulting solely from accident, and which does not obligate itself to pay natural death or sick benefits shall have all of the privileges and be subject to all the applicable provisions and regulations of this chapter except that the provisions thereof relating to medical examination, valuations of benefit certificates, and incontestability, shall not apply to such society.

(e) The director may require from any society or association, by examination or otherwise, such information as will enable him to determine whether such society or association is exempt from the provisions of this chapter.

(f) Societies, exempted under the provisions of this section, shall also be exempt from all other provisions of the insurance laws of this state.

Sec. 21.84.030. ANNUAL LICENSE. Societies which are now authorized to transact business in this state may continue such business until the first day of July next succeeding the effective date of this chapter. The authority of such societies and all societies hereafter licensed, may thereafter be renewed annually, but in all cases to terminate on the first day of the succeeding July. However, a license so issued shall continue in full force and effect until the new license be issued or specifically refused. For each such license or renewal the society shall pay the director $15.00. A duly certified copy or duplicate of such license shall be

prima facie evidence that the licensee is a fraternal benefit society within the meaning of this chapter.

Sec. 21.84.040. FOREIGN OR ALIEN SOCIETY -- ADMISSION. (a) No foreign or alien society shall transact business in this state without a license issued by the director. Any such society may be licensed to transact business in this state upon filing with the director.

(1) a duly certified copy of its charter or articles of incorporation;

(2) a copy of its constitution and laws, certified by its secretary or corresponding officer;

(3) a power of attorney to the director as prescribed in sec. 490 of this chapter;

(4) a statement of its business under oath of its president and secretary or corresponding officers in a form prescribed by the director duly verified by an examination made by the supervising insurance official of its home state or other state, territory, province or country, satisfactory to the director;

(5) a certificate from the proper official of its home state, territory, province or country that the society is legally incorporated and licensed to transact business therein;

(6) copies of its certificate forms; and

(7) such other information as he may deem necessary; and upon a showing that its assets are invested in accordance with the provisions of this chapter.

(b) Any foreign or alien society desiring admission to this state shall have the qualifications required of domestic

societies organized under this chapter.

Sec. 21.84.050. SUSPENSION, REVOCATION OR REFUSAL OF LICENSE OF FOREIGN OR ALIEN SOCIETY. (a) When the director upon investigation finds that a foreign or alien society transacting or applying to transact business in this state: (1) has exceeded its powers; (2) has failed to comply with any of the provisions of this chapter; (3) is not fulfilling its contracts in good faith; or (4) is conducting its business fraudulently or in a manner hazardous to its members or creditors or the public; he shall notify the society of his findings, state in writing the reasons for his dissatisfaction and require the society to show cause on a date named why its license should not be suspended, revoked or refused. If on such date the society does not present good and sufficient reason why its authority to do business in this state should not be suspended, revoked or refused, he may suspend or refuse the license of the society to do business in this state until satisfactory evidence is furnished to him that such suspension or refusal should be withdrawn or he may revoke the authority of the society to do business in this state.

(b) Nothing contained in this section shall be taken or construed as preventing any such society from continuing in good faith all contracts made in this state during the time such society was legally authorized to transact business herein.

Sec. 21.84.060. ORGANIZATION -- INCORPORATION. The organization of a society shall be governed as follows: Seven or more citizens of the United States, a majority of whom are citizens of this state, who desire to form a

fraternal benefit society, may make, sign and acknowledge before some officer, competent to take acknowledgment of deeds, articles of incorporation, in which shall be stated:

(1) the proposed corporate name of the society, which shall not so closely resemble the name of any society or insurance company as to be misleading or confusing;

(2) the purposes for which it is being formed and the mode in which its corporate powers are to be exercised; such purposes shall not include more liberal powers than are granted by this chapter, provided that any lawful social, intellectual, educational, charitable, benevolent, moral, fraternal or religious advantages may be set forth among the purposes of the society; and

(3) the names and residences of the incorporators and the names, residences and official titles of all the officers, trustees, directors, or other persons who are to have and exercise the general control of the management of the affairs and funds of the society for the first year or until the ensuing election at which all such officers shall be elected by the supreme legislative or governing body, which election shall be held not later than one year from the date of the issuance of the permanent certificate.

Sec. 21.84.070. FILING ARTICLES AND DOCUMENTS -- PRELIMINARY CERTIFICATE. Such articles of incorporation, duly certified copies of the constitution, laws and rules, copies of all proposed forms of certificates, applications therefor, and circulars to be issued by the society and a bond conditioned upon the return to applicants of the advanced payments if the organization is not completed

within one year, shall be filed with the director, who may require such further information as he deems necessary. The bond with sureties approved by the director shall be in such amount, not less than $25,000.00 as required by the director. All documents filed are to be in the English language. If the purposes of the society conform to the requirements of this chapter and all provisions of the law have been complied with, the director shall so certify, retain and file the articles of incorporation and furnish the incorporators a preliminary certificate authorizing the society to solicit members as hereinafter provided.

Sec. 21.84.080. TIME FOR COMPLETING ORGANIZATION. No preliminary certificate granted under the provisions of this section shall be valid after one year from its date or after such further period, not exceeding one year, as may be authorized by the director upon cause shown, unless the 500 applicants hereinafter required have been secured and the organization has been completed as herein provided. The articles of incorporation and all other proceedings thereunder shall become null and void in one year from the date of the preliminary certificate, or at the expiration of the extended period, unless the society shall have completed its organization and received a certificate of authority to do business as hereinafter provided.

Sec. 21.84.090. INITIAL SOLICITATIONS AND QUALIFICATIONS. Upon receipt of a preliminary certificate from the director the society may solicit members for the purpose of completing its organization, shall collect from each applicant the amount of not less than one regular monthly premium in

accordance with its table of rates as provided by its constitution and laws, and shall issue to each such applicant a receipt for the amount so collected. No society shall incur any liability other than for the return of such advance premium, nor issue any certificate, nor pay, allow, or offer or promise to pay or allow, any death or disability benefit to any person until:

(1) actual bona fide applications for death benefits have been secured aggregating at least $500,000.00 on not less than 500 lives;

(2) all such applicants for death benefits shall have furnished evidence of insurability satisfactory to the society;

(3) certificates of examinations or acceptable declarations of insurability have been duly filed and approved by the chief medical examiner of the society;

(4) ten subordinate lodges or branches have been established into which the 500 applicants have been admitted;

(5) there has been submitted to the director, under oath of the president or secretary, or corresponding officer of the society, a list of such applicants, giving their names, addresses, date each was admitted, name and number of the subordinate branch of which each applicant is a member, amount of benefits to be granted and premiums therefor; and

(6) it shall have been shown to the director, by sworn statement of the treasurer, or corresponding officer of such society, that at least 500 applicants have each paid in cash at least one regular monthly premium as herein pro-

vided, which premiums in the aggregate shall amount to at least $2,500.00, all of which shall be credited to the fund or funds from which benefits are to be paid and no part of which may be used for expenses; such advance premiums shall be held in trust during the period of organization and if the society has not qualified for a certificate of authority within one year, as herein provided, the premiums shall be returned to the applicants.

Sec. 21.84.100. CERTIFICATE OF COMPLIANCE -- CERTIFIED COPY AS EVIDENCE. The director may make such examination and require such further information as he deems advisable. Upon presentation of satisfactory evidence that the society has complied with all the provisions of law, he shall issue to the society a certificate to that effect and that the society is authorized to transact business pursuant to the provisions of this chapter. The certificate shall be prima facie evidence of the existence of the society at the date of such certificate. The director shall cause a record of such certificate to be made. A certified copy of such record may be given in evidence with like effect as the original certificate.

Sec. 21.84.110. CONSTITUTION AND LAWS -- GENERAL POWERS.

(a) Every society shall have the power to adopt a constitution and laws for the government of the society, the admission of its members, the management of its affairs and the fixing and readjusting of the rates of its members from time to time. It shall have the power to change, alter, add to or amend such constitution and laws.

(b) A society shall have such other powers as are

necessary and incidental to carrying into effect the objects and purposes of the society.

Sec. 21.84.120. CORPORATE POWERS RETAINED. Any incorporated society authorized to transact business in this state at the time this chapter becomes effective may thereafter exercise all the rights, powers and privileges prescribed in this chapter and in its charter or articles of incorporation as far as consistent with this chapter. A domestic society shall not be required to reincorporate.

Sec. 21.84.130. EXISTING VOLUNTARY ASSOCIATIONS -- MAY INCORPORATE. (a) After one year from the effective date of this chapter, no unincorporated or voluntary association shall be permitted to transact business in this state as a fraternal benefit society.

(b) Any domestic voluntary association now authorized to transact business in this state may incorporate and shall receive from the director a permanent certificate of incorporation as a fraternal benefit society when:

(1) it has completed its conversion to an incorporated society not later than one year from the effective date of this chapter;

(2) it has filed its articles of incorporation and has satisfied the other requirements described in secs. 60 through 100 of this chapter; and

(3) the director has made such examination and procured whatever additional information he deems advisable.

(c) Every voluntary association so incorporated shall incur the obligations and enjoy the benefits thereof the same as though originally incorporated, and such corporation

shall be deemed a continuation of the original voluntary association. The officers thereof shall serve through their respective terms as provided in the original articles of association, but their successors shall be elected and serve as provided in its articles of incorporation. Incorporation of a voluntary association shall not affect existing suits, claims or contracts.

Sec. 21.84.140. ARTICLES OF INCORPORATION, CONSTITUTION AND LAWS -- AMENDMENTS -- SYNOPSIS -- CERTIFIED COPIES AS EVIDENCE. (a) A domestic society may amend its articles of incorporation, constitution or laws in accordance with the provisions thereof by action of its supreme legislative or governing body at any regular or special meeting thereof or, if its articles of incorporation, constitution or laws so provide, by referendum. Such referendum may be held in accordance with the provisions of its articles of incorporation, constitution or laws by the vote of the voting members of the society, by the vote of delegates or representatives of voting members or by the vote of local lodges or branches. No amendment submitted for adoption by referendum shall be adopted unless, within six months from the date of submission thereof, a majority of all of the voting members of the society shall have signified their consent to such amendment by one of the methods herein specified.

(b) No amendment to the articles of incorporation, constitution or laws of any domestic society shall take effect unless approved by the director, who shall approve such amendment if he finds it has been duly adopted and is not inconsistent with any requirement of the laws of this

state or with the character, objects and purposes of the society. Unless the director disapproves any such amendment within 60 days after the filing of same, such amendment shall be considered approved. The approval or disapproval of the director shall be in writing and mailed to the secretary or corresponding officer of the society at its principal office. In case he disapproves the amendment, the reasons therefor shall be stated in the written notice.

(c) Within 90 days from the approval thereof by the director, all such amendments, or a synopsis thereof, shall be furnished by the society to all members either by mail or by publication in full in the official organ of the society. The affidavit of any officer of the society or of anyone authorized by it to mail any amendments or synopsis thereof, stating facts which show that same have been duly addressed and mailed, shall be prima facie evidence that such amendments or synopsis thereof, have been furnished the addressee.

(d) Every foreign or alien society authorized to do business in this state shall file with the director a duly certified copy of all amendments of, or additions to, its articles of incorporation, constitution or laws within 90 days after the enactment of same.

(e) Printed copies of the constitution or laws as amended, certified by the secretary or corresponding officer of the society shall be prima facie evidence of the legal adoption thereof.

Sec. 21.84.150. WAIVER. The constitution and laws of the society may provide that no subordinate body, nor any of

its subordinate officers or members shall have the power or authority to waive any of the provisions of the laws and constitution of the society. Such provision shall be binding on the society and every member and beneficiary of a member.

Sec. 21.84.160. LOCATION OF OFFICE -- PLACE OF MEETING -- RECORDS IN ENGLISH LANGUAGE. (a) The principal office of any domestic society shall be located in this state. The meetings of its supreme legislative or governing body may be held in any state, district, province or territory wherein such society has at least five subordinate branches and all business transacted at such meetings shall be as valid in all respects as if such meetings were held in this state.

(b) The minutes of the proceedings of the supreme or governing body and of the board of directors or corresponding body of a society shall be in the English language.

Sec. 21.84.170. INSTITUTIONS. (a) It shall be lawful for a society to create, maintain and operate charitable, benevolent or educational institutions for the benefit of its members and their families and dependents and for the benefit of children insured by the society. For such purpose it may own, hold or lease personal property or real property located within or without this state, with necessary buildings thereon. Such property shall be reported in every annual statement but shall not be allowed as an admitted asset of such society.

(b) Maintenance, treatment and proper attendance in any such institution may be furnished free or a reasonable charge may be made therefor, but no such institution shall be

operated for profit. The society shall maintain a separate accounting of any income and disbursements under this section and report them in its annual statement.

(c) No society shall own or operate funeral homes or undertaking establishments.

Sec. 21.84.180. QUALIFICATIONS FOR MEMBERSHIP. (a) A society may admit to benefit membership any person not less than 15 years of age, nearest birthday, who was furnished evidence of insurability acceptable to the society. Any such member who shall apply for additional benefits more than six months after becoming a benefit member shall furnish additional evidence of insurability acceptable to the society.

(b) Any person admitted prior to attaining the full age of 21 years shall be bound by the terms of the application and certificate and by all the laws and rules of the society and shall be entitled to all the rights and privileges of membership therein to the same extent as though the age of majority had been attained at the time of application. A society may also admit general or social members who shall have no voice or vote in the management of its insurance affairs.

Sec. 21.84.190. MEMBER'S SHARE OF DEFICIENCY. A society shall provide in its constitution or laws that if its reserves as to all or any class of certificates become impaired its board of directors or corresponding body may require that there shall be paid by the member to the society the amount of the member's equitable proportion of such deficiency as ascertained by its board, and that if the payment be not made

it shall stand as an indebtedness against the member's certificate and draw interest not to exceed five per cent per annum compounded annually.

Sec. 21.84.200. BENEFITS. (a) A society authorized to do business in this state may provide for the payment of:

(1) death benefits in any form;

(2) endowment benefits;

(3) annuity benefits;'

(4) temporary or permanent disability benefits as a result of disease or accident;

(5) hospital, medical or nursing benefits due to sickness or bodily infirmity or accident; and

(6) monument or tombstone benefits to the memory of deceased members not exceeding in any case the sum of $300.00.

(b) Such benefits may be provided on the lives of members or, upon application of a member, on the lives of a member's family, including the member, the member's spouse and minor children, in the same or separate certificates.

Sec. 21.84.210. BENEFITS ON LIVES OF CHILDREN. (a) A society may provide for benefits on the lives of children under the minimum age for adult membership but not greater than 21 years of age at time of application therefor, upon the application of some adult person, as its laws or rules may provide, which benefits shall be in accordance with the provisions of sec. 200 of this chapter. A society may, at its option, organize and operate branches for such children. Membership and initiation in local lodges shall not be required of such children, nor shall they have a voice in

the management of the society.

(b) A society shall have power to provide for the designation and changing of designation of beneficiaries in the certificates providing for such benefits and to provide in all other respects for the regulation, government and control of such certificates and all rights, obligations and liabilities incident thereto and connected therewith.

Sec. 21.84.220. NONFORFEITURE BENEFITS, CASH SURRENDER VALUES, CERTIFICATE LOANS AND OTHER OPTIONS. (a) A society may grant paid-up nonforfeiture benefits, cash surrender values, certificate loans and such other options as its laws may permit. As to certificates issued on and after the effective date of this chapter, a society shall grant at least one paid-up nonforfeiture benefit, except in the case of pure endowment, annuity or reversionary annuity contracts, reducing term insurance contracts or contracts of term insurance of uniform amount of 15 years or less expiring before age 66.

(b) In the case of certificates other than those for which reserves are computed on the Commissioner's 1941 Standard Ordinary Mortality Table or the 1941 Standard Industrial Table, the value of every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan or other option granted shall not be less than the excess, if any, of (1) over (2) as follows:

(1) the reserve under the certificate determined on the basis specified in the certificates; and

(2) the sum of any indebtedness to the society on the certificate, including interest due and accrued, and a

surrendered charge equal to 2 1/2% of the face amount of the certificate, which, in the case of insurance on the lives of children, shall be the ultimate face amount of the certificate, if death benefits provided therein are graded.

(c) However, in the case of certificates issued on a substandard basis or in the case of certificates, the reserves for which are computed upon the American Men Ultimate Table Of Mortality, the term of any extended insurance benefit granted including accompanying pure endowment, if any, may be computed upon the rates of mortality not greater than 130 per cent of those shown by the mortality table specified in the certificate for the computation of the reserve.

(d) In the case of certificates for which reserves are computed on the Commissioner's 1941 Standard Ordinary Mortality Table or the 1941 Standard Industrial Table, every paid-up nonforfeiture benefit and the amount of any cash surrender value, loan or other option granted shall not be less than the corresponding amount ascertained in accordance with the provisions of the laws of this state applicable to life insurers issuing policies containing like insurance benefits based upon such tables.

Sec. 21.84.230. BENEFICIARIES. (a) The member shall have the right at all times to change the beneficiary or beneficiaries in accordance with the constitution, laws or rules of the society. Every society by its constitution, laws or rules may limit the scope of beneficiaries and shall provide that no beneficiary shall have or obtain any vested interest in the proceeds of any certificate until

the certificate has become due and payable in conformity with the provisions of the insurance contract.

(b) A society may make provision for the payment of funeral benefits to the extent of such portion of any payment under a certificate as might reasonably appear to be due to any person equitably entitled thereto by reason of having incurred expense occasioned by the burial of the member, but the portion so paid shall not exceed the sum of $500.00.

(c) If, at the death of any member, there is no lawful beneficiary to whom the insurance benefits are payable, the amount of such benefits, except to the extent that funeral benefits may be paid as hereinbefore provided, shall be payable to the personal representative of the deceased member.

Sec. 21.84.240. BENEFITS NOT ATTACHABLE . No money or other benefit, charity, relief or aid to be paid, provided or rendered by any society, shall be liable to attachment, garishment or other process, or to be seized, taken, appropriated or applied by any legal or equitable process or operation of law to pay any debt or liability of a member or beneficiary, or any other person who may have a right thereunder, either before or after payment by the society.

Sec. 21.84.250. NO PERSONAL LIABILITY. The officers and members of the supreme, grand or any subordinate body of a society shall not be personally liable for payment of any benefits provided by a society.

Sec. 21.84.260. THE CONTRACT. (a) Every society authorized to do business in this state shall issue to each benefit member a certificate specifying the amount of benefits

provided thereby. The certificate, together with any riders or endorsements attached thereto, the charter or articles of incorporation, the constitution and laws of the society, the application for membership, and declaration of insurability, if any, signed by the applicant, and all amendments to each thereof, shall constitute the agreement, as of the date of issuance, between the society and the member, and the certificate shall so state. A copy of the application for membership and of the declaration of insurability, if any, shall be endorsed upon or attached to the certificate.

(b) All statements purporting to be made by the member shall be representations and not warranties. Any waiver of this provision shall be void.

(c) Any changes, additions or amendments to the charter or articles of incorporation, constitution or laws duly made or enacted subsequent to the issuance of the certificate, shall bind the member and the beneficiaries, and shall govern and control the agreement in all respects the same as though such changes, additions or amendments had been made prior to and were in force at the time of the application for membership, except that no change, addition, or amendment shall destroy or diminish benefits which the society contracted to give the member as of the date of issuance.

(d) Copies of any of the documents mentioned in this section, certified by the secretary or corresponding officer of the society, shall be received in evidence of the terms and conditions thereof.

Sec. 21.84.270. STANDARD PROVISIONS. (a) After one year from the effective date of this chapter, no life benefit

certificate shall be delivered or issued for delivery in this state unless a copy of the form has been filed with the director.

(b) The certificate shall contain in substance the following standard provisions or, in lieu thereof, provisions which are more favorable to the member:

(1) title on the face and filing page of the certificate clearly and correctly describing its form;

(2) a provision stating the amount of rates, premiums or other required contributions, by whatever name known, which are payable by the insured under the certificate;

(3) a provision that the member is entitled to a grace period of not less than a full month (or 30 days at the option of the society) in which the payment of any premium after the first, may be made; during such grace period the certificate shall continue in full force, but in case the certificate becomes a claim during the grace period before the overdue payment is made, the amount of such overdue payment or payments may be deducted in any settlement under the certificate;

(4) a provision that the member shall be entitled to have the certificate reinstated at any time within three years from the due date of the premium in default, unless the certificate has been completely terminated through the application of a nonforfeiture benefit, cash surrender value or certificate loan, upon the production of evidence of insurability satisfactory to the society and the payment of all overdue premiums and any other indebtedness to the society upon the certificate, together with interest on such premiums

such indebtedness, if any, at a rate not exceeding six per cent per annum compounded annually;

(5) except in the case of pure endowment, annuity or reversionary annuity contract, reducing term insurance contracts, or contracts of term insurance of uniform amount of 15 years or less expiring before age 66, a provision that, in the event of default in payment of any premium after three full years' premiums have been paid or after premiums for a lesser period have been paid if the contract so provides, the society will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on the plan stipulated in the certificate, effective as of such due date. of such value as specified in this chapter; the certificate may provide, if the society's laws so specify or if the member shall so elect prior to the expiration of the grace period of any overdue premium, that default shall not occur so long as premiums can be paid under the provisions of an arrangement for automatic premium loan as may be set forth in the certificate;

(6) a provision that one paid-up nonforfeiture benefit as specified in the certificate shall become effective automatically unless the member elects another available paid-up nonforfeiture benefit, not later than 60 days after the due date of the premium in default;

(7) a statement of the mortality table and rate of interest used in determining all paid-up nonforfeiture benefits and cash surrender options available under the certificate, and a brief general statement of the method used in calculating

such benefits;

(8) a table showing in figures the value of every paid-up nonforfeiture benefit and cash surrender option available under the certificate for each certificate anniversary either during the first 20 certificate years or during the term of the certificate whichever is shorter;

(9) a provision that the certificate shall be incontestable after it has been in force during the lifetime of the member for a period of two years from its date of issue except for nonpayment of premiums, violation of the provisions of the certificate relating to military, aviation, or naval service and violation of the provisions relating to suspension or expulsion as substantially set forth in the certificate. At the option of the society, supplemental provisions relating to benefits in the event of temporary or permanent disability or hospitalization and provisions which grant additional insurance specifically against death by accident or accidental means, may also be excepted; the certificate shall be incontestable on the grounds of suicide after it has been in force during the lifetime of the member for a period of two years from date of issue; the certificate may provide, as to statements made to procure reinstatement, that the society shall have the right to contest a reinstated certificate within a period of two years from date of reinstatement with the same exceptions as herein provided;

(10) a provision that in case the age of the member or of any other person is considered in determining the premium and it is found at any time before final settlement under the certificate that the age has been misstated, and

the discrepancy and premium involved have not been adjusted, the amount payable shall be such as the premiu m would have purchased at the correct age; but if the correct age was not an insurable age under the society's charter or laws, only the premiums paid to the society, less any payments previously made to the member, shall be returned or, at the option of the society, the amount payable under the certificate shall be such as the premium would have purchased at the correct age according to the society's promulgated rates and any extension thereof based on actuarial principles;

(11) a provision or provisions which recite fully, or which set forth the substance of, all sections of the charter, constitution, laws, rules or regulations of the society, in force at the time of issuance of the certificate, the violation of which will result in the termination of, or in the reduction of, the benefit or benefits payable under the certificate; and

(12) if the constitution or laws of the society provide for expulsion or suspension of a member, any member so expelled or suspended, except for nonpayment of a premium or within the contestable period for material misrepresentations in such member's application for membership shall have the privilege of maintaining his insurance in force by continuing payment of the required premium.

(c) Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance or because the certificate is an annuity certificate may, to the extent inapplicable, be omitted from the certificate.

Sec. 21.84.280. PROHIBITED PROVISIONS. After one year

from the effective date of this chapter, no life benefit certificate shall be delivered or issued for delivery in this state containing in substance any of the following provisions:

(1) any provision limiting the time within which any action at law or in equity may be commenced to less than two years after the cause of action accrues;

(2) any provision by which the certificate purports to be issued or to take effect more than six months before the original application for the certificate was made, except in case of transfer from one form of certificate to another in connection with which the member is to receive credit for any reserve accumulation under the form of certificate from which the transfer is made; or

(3) any provision for forfeiture of the certificate for failure to repay any loan thereon or to pay interest on such loan while the total indebtedness, including interest, is less than the loan value of the certificate.

Sec. 21.84.290. PREMIUMS DEFINED. As used in this chapter "premiums" means premiums, rates, or other required contributions by whatever name known.

Sec. 21.84.300. ACCIDENT AND HEALTH INSURANCE AND TOTAL AND PERMANENT DISABILITY INSURANCE CERTIFICATES -- FILING AND APPROVAL. (a) No domestic, foreign or alien society authorized to do business in this state shall issue or deliver in this state any certificate or other evidence of any contract of accident insurance or health insurance or of any total and permanent disability insurance contract unless and until the form thereof, together with the form of applica-

tion and all riders or endorsements for use in connection therewith, shall have been filed with the director.

(b) The director shall have power, from time to time, to make, alter and supersede reasonable regulations prescribing the required, optional and prohibited provisions in such contracts, and such regulations shall conform, as far as practicable, to the provisions of chapter 51 of this title (disability insurance policies). Where the director deems inapplicable, either in part or in their entirety, the provisions of chapter 51, he may prescribe the portions or summary thereof of the contract to be printed on the certificate issued to the member.

(c) Any filing made hereunder shall be deemed approved unless disapproved within 60 days from the date of such filing.

Sec. 21.84.310. REINSURANCE. A domestic society may, by a reinsurance agreement, cede any individual risk or risks in whole or in part to an insurer (other than another fraternal benefit society) having the power to make such reinsurance and authorized to do business in this state, or if not so authorized, one which is approved by the director; but no such society may reinsure substantially all of its insurance in force without the written permission of the director. It may take credit for the reserves on such ceded risks to the extent reinsured, but no credit shall be allowed as an admitted asset or as a deduction from liability, to a ceding society for reinsurance made, ceded, renewed, or otherwise becoming effective after the effective date of this chapter, unless the reinsurance is payable by the assuming insurer on

the basis of the liability of the ceding society under the contract or contracts reinsured without diminution because of the insolvency of the ceding society.

Sec. 21.84.320. FUNDS. (a) All assets shall be held, invested and disbursed for the use and benefit of the society and no member or beneficiary shall have or acquire individual rights therein or become entitled to any apportionment or the surrender of any part thereof, except as provided in the contract.

(b) A society may create, maintain, invest, disburse and apply any special fund or funds necessary to carry out any purpose permitted by the laws of such society.

(c) Every society, the admitted assets of which are less than the sum of its accrued liabilities and reserves under all of its certificates when valued according to standards required for certificates issued after one year from the effective date of this chapter, shall, in every provision of the laws of the society for payments by members of such society, in whatever form made, distinctly state the purpose of the same and the proportion thereof which may be used for expenses, and no part of the money collected for mortuary or disability purposes or the net accretions thereto shall be used for expenses.

Sec. 21.84.330. INVESTMENTS. A society shall invest its funds only in such investments as are authorized by the laws of this state for the investment of assets of life insurers and subject to the limitations thereon. Any foreign or alien society permitted or seeking to do business in this state which invests its funds in accordance with the laws of the

state, district, territory, country or province in which it is incorporated, shall be held to meet the requirements of this section for the investment of funds.

Sec. 21.84.340. ANNUAL STATEMENT. (a) Reports shall be filed and synopsis of annual statements shall be published in accordance with the provisions of this section.

(b) Every society transacting business in this state shall annually, before the second of March, unless for cause shown such time has been extended by the director file with the director a true statement of its financial condition, transactions and affairs for the preceding calendar year and pay a fee of $5.00 for filing same. The statement shall be in general form and context as approved by the National Association of Insurance Commissioners for fraternal benefit societies and as supplemented by additional information required by the director.

(c) A synopsis of its annual statement providing an explanation of the facts concerning the condition of the society thereby disclosed shall be printed and mailed to each benefit member of the society not later than June 1 of each year, or, in lieu thereof, such synopsis may be published in the society's official publication.

Sec. 21.84.350. ANNUAL VALUATION OF CERTIFICATES (a) As a part of the annual statement required under sec. 340 of this chapter, each society shall, before the second day of March, file with the director a valuation of its certificates in force on December 31 last preceding, provided, the director may, in his discretion for cause shown, extend the time for filing such valuation for not more than two calendar months.

Such report of valuation shall show, as reserve liabilities, the difference between the present mid-year value of the promised benefits provided in the certificates of such society in force and the present mid-year value of the future net premiums as the same are in practice actually collected, not including therein any value for the right to make extra assessments and not including any amount by which the present mid-year value of future net premiums exceeds the present mid-year value of promised benefits on individual certificates. At the option of any society, in lieu of the above, the valuation may show the net tabular value. Such net tabular value as to certificates issued prior to one year after the effective date of this chapter shall be determined in accordance with the provisions of law applicable prior to the effective date of this chapter and as to certificates issued on or after one year from the effective date of this chapter shall not be less than the reserves determined according to the Commissioner's Reserve Valuation Method as hereinafter defined. If the premium charged is less than the tabular net premium according to the basis of valuation used, an additional reserve equal to the present value of the deficiency in such premiums shall be set up and maintained as a liability. The reserve liabilities shall be properly adjusted in the event that the mid-year or tabular values are not appropriate.

(b) Reserves according to the Commissioner's Reserve Valuation Method, for the life insurance and endowment benefits of certificates providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the

excess, if any, of the present value, at the date of valuation of such future guaranteed benefits provided for by such certificates, over the then present value of any future modified net premiums therefor. The modified net premiums for any such certificate shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the certificate, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the certificate and the excess of (1) over (2), as follows:

(1) a net level premium equal to the present value, at the date of issue, of such benefits provided for after the first certificate year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such certificate on which a premium falls due; provided however, that such net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such certificate; and

(2) a net one-year term premium for such benefits provided for in the first certificate year.

(c) Reserves according to the Commissioner's Reserve Valuation Method for (1) life insurance benefits for varying amounts of benefits or requiring the payment of varying premiums, (2) annuity and pure endowment benefits, (3) disability and accidental death benefits in all certificates and contracts, and (4) all other benefits except life insurance and endowment benefits, shall be calculated by a method

consistent with the principles of (b), above.

(d) The present value of deferred payments due under incurred claims or matured certificates shall be deemed a liability of the society and shall be computed upon mortality and interest standards prescribed in (f) and (g) below.

(e) Such valuation and underlying data shall be certified by a competent actuary or, at the expense of the society, verified by the actuary of the department of insurance of the state of domicile of the society.

(f) The minimum standards of valuation for certificates issued prior to one year from the effective date of this chapter shall be those provided by the law applicable immediately prior to the effective date of this chapter but not lower than the standards used in the calculating of rates for such certificates.

(g) The minimum standard of valuation for certificates issued after one year from the effective date of this chapter shall be 3 1/2 per cent interest and the following tables:

(1) for certificates of life insurance -- American Men Ultimate Table Of Mortality, with Bowerman's or Davis' extension thereof or with the consent of the director, the Commissioner's 1941 Standard Ordinary Mortality Table or the Commissioner's 1941 Standard Industrial Table of Mortality;

(2) for annuity certificates, including life annuities provided or available under optional modes of settlement in such certificates -- the 1937 Standard Annuity Table;

(3) for disability benefits issued in connection with life benefit certificates -- Hunter's Disability Table,

which, for active lives, shall be combined with a mortality table permitted for calculating the reserves on life insurance certificates, except that the table known as class III disability table (1926) modified to conform to the contractual waiting period, shall be used in computing reserves for disability benefits under a contract which presumes that total disability shall be considered to be permanent after a specified period;

(4) for accidental death benefits issued in connection with life benefit certificates -- the Inter-company Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life insurance certificates; and

(5) for noncancellable accident and health benefits -- the class III disability table (1926) with conference modifications or, with the consent of the director, tables based upon the society's own experience.

(h) The director may, in his discretion, accept other standards for valuation if he finds that the reserves produced thereby will not be less in the aggregate than reserves computed in accordance with the minimum valuation standard herein prescribed. The director may, in his discretion, vary the standards of mortality applicable to all certificates of insurance on substandard lives or other extrahazardous lives by any society authorized to do business in this state. Whenever the mortality experience under all certificates valued on the same mortality table is in excess of the expected mortality according to such table for a period of three consecutive years, the director may require additional reserves

when deemed necessary in his judgment on account of such certificates.

(i) Any society, with the consent of the insurance supervisory official of the state of domicile of the society and under such conditions, if any, which he may impose, may establish and maintain reserves on its certificates in excess of the reserves required hereunder, but the contractual rights of any insured member shall not be affected thereby.

Sec. 21.84.360. ANNUAL STATEMENT -- PENALTY FOR FAILURE TO FILE OR TO COMPLY. A society neglecting to file the annual statement in the form and within the time provided by this section shall forfeit $100.00 for each day during which such neglect continues, and, upon notice by the director to that effect, its authority to do business in this state shall cease while such default continues.

Sec. 21.84.370. EXAMINATION OF DOMESTIC SOCIETIES. (a) The director, or any person he may appoint, shall have the power of visitation and examination into the affairs of any domestic society and he shall make such examination at least once in every three years. He may employ assistants for the purpose of such examination, and he, or any person he may appoint, shall have free access to all books, papers and documents that relate to the business of the society.

(b) In making any such examination the director may summon and qualify as witnesses under oath and examine its officers, agents and employees or other persons in relation to the affairs, transactions and condition of the society.

(c) A summary of the report of the director and such recommendations or statements of the director as may accompany

such report, shall be read at the first meeting of the board of directors or corresponding body of the society following the receipt thereof, and if ordered to do so by the director, shall also be read at the first meeting of the supreme legislative or governing body of the society following the receipt thereof. A copy of the report, recommendations and statements of the director shall be furnished by the society to each member of such board of directors or other governing body.

(d) The expense of each examination and of each valuation, including compensation and actual expense of examiners, shall be paid by the society examined or whose certificates are valued, upon statements furnished by the director.

Sec. 21.84.380. EXAMINATION OF FOREIGN AND ALIEN SOCIETIES. The director, or any person whom he may appoint, may examine any foreign or alien society transacting or applying for admission to transact business in this state. He may employ assistants and he, or any person he may appoint, shall have free access to all books, papers and documents that relate to the business of the society. He may in his discretion accept, in lieu of such examination, the examination of the insurance department of the state, territory, district, province or country where such society is organized. The compensation and actual expenses of the examiners making any examination or general or special valuation shall be paid by the society examined or by the society whose certificate obligations have been valued, upon statements furnished by the director.

Sec. 21.84.390. NO ADVERSE PUBLICATIONS. Pending,

during or after an examination or investigation of a society, either domestic, foreign or alien, the director shall make public no financial statement, report or finding, nor shall he permit to become public any financial statement, report or finding affecting the status, standing or rights of any society, until a copy thereof shall have been served upon the society at its principal office and the society shall have been afforded a reasonable opportunity to answer any such financial statement, report or finding and to make such showing in connection therewith as it may desire.

Sec. 21.84.400. TAXATION. Every society organized or licensed under this chapter is hereby declared to be a charitable and benevolent institution, and all of its funds shall be exempt from every state, or other political subdivision, tax other than taxes on real estate and office equipment.

Sec. 21.84.410. LICENSING OF AGENTS. (a) Agents of societies shall be licensed in accordance with the provisions of secs. 410 through 450 of this chapter.

(b) Insurance agent defined: The term "insurance agent" as used in this chapter means any authorized or acknowledged agent of a society who acts as such in the solicitation, negotiation or procurement or making of a life insurance, accident and health insurance or annuity contract; except that the term "insurance agent" shall not include:

(1) any regular salaried officer or employee of a licensed society who devotes substantially all of his services to activities other than the solicitation of

fraternal insurance contracts from the public, and who receives for the solicitation of such contracts no commission or other compensation directly dependent upon the amount of business obtained; or

(2) any agent or representative of a society who devotes or intends to devote, less than 50 per cent of his time to the solicitation and procurement of insurance contracts for such society. Any person who in the preceding calendar year has solicited and procured life insurance contracts on behalf of any society in an amount of insurance in excess of $50,000.00, or, in the case of any other kind or kinds of insurance which the society might write, on the persons of more than 25 individuals and who has received or will receive a commissinn or other compensation therefor, shall be presumed to be devoting, or intending to devote, 50 per cent of his time to the solicitation or procurement of insurance contracts for such society.

Sec. 21.84.420. AGENT LICENSE REQUIRED. (a) Any person who in this state acts as insurance agent for a society without having authority so to do by virtue of a license issued and in force pursuant to the provisions of this chapter shall, except as provided in sec. 410 (b), of this chapter, shall be punishable by imprisonment for not more than six months, or a fine not to exceed $500.00, or both.

(b) No society doing business in this state shall pay any commission or other compensation to any person for any services in obtaining in this state any new contract of life, accident or health insurance, or any new annuity contract, except to a licensed insurance agent of such society and

except an agent exempted under sec. 410 (b) of this chapter.

Sec. 21.84.430. QUALIFICATIONS, APPLICATION FOR AGENT'S LICENSE. (a) The director may issue an agent's license to any person who has paid an annual license fee of $25.00 and who has complied with the requirements of this section, authorizing such licensee to act as an insurance agent on behalf of any society named in such license which is authorized to do business in this state, and who has passed an examination given by the director.

(b) Before any insurance agent's license shall be issued there shall be on file in the office of the director the following documents:

(1) a written application by the prospective licensee in such form or forms and supplements thereto, and containing such information, as the director may prescribe; and

(2) a certificate by the society which is to be named in such license, stating that such society has satisfied itself that the named applicant is trustworthy and competent to act as such insurance agent and that the society will appoint such applicant to act as its agent if the license applied for is issued by the director; such certificates shall be executed and acknowledged by an officer or managing agent of such society.

(c) The director may refuse to issue or renew any insurance agent's license if in his judgment the proposed licensee is not trustworthy and competent to act as such agent, or has given cause for revocation or suspension of such license, or has failed to comply with any prerequisite

for the issuance or renewal, as the case may be, of such license.

Sec. 21.84.440. AGENTS' LICENSES -- EXPIRATION, RENEWAL. (a) Appointment of agents. Each society on appointing an agent in Alaska shall file written notice thereof in triplicate with the director on forms as prescribed and furnished by him. If then licensed and has paid the necessary licensing fee, or as soon as licensed, the director shall mail one copy of the appointment to the agent and return one copy to the society with the third copy being retained in the director's office.

(b) Term of appointment of agent. Each such appointment shall continue in force until:

(1) the appointment shall expire on the 30th of June of each year; this appointment must be renewed by the society; or

(2) the appointment is revoked by the society by written notice of such revocation to the agent. The society shall forthwith file a duplicate copy of such notice of revocation with the director; no fee shall be charged for filing such copy.

Sec. 21.84.450. NOTICE OF TERMINATION OF AGENT APPOINTMENT. Every society shall, upon the termination of the appointment of any insurance agent licensed to represent it in this state, forthwith file with the director a statement, in such form as he may prescribe, of the facts relative to such termination and the cause thereof. Every statement made pursuant to this section shall be deemed a privileged communication.

Sec. 21.84.460. SUSPENSION, REVOCATION OF AGENT'S

LICENSE. (a) The director may revoke, or may suspend for such period as he may determine, any insurance agent's license if, after notice and hearing as specified in AS 21.27.420 he determines that the licensee has:

(1) violated any provision of, or any obligation imposed by, this chapter, or has violated any law in the course of his dealings as agent;

(2) made a material misstatement in the application for such license;

(3) been guilty of fraudulent or dishonest practices;

(4) demonstrated his incompetency or untrustworthiness to act as an insurance agent; or

(5) been guilty of rebating as defined by the laws of this state applicable to life insurers.

(b) The revocation or suspension of any agent's license shall terminate forthwith the license of such agent. No individual whose license has been revoked shall be entitled to obtain any insurance agent's license under the provisions of this chapter for a period of one year after such revocation or, if such revocation be judicially reviewed, for one year after the final determination thereof affirming the action of the director in revoking such license.

Sec. 21.84.470. MISREPRESENTATION. (a) No person shall cause or permit to be made, issued or circulated in any form:

(1) any misrepresentation or false or misleading statement concerning the terms, benefits or advantages of any fraternal insurance contract now issued or to be issued in this state, or the financial condition of any society;

(2) any false or misleading estimate or statement concerning the dividends or shares of surplus paid or to be paid by any society on any insurance contract; or

(3) any incomplete comparison of an insurance contract of one society with an insurance contract of another society or insurer for the purpose of inducing the lapse, forfeiture or surrender of any insurance contract; a comparison of insurance contracts is incomplete if it does not compare in detail:

(A) the gross rates, and the gross rates less any dividend or other reduction allowed at the date of the comparison; and

(B) any increase in cash values, and all the benefits provided by each contract for the possible duration thereof as determined by the life expectancy of the insured; or if it omits from consideration:

(C) any benefit or value provided in the contract;

(D) any differences as to amount or period of rates; or

(E) any differences in limitations or conditions or provisions which directly or indirectly affect the benefits;

(4) any pe rson who violates any provision of this section or knowingly receives any compensation or commission by or in consequence of such violation, shall upon conviction be punished by a fine not less than $100.00 nor more than $1,000.00 or by imprisonment in jail not less than 30 days nor more than 90 days, or both fine and imprisonment and shall in

addition, be liable for civil penalty in the amount of three times the sum received by such violator as compensation or commission, which penalty may be sued for and recovered by any person or society aggrieved for his or its own use and benefit in accordance with the provisions of civil practice.

(b) In any determination of the incompleteness or misleading character of any comparison or statement, it shall be presumed that the insured had no knowledge of any of the contents of the contract involved.

Sec. 21.84.480. DISCRIMINATION AND REBATES. (a) No society doing business in this state shall make or permit any unfair discrimination between insured members of the same class and equal expectation of life in the premiums charged for certificates of insurance, in the dividends or other benefits payable thereon or in any other of the terms and conditions of the contracts it makes.

(b) No society, by itself, or any other party, and no agent or solicitor, personally, or by any other party, shall offer, promise, allow, give, set off, or pay, directly or indirectly, any valuable consideration or inducement to, or for insurance, on any risk authorized to be taken by such society, which is not specified in the certificate. No member shall receive or accept, directly or indirectly, any rebate of premium, or part thereof, or agent's or solicitor's commission thereon, payable on any certificate or receive or accept any favor or advantage or share in the dividends or other benefits to accrue on, or any valuable consideration or inducement not specified in the contract of insurance.

Sec. 21.84.490. SERVICE OF PROCESS. (a) Every society

authorized to do business in this state shall appoint in writing the director and each successor in office to be its true and lawful attorney upon whom all lawful process in any action or proceeding against it shall be served, and shall agree in such writing that any lawful process against it which is served on said attorney shall be of the same legal force and validity as if served upon the society, and that the authority shall continue in force so long as any liability remains outstanding in this state. Copies of such appointment, certified by the director, shall be deemed sufficient evidence thereof and shall be admitted in evidence with the same force and effect as the original thereof might be admitted.

(b) Service shall only be made upon the director, or if absent, upon the person in charge of his office. It shall be made in duplicate and shall constitute sufficient service upon the society. When legal process against a society is served upon the director, he shall forthwith forward one of the duplicate copies by registered mail, prepaid, directed to the secretary or corresponding officer. No such service shall require a society to file its answer, pleading or defense in less than 30 days from the date of mailing the copy of the service to a society. Legal process shall not be served upon a society except in the manner herein provided. At the time of serving any process upon the director, the plaintiff or complainant in the action shall pay to the director a fee of $2.00.

Sec. 21.84.500. CONSOLIDATIONS AND MERGERS. (a) A domestic society may consolidate or merge with any other

society by complying with the provisions of this section. It shall file with the director:

(1) a certified copy of the written contract containing in full the terms and conditions of the consolidation or merger;

(2) a sworn statement by the president and secretary or corresponding officers of each society showing the financial condition thereof on a date fixed by the director but not earlier than December 31, next preceding the date of the contract;

(3) a certificate of such officers, duly verified by their respective oaths, that the consolidation or merger has been approved by a two-thirds vote of the supreme legislative or governing body of each society; and

(4) evidence that at least 60 days prior to the action of the supreme legislative or governing body of each society, the text of the contract has been furnished to all members of each society either by mail or by publication in full in the official organ of each society.

(b) The affidavit of any officer of the society or of anyone authorized by it to mail any notice or document, stating that such notice or document has been duly addressed and mailed, shall be prima facie evidence that such notice or document has been furnished the addressees.

(c) If the director finds that the contract is in conformity with the provisions of this section, that the financial statements are correct and that the consolidation or merger is just and equitable to the members of each society, he shall approve the contract and issue his

certificate to such effect. Upon such approval, the contract shall be in full force and effect unless any society which is a party to the contract is incorporated under the laws of any other state. In such event the consolidation or merger shall not become effective unless and until it has been approved as provided by the laws of such state and a certificate of such approval filed with the director or, if the laws of such state contain no such provision, then the consolidation or merger shall not become effective unless and until it has been approved by the insurance supervisory official of such state and a certificate of such approval filed with the director.

Sec. 21.84.510. CONSOLIDATIONS AND MERGERS -- EFFECT. Upon the consolidation or merger becoming effective as provided in sec. 500 of this chapter, all the rights, franchises and interests of the consolidated or merged societies in and to every species of property, real, personal or mixed, and things in action thereunto belonging shall be vested in the society resulting from or remaining after the consolidation or merger without any other instrument; except that conveyances of real property may be evidenced by proper deeds, and the title to any real estate or interest therein, vested under the laws of this state in any of the societies consolidated or merged, shall not revert or be in any way impaired by reason of the consolidation or merger, but shall vest absolutely in the society resulting from or remaining after such consolidation or merger.

Sec. 21.84.520. CONVERSION INTO MUTUAL LIFE INSURER. Any domestic fraternal benefit society may be converted and

licensed as a mutual life insurer by compliance with the applicable requirements of chapter 69 of this title, if such plan of conversion has been approved by the director. Such plan shall be prepared in writing setting forth in full the terms and conditions thereof. The board of directors shall submit the plan to the supreme legislative or governing body of such society at any regular or special meeting thereof, by giving a full, true and complete copy of the plan with the notice of such meeting. The notice shall be given as provided in the laws of the society for the convocation of a regular or special meeting of such body, as the case may be. The affirmative vote of two—thirds of all members of such body shall be necessary for the approval of the agreement. No such conversion shall take effect unless and until approved by the director, who may give such approval if he finds that the proposed change is in conformity with the requirements of law and not prejudicial to the certificate holders of the society.

Sec. 21.84.530. INJUNCTION -- LIQUIDATION -- RECEIVERSHIP OF DOMESTIC SOCIETY. (a) When the director upon investigation finds that a domestic society:

(1) has exceeded its powers;

(2) has failed to comply with any provision of this chapter;

(3) is not fulfilling its contracts in good faith;

(4) has a membership of less than 400 after an existence of one year or more; or

(5) is conducting business fraudulently or in a manner hazardous to its members, creditors, the public or the

business; he shall notify the society of his findings, state in writing the reasons for his dissatisfaction, and require the society to show cause on a date named why it should not be enjoined from carrying on any business until the violation complained of shall have been corrected, or why an action in quo warranto should not be commenced against the society.

(b) If on such date the society does not present good and sufficient reasons why it should not be so enjoined or why such action should not be commenced, the director may present the facts relating thereto to the attorney general who shall, if he deems the circumstances warrant, commence an action to enjoin the society from transacting business or in quo warranto. The court shall thereupon notify the officers of the society of a hearing. If after a full hearing it appears that the society should be so enjoined or liquidated or a receiver appointed, the court shall enter the necessary order.

(c) No society so enjoined shall have the authority to do business until:

(1) the director finds that the violation complained of has been corrected;

(2) the costs of such action have been paid by the society if the court finds that the society was in default as charged;

(3) the court has dissolved its injunction; and

(4) the director has reinstated the society's license.

(d) If the court orders the society liquidated, it shall be enjoined from carrying on any further business, whereupon

the receiver of the society shall proceed at once to take possession of the books, papers, money and other assets of the society and, under the direction of the court, proceed forthwith to close the affairs of the society and to distribute its funds to those entitled thereto.

(e) No action under this section shall be recognized in any court of this state unless brought by the attorney general upon request of the director. Whenever a receiver is to be appointed for a domestic society, the court shall appoint the director as such receiver.

(f) The provisions of this section relating to hearing by the director, action by the attorney general at the request of the director, hearing by the court, injunction and receivership shall be applicable to a society which voluntarily determines to discontinue business.

Sec. 21.84.540. INJUNCTION. No application or petition for injunction against any domestic, foreign or alien society, or branch thereof, shall be recognized in any court of this state unless made by the attorney general upon request of the director.

Sec. 21.84.550. REVIEW. All decisions and findings of the director made under the provisions of this chapter shall be subject to review by the court in accordance with the provisions of AS 21.06.240.

Sec. 21.84.560. FRATERNAL BENEFIT SOCIETIES DEFINED. (a) Any incorporated society, order or supreme lodge, without capital stock, including one exempted under the provisions of sec. 20 (b) of this chapter whether incorporated or not, conducted solely for the benefit of its members and their

beneficiaries and not for profit, operated on a lodge system with ritualistic form of work, having a representative form of government, and which makes provision for the payment of benefits in accordance with this chapter, is hereby declared to be a fraternal benefit society.

(b) When used in this chapter the word "society," unless otherwise indicated, means fraternal benefit society.

Sec. 21.84.570. LODGE SYSTEM DEFINED. A society having a supreme legislative or governing body and subordinate lodges or branches by whatever name known, into which members are elected, initiated or admitted in accordance with its constitution, laws, ritual and rules, which subordinate lodges or branches are required by the laws of the society to hold regular meetings at least once in each month, shall be deemed to be operating on the lodge system.

Sec. 21.84.580. REPRESENTATIVE FORM OF GOVERNMENT DEFINED. A society shall be deemed to have a representative form of government when:

(1) it provides in its constitution or laws for a supreme legislative or governing body, composed of representatives elected either by the members or by delegates elected directly or indirectly by the members, together with such other members of such body as may be prescribed by the society's constitution and laws;

(2) the representatives elected constitute a majority in number and have not less than two-thirds of the votes nor less than the votes required to amend its constitution and laws;

(3) the meetings of the supreme legislative or

governing body and the election of officers, representatives or delegates are held as often as once in four calendar years;

(4) the society has a board of directors charged with the responsibility for managing its affairs in the interim between meetings of its supreme legislative or governing body, subject to control by such body and having powers and duties delegated to it in the constitution or laws of the society;

(5) such board of directors is elected by the supreme legislative or governing body, except in case of filling a vacancy in the interim between meetings of such body;

(6) the officers are elected either by the supreme legislative or governing body or by the board of directors; and

(7) the members, officers, representatives or delegates shall not vote by proxy.

Sec. 21.84.590. OTHER PROVISIONS APPLICABLE. In addition to the provisions contained in this chapter, other chapters and provisions of this title shall apply to fraternal benefit societies, to the extent applicable and not in conflict with the express provisions of this chapter and the reasonable implications thereof, as follows:

(1) AS 21.03. (scope of code).

(2) AS 21.06 (the director of insurance), with the exception of AS 21.06.250 (fees and licenses).

(3) The following sections of AS 21.09 (authorization of insurers and general requirements):

(A) AS 21.09.050 (name of insurer).

(B) AS 21.09.100 (management and affiliations).

(4) AS 21.33.010 (representing or aiding unauthorized insurer prohibited).

(5) AS 21.36 (trade practices and frauds).

(6) AS 21.42.290 (minor may give acquittance).

(7) AS 21.69.370 (prohibited pecuniary interest of officials).

(8) AS 21.69.640 (extinguishment of unused corporate charters).

(9) AS 21.78 (rehabilitations and liquidations).

CHAPTER 87. HOSPITAL AND MEDICAL SERVICE CORPORATIONS

Sec. 21.87.010. SCOPE OF CHAPTER. (a) This chapter shall apply to every individual, person, firm, corporation, association, or organization of any kind hereafter engaging or purporting to engage in the provision of all or part of any health care service, as hereinafter defined, for its subscribers in exchange for periodic prepayments in identifiable amount by or as to such subscribers.

(b) This chapter does not apply as to:

(1) insurers of fraternal benefit societies authorized to transact the kind of insurance involved pursuant to other chapters of this title;

(2) fraternal and other organizations exempted from the provisions of chapter 24 of this title;

(3) health care services provided by an employer to his employees and their dependents, with or without contribution to the costs thereof by such employees, through health care service facilities owned, employed, or controlled by the

employers;

(4) infrequent instances of prepayment by or for the patient direct to the physician or hospital for specific services thereafter rendered to such patient by such physician or hospital.

Sec. 21.87.020. PURPOSE AND INTERPRETATION. (a) It is the purpose of this chapter to regulate in the public interest the formation and operation of prepaid health care service organizations, in order that such services may be made available upon a basis of fair and equitable contracts through state-licensed nonprofit organizations meeting reasonable standards as to administration, reserves, and financial soundness.

(b) The provisions of this chapter shall be liberally interpreted to effectuate the purpose hereinabove declared.

Sec. 21.87.030. PROVISIONS EXCLUSIVE. No provision of this title shall apply to any such health care service corporation unless contained or referred to in this chapter.

Sec. 21.87.040. INCORPORATION -- CERTIFICATE OF AUTHORITY REQUIRED. No person otherwise subject to this chapter shall engage or purport to engage in the provision of any part or all of any health care service for its subscribers in exchange for periodic prepayments in identifiable amount unless it is a service corporation heretofore or hereafter incorporated under the laws of Alaska, and currently authorized as such a service corporation under a certificate of authority issued by the director pursuant to the provisions of this chapter.

Sec. 21.87.050. INCORPORATION -- LAWS APPLICABLE -- APPROVAL OF ARTICLES OF INCORPORATION -- AMENDMENT. (a) A

service corporation shall be formed as a nonprofit, nonstock medical service corporation, or hospital service corporation, or a combination medical and hospital service corporation, consistent with the applicable requirements of this chapter under the statutes of Alaska governing the formation of nonprofit, nonstock corporations in general.

(b) Before the articles of incorporation of any such proposed corporation hereafter formed are filed with the commissioner of commerce, they shall be submitted to the director, and the commissioner of commerce shall not file the articles unless the director's approval is endorsed thereon. The director shall so approve the articles unless he finds that they do not comply with law. If not so approved the director shall return the proposed articles of incorporation to the incorporators together with his written statement of the particulars of the reasons for nonapproval.

(c) No amendment of the articles of incorporation of any service corporation shall be filed with the commissioner of commerce unless it is first submitted to and approved by the director, and bears the director's approval endorsed thereon. The director shall so approve the amendment unless he finds that it was not lawfully adopted or that the articles of incorporation as so amended would be unlawful. If not so approved, the director shall return the proposed amendment to the corporation together with his written statement of the particulars of the reasons for nonapproval.

Sec. 21.87.060. NAME OF CORPORATION. No service corporation shall have or use a corporate or business name which includes the words "insurance", "casualty", "surety", "health

and accident", "mutual", or other terms descriptive of an insurer or insurance business. No service corporation shall have or use a name so similar to that of any other corporation transacting business in this state when such service corporation was formed as would tend to confuse or mislead the public.

Sec. 21.87.070. QUALIFICATIONS FOR CERTIFICATE OF AUTHORITY. The director shall not issue or permit to exist a certificate of authority to be or act as a service corporation, as to any corporation not fulfilling the following qualifications:

(1) must be incorporated as provided in sec. 50 of this chapter, as either a medical service corporation, or as a hospital service corporation, or as a combined medical and hospital service corporation;

(2) must intend to and actually conduct its business in good faith as a nonprofit corporation;

(3) if a hospital service corporation it must have in force at all times while so authorized, service agreements with participant hospitals located in the areas of the subscribers' residences, convenient as to location and sufficient as to capacity and facilities reasonably to furnish the hospital services provided or proposed to be provided by the corporation to its subscribers;

(4) if a medical service corporation, it must have in force service agreements with participant physicians located in the areas of the subscribers' residences convenient as to location and sufficient in numbers and facilities reasonably to furnish the medical and surgical services provided or proposed to be provided by the corporation to its

subscribers;

(5) if a newly formed corporation, it must possess sufficient available working funds to pay all reasonably anticipated cost of acquisition of new business and operating expenses, other than payment for hospital or medical services, for a period of not less than the six months next following the date of issuance of the certificate of authority, if issued, or $100,000.00, whichever amount is greater;

(6) must fulfill all other applicable requirements of this chapter.

Sec. 21.87.080. APPLICATION FOR CERTIFICATE OF AUTHORITY. (a) Application for a certificate of authority to transact business as a service corporation shall be made to the director, on forms as prepared and furnished by the director and requiring such information relative to the applicant, its directors, officers, and affairs as the director may reasonably require consistent with this chapter.

(b) The application shall be accompanied by such of the following documents as may not already be on file with the director:

(1) one copy of the applicant's articles of incorporation and of all amendments thereto, certified by the commissioner of commerce;

(2) one copy of the applicant's bylaws, certified by its corporate secretary;

(3) if a medical service corporation, a copy of each form of service agreement entered into or proposed to be entered into with participant physicians, together with a list showing the name, residence and office addresses, and date of

execution of the service agreement by each such physician;

(4) if a hospital service corporation, a copy of each service agreement entered into with participant hospitals certified by the applicant's corporate secretary;

(5) a copy of each form of subscribers's contract proposed to be offered;

(6) a schedule of the rates proposed to be charged subscribers;

(7) a financial statement of the applicant as of a date not more than 30 days before the filing of the application, showing among other things the amount of working funds available to the applicant, the source of such funds, and accompanied by a copy of the agreement under which any such funds were contributed to or provided for the applicant; and

(8) a copy of any other relevant document reasonably requested by the director.

(c) At time of filing the application the applicant shall pay to the director the application fee and the fee for issuance of the certificate of authority as specified in sec. 320, (fee schedule) of this chapter.

Sec. 21.87.090. ISSUANCE OR REFUSAL OF CERTIFICATE OF AUTHORITY. (a) If after the application for certificate of authority is completed the director finds that the applicant is fully qualified for a certificate of authority in accordance with the provisions of this chapter, and that the service agreements, subscriber's contracts, schedule of rates are in compliance with the applicable provisions of this chapter, he shall issue to the applicant a certificate of authority as a medical service corporation or as a hospital service

corporation, or as a combined medical and hospital service corporation, as the case may be.

(b) If the director does not so find, he shall refuse to issue a certificate of authority and shall give the applicant written notice thereof setting forth the particulars of the reasons for such refusal, accompanied by return of the fee theretofore tendered for issuance of the certificate of authority.

(c) The director shall either issue or refuse to issue the certificate of authority within a reasonable time after the filing and completion of application therefor.

Sec. 21.87.100. CONTINUANCE OR EXPIRATION OF CERTIFICATE OF AUTHORITY. (a) A certificate of authority issued to a service corporation shall continue in force as long as the corporation is entitled thereto under this chapter, and until suspended or revoked by the director or terminated at the request of the corporation; subject, however, to continuance of the certificate by the copporation each year by:

(1) payment prior to June 30 of the continuation fee provided in sec. 320 (fee schedule) of this chapter; and

(2) due filing by the insurer of its annual statement for the calendar year preceding as required under sec. 240 of this chapter.

(b) If not so continued by the service corporation, its certificate of authority shall expire as at midnight on the June 30 next following such failure of the insurer to continue it in force. The director shall promptly notify the insurer of the occurrence of any failure resulting in impending expiration of its certificate of authority.

Sec. 21.87.110. SUSPENSION OR REVOCATION OF CERTIFICATE OF AUTHORITY. (a) The director shall suspend or revoke the certificate of authority of any service corporation which he finds, after a hearing thereon, is no longer qualified therefor under the provisions of this chapter.

(b) The director may, in his discretion, after a hearing thereon suspend or revoke the certificate of authority for any violation by the service corporation of any provision of this chapter for which mandatory suspension or revocation is not required under (a) of this section, or on any applicable ground set forth in AS 21.09.140 and 21.09.150 (suspension, revocation of certificate of authority, discretionary and special grounds).

(c) No service corporation shall, while its certificate of authority is suspended or revoked, transact any business as a service corporation other than that necessary and incidental to the discharge of its contracts and agreements outstanding on the day such suspension or revocation became effective. The corporation shall not, after the revocation of its certificate of authority solicit or issue any new subscriber's contracts.

Sec. 21.87.120. SERVICES AND BENEFITS WHICH MAY BE PROVIDED -- MEDICAL SERVICE CORPORATIONS. (a) A medical service corporation shall have the right to provide to its subscribers part or all of the following services and benefits only:

(1) medical and surgical services furnished to the subscriber by participant physicians;

(2) indemnity in reasonable amount with respect to medical and surgical services furnished to the subscriber by

nonparticipant physicians, but subject to sec. 70 (4) (qualifications for authority) of this chapter;

(3) indemnity in reasonable amount with respect to hospital services furnished the subscriber while under the care and treatment of a participant physician or under the care and treatment of another physician upon referral by a participant physician; and

(4) indemnity in reasonable amount with respect to appliances, prosthetics, and similar devices and replacements, and ambulance, x-ray, physiotherapy, and similar services.

(b) This section shall not be deemed to prohibit such a corporation from acting as compensated servicing agent as to health care services to be provided by any public agency, or under agreements between other parties not solicited by such corporation.

Sec. 21.87.130. SERVICES AND BENEFITS WHICH MAY BE PROVIDED -- HOSPITAL SERVICE CORPORATIONS. (a) A hospital service corporation shall have the right to provide to its subscribers part or all of the following services and benefits only:

(1) hospital services furnished to the subscriber by participant hospitals;

(2) indemnity in reasonable amount with respect to hospital services furnished to the subscriber by nonparticipant hospitals, but subject to sec. 70 (3) (qualifications for authority) of this chapter; and

(3) indemnity in reasonable amount for other health care services, as defined in sec.330 (1) of this

chapter, but in no event shall such indemnity benefits be provided of a value in excess of 75 per cent of the premium charged for hospital service and hospital indemnity benefits.

(b) This section shall not be deemed to prohibit such a corporation from acting as compensated servicing agent as to health care services to be provided by any public agency, or under agreements between other parties not solicited by such corporation.

Sec. 21.87.140. MEDICAL SERVICE AGREEMENTS. (a) A medical service corporation shall enter into service agreements with only physicians duly licensed by the State of Alaska.

(b) Each such service agreement shall require the participant physicians to furnish to subscribers of the service corporation the medical and/or surgical services which are, under the subscriber's contract, to be furnished by participant physicians; and this obligation so to furnish such service, as provided for in the subscriber's contract, shall be a direct obligation of the participant physicians to the subscribers as well as to the service corporation.

(c) Each such service agreement shall further effectively provide in substance that:

(1) the participant physician shall be compensated for services rendered to a subscriber in accordance with a schedule of fees contained in the agreement or attached to and made a part of the agreement, and that the physician shall not request or receive from the service corporation any compensation for such services which is not in accord with such schedule;

(2) compensation for services may be prorated

and settled under the circumstances and in the manner referred to in sec. 300 of this chapter;

(3) if the participant physician withdraws from the agreement, such withdrawal shall not be effective as to any subscriber's contract in force on the date of such withdrawal until the termination of such subscriber's contract or the next following anniversary of such subscriber's contract, whichever date is the earlier.

(d) The proposed form of any such service agreement shall be filed with the director and be subject to his approval, as provided in sec. 180 of this chapter.

Sec. 21.87.150. HOSPITAL SERVICE AGREEMENTS. (a) A hospital service corporation shall enter into service agreements with only hospitals duly approved or licensed by the State of Alaska.

(b) Each such service agreement shall require the participant hospital to furnish to subscribers of the service corporation the hospital services which are, under the subscriber's contract, to be furnished by participant hospitals; and this obligation so to furnish such service, as provided for in the subscriber's contract, shall be a direct obligation of the participant hospitals to the subscribers as well as to the service corporation.

(c) Each such service agreement shall further effectively in substance provide that:

(1) the participant hospital shall be compensated for services rendered to a subscriber in accordance with a schedule of charges contained in the agreement or attached to and made a part of the agreement, and that the hospital

shall not request or receive from the service corporation any compensation for such services which is not in accord with such schedule;

(2) compensation for services may be prorated and settled under the circumstances and in the manner referred to in sec. 300 of this chapter;

(3) if the participant hospital withdraws from the agreement, such withdrawal shall not be effective as to any subscriber's contract in force on the date of such withdrawal until the termination of the subscriber's contract or the next following anniversary of the subscriber's contract, whichever date is the earlier.

(d) The service corporation shall terminate the service agreement as to a particular participant hospital, in addition to other bases of termination provided for in the agreement, if it is determined that the hospital has knowingly charged or attempted to charge the service corporation for any service not actually rendered, or has knowingly violated any material provision of the service agreement.

(e) The proposed form of any such service agreement and of any standard riders and endorsements thereto shall be filed with the director and be subject to his approval, as provided in sec. 180 of this chapter.

Sec. 21.87.160. SUBSCRIBER'S CONTRACTS. (a) Each subscriber's contract hereafter issued by a service corporation shall constitute a direct obligation of the participant physicians and/or participant hospitals of such service corporation to render the medical or hospital services, as the case may be, as agreed to be rendered by such participants

in the subscriber's contract.

(b) Each such subscriber's contract or certificate shall in adequate detail set forth provisions from which can be readily determined;

(1) the services to which the subscriber is entitled from participant physicians and/or participant hospitals, as the case may be;

(2) the benefits, if any, to which the subscriber is entitled on an indemnity basis, consistent with secs. 120 and 130 of this chapter, and with this chapter;

(3) the periodic subscription charge, rate or fee payable by or as to the subscriber; or, if not so expressed and such charge, rate or fee is subject to change, the subscriber's contract shall require that not less than 30 days' written notice of the new charge, rate or fee shall be given to the subscriber and/or his remitting agent before the change is effective;

(4) the date when the respective services and benefits become available to the subscriber, date of expiration of the contract, and the terms, if any, under which the contract may be continued or renewed;

(5) all other terms and conditions of the agreement between the parties consistent with the provisions of this chapter; and

(6) that the subscriber's contract and riders and endorsements thereon or thereto, together with application therefor, if any, signed by the subscriber, and identification issued to the subscriber, shall constitute the entire contract between the parties.

(c) No such contract shall restrict the subscriber's right to free choice of physician or hospital, but shall restrict benefits to be provided on a service basis to services rendered by participant physicians and participant hospitals.

(d) All exceptions and exclusions in the contract shall be printed and otherwise set forth as prominently as the services or benefits to which they apply.

(e) No provision in this title shall be construed to prohibit a service corporation from issuing contracts to groups of persons under a master contract. In this event, however, each subscriber covered under the master contract shall be issued an individual certificate which shall set forth in adequate detail the provisions itemized in (b) of this section.

(f) All proposed forms of subscriber's contracts shall be filed with the director and be subject to his approval, as provided in sec. 180 of this chapter.

Sec. 21.87.170. SERVICE AGREEMENTS AND SUBSCRIBER'S CONTRACTS MUST PROVIDE SUBSTANTIAL SERVICE BENEFITS. (a) Every service agreement and subscriber's contract entered into or issued by a service corporation shall provide for health care services of a substantial and broad character to be rendered to subscribers on a service basis by participant physicians or participant hospitals.

(b) The director may, after a hearing thereon, by rules and regulations establish certain minimums of service benefits to be so provided consistent with (a) of this section.

Sec. 21.87.180. FILING AND APPROVAL OF AGREEMENTS AND

CONTRACTS. (a) No service corporation shall issue or use any basic form of service agreement or subscriber's contract, or application, identification, supplement, or endorsement to be connected with any such agreement or contract, until such form has been filed with the director and approved by him. This provision shall not apply to agreements, contract, applications, identification, supplements, endorsements or other forms of unique character designed for and used with relation to a particular set of circumstances.

(b) The director shall approve any such form unless disapproved by him on one or more of the grounds set forth in (c) of this section. If not so approved or disapproved by order transmitted to the filing service corporation within 30 days after the date filed, the form shall be deemed to have been approved.

(c) The director shall disapprove any proposed form referred to in (a) of this section, which:

(1) is in any respect not in compliance with or in violation of law; or

(2) contains any inconsistent, ambiguous, or misleading clauses, or exceptions and conditions which deceptively affect the services or benefits purported to be provided for in the general terms of the agreement or contract; or

(3) has any indication of its provisions which is misleading; or

(4) is printed or otherwise reproduced in such manner as to render any provision of the form substantially illegible.

(d) In any order of disapproval the director shall state the particulars of the grounds for disapproval.

Sec. 21.87.190. CHARGES AND RATES. (a) Subscription rates, fees, and payments to be charged by a service corporation to or on account of its subscribers shall not be excessive, inadequate, or unfairly discriminatory; and rates of payments to be made to participant physicians and participant hospitals for services rendered under a subscriber's contract, shall be fair and reasonable.

(b) The service corporation shall, before use, file with the director a schedule of subscription rates, fees, or payments of any kind to be charged subscribers; and shall likewise so file before use every proposed change or modification in such rates, fees, or payments.

(c) If the subscriber's contracts to be issued by the service corporation provide for indemnity benefits, where permitted under this chapter, the service corporation shall include in the rate, fee, or payment required of the subscriber an adequate additional charge for such indemnity benefit, and shall separately set forth the amount of such additional charge in the schedule filed with the director.

Sec. 21.87.200. RESERVES. (a) In addition to the surplus fund provided for in sec. 210 of this chapter, every service corporation shall establish and maintain unimpaired reserves as follows:

(1) due obligations: a reserve in an amount not less than all legal obligations of the corporation, other than claims originating under subscriber's contracts, due but unpaid;

(2) incurred losses: a reserve equal to not less than the amount necessary by reasonable estimate to pay all claims incurred under subscriber's contracts but currently unpaid, and including a reasonable additional amount to cover claims incurred but not reported to the corporation at the time of determination of the corporation's financial condition; but subject, as to amounts payable to participant physicians or participant hospitals, to the right of the service corporation to prorate such amounts in accordance with the provisions of the service agreement;

(3) unearned indemnity charges: a reserve equal to 50 per cent of all sums charged and received by the corporation during the calendar period covered by the financial statement, on account of indemnity benefits provided in subscriber's contracts for terms for which premium was last paid and unexpired at the date of the financial statement;

(4) deferred service benefits: a reserve in an amount reasonably adequate to offset the additional cost thereafter to be incurred on account of deferred maternity benefits and similar deferred service benefits, such reserve to be set aside out of charges currently received on account of subscriber's contracts providing for such deferred benefits.

(b) The reserves required under (a) of this section, shall constitute a liability of the corporation in any determination of its financial condition.

Sec. 21.87.210. SURPLUS FUND. (a) Every service corporation shall set aside into a "surplus fund" an amount

of money equal to not less than two per cent of all sums hereafter received by it on account of subscriber's contracts, until such surplus fund amounts to not less than $50,000.00 if a medical service corporation or hospital service corporation, or $100,000.00 if a combination medical-hospital service corporation.

(b) After such minimum surplus fund is established the service corporation may in like manner increase it to an amount not to exceed the total gross collections from subscribers during the seven months next preceding.

(c) That portion of the surplus fund referred to in (a) of this section, may be used by the service corporation, by express appropriation therefrom by action of its board of directors, solely if necessary to pay the additional health care costs and expenses under its contracts, resulting from disease, epidemic or catastrophic occurrences in which numerous persons were injured in the same such occurrence.

(d) If at any time depleted below the minimum amount required under (a) of this section, the service corporation shall replenish the fund by a resumption or continuance of allocations thereto from subscribers' payments, as provided for original accumulation of the fund under (a) of this section, or by such other reasonable means as may be approved by the director.

Sec. 21.87.220. INVESTMENTS. (a) A service corporation shall invest and have invested its funds in the following investments only:

(1) cash on deposit or in savings accounts in banks or trust companies in this state;

(2) deposits in or shares of such savings and loan associations as are insured by an instrumentality of the United States government, and not in excess of the amount of such insurance in any one such institution;

(3) public obligations, as provided under AS 21.21 (public obligations);

(4) corporate obligations, as provided under AS 21.21 (corporate obligations); and

(5) real estate for use as a home office, at a cost not exceeding 10 per cent of the corporation's assets at the time of investment, unless a larger amount has been approved by the director.

(b) The following sections shall likewise apply as to the investments of service corporations, to the extent so applicable, and for the purposes of such application a service corporation shall be deemed to be an "insurer":

(1) AS 21.21.020 (eligible investments);

(2) AS 21.21.030 (general qualifications);

(3) AS 21.21.040 (authorization of investments);

(4) AS 21.21.050 (diversification of investments -- one person);

(5) AS 21.21.290 (time limit for disposal of real estate); and

(6) AS 21.21.300 (disposal of ineligible property and securities).

Sec. 21.87.230. RECORDS AND ACCOUNTS. (a) Every service corporation shall establish and maintain complete and accurate records and accounts covering its transactions and affairs, in accordance with common and accepted principles and practices

of insurance accounting and record keeping as applied to the business of the corporation.

(b) Among other records, the corporation shall establish a separate record of each claim received for benefits under a subscriber's contract, whether such claim is for service or for indemnity. Such claim record shall contain such information as is reasonably necessary for determination of:

(1) the identify of the claimant;

(2) the nature of the claim;

(3) the probable amount to be paid by the corporation on account of the claim; and

(4) amounts actually paid by the corporation on account of the claim.

Sec. 21.87.240. ANNUAL STATEMENT. (a) Each service corporation shall annually before March 2nd file with the director a statement of its financial condition as at the December 31 next preceding. The statement shall be in form, and provide for such information relative to the corporation's affairs, as the director shall prescribe consistent with this chapter. The statement shall be verified under oath by at least two of the corporation's principal administrative officers.

(b) At time of filing the statement, the corporation shall pay the fee therefor as specified in sec. 320 (fee schedule) of this chapter.

Sec. 21.87.250. EXAMINATION. Every service corporation shall be subject to examination by the director, with the same rights and powers and in the same manner as is provided in this title for the examination of insurers; and for the

purposes thereof the following sections of this title shall, to the extent so applicable, apply as to such a corporation, which, for the purpose of such application shall be deemed to be an "insurer":

(1) AS 21.06.120 (examination of insurers);

(2) AS 21.06.130 (examination of agents, managers, adjusters, promoters);

(3) AS 21.06.140 (place of examination);

(4) AS 21.06.140 (conduct of examination -- access to records -- correction of accounts -- removal of records);

(5) AS 21.06.140 (examination -- appraisal of assets);

(6) AS 21.06.150 (examination report);

(7) AS 21.06.160 (examination expense);

(8) AS 21.06.170 (witnesses and evidence); and

(9) AS 21.06.180 (testimony compelled -- immunity from prosecution).

Sec. 21.87.260. TAXATION. Every hospital and medical service corporation doing business under the provisions of this chapter, shall be taxed at the same rate and in accordance with the provisions of AS 21.09.210.

Sec. 21.87.270. JOINT OPERATIONS. (a) A hospital service corporation and a medical service corporation may operate under joint management for the purpose of reducing operating costs.

(b) Separate records and accounts shall be kept for each such corporation, and the funds and assets of one shall not be commingled with those of the other; except that funds received from a joint billing to subscribers may be deposited

in a common bank account for purposes of collection, if the records of each corporation at all times show the amount of such funds belonging to each and if final distribution of the funds is made to each corporation within 30 days from receipt of payment of such joint billing.

Sec. 21.87.280. COMBINED CORPORATION. (a) A service corporation may be formed as, or may by suitable amendment of its articles of incorporation become, a combined medical service and hospital service corporation. As to its medical services each such combined service corporation shall fully comply with those provisions of this chapter expecially applicable as to medical service corporations; and as to its hospital services the corporation shall fully comply with those provisions of this chapter especially applicable as to hospital service corporations.

(b) Subject to (a) of this section, nothing in this chapter shall be deemed to prohibit such a combined service corporation from issuing subscriber's contracts providing for both medical services and hospital services.

Sec. 21.87.290. CONTRACTS COVERING WORKMEN'S COMPENSATION RISKS. No service corporation shall issue any subscriber's contract covering, or otherwise insure, any industrial injury or illness with respect to which health care service or indemnity benefits are provided by either federal or state law, or covered under the provisions of the Alaska Workmen's Compensation Act.

Sec. 21.87.300. ANNUAL ADJUSTMENT OF SERVICE PAYMENTS -- DISPOSITION OF EXCESS FUNDS. (a) Before March 2 every service corporation shall make a special accounting, at

which time any prorated settlements for any bills submitted by participant physicians or hospitals for services rendered during the preceding calendar year shall be adjusted, and any deficits thereon made up on a uniform basis as to all such participants to the extent of funds available therefor.

(b) Any funds of the service corporation remaining after such annual accounting, and after adequate provision for all its liabilities and reserves, and for the surplus fund required under sec. 210 of this chapter, may be used by the corporation, upon express authorization by its board of directors, for any of the following purposes:

(1) to liquidate on a uniform and prorata basis any charges for services by participant physicians or participant hospitals not paid in full upon the settlement of bills in previous years;

(2) to pay off any part or the whole of any outstanding contribution of working capital to the corporation, any such payment to be prorated on a uniform basis among all such outstanding contributions; or

(3) to reduce the rates thereafter to be charged subscribers, or to expand the services or benefits thereafter to be provided under subscription contracts.

Sec. 21.87.310. FIDELITY BOND. Every service corporation shall procure and maintain in force a fidelity bond or bonds, with authorized corporate surety, covering every officer or employee entrusted with the handling of its funds, in such amount, but not less than $5,000.00, as may be fixed by its board of directors.

Sec. 21.87.320. FEE AND LICENSES. (a) Every service

corporation shall pay to the Director fees in advance as follows:

(1) for filing application for initial certificate of authority by newly formed corporation, or after expiration or revocation of previous certificate of authority. . $50.00

(2) issuance of initial certificate of authority, or each annual continuation or renewal thereof. . . . $15.00

(3) filing and certifying articles of incorporation $10.00

(4) filing and certifying amendments to articles of incorporation $10.00

(5) filing bylaws and amendments thereto . $10.00

(6) filing annual statement of financial condition 5.00

(7) for affixing seal and certifying documents other than the certificate hereinabove provided for. . 1.00

(b) The director shall promptly deposit with the commissioner of revenue to the credit of the general fund of this state all fees received by him under this section.

Sec. 21.87.330. DEFINITIONS. For the purposes of this chapter:

(1) "health care service" means any service rendered to an individual for diagnosis, relief, or treatment of any injury, ailment or bodily condition;

(2) "service corporation" means a corporation providing all or part of one or more health care services for subscribers thereto in exchange for periodic prepayments in identifiable amount by or as to such subscribers;

(3) a "medical service corporation" is one so

providing principally medical and/or surgical services;

(4) a "hospital service corporation" is one so providing principally hospital services;

(5) "service agreement" is a contract between a service corporation and a physician or hospital under which the physician or hospital agrees to render all or part of one or more health care services to subscribers of the service corporation:

(6) "subscriber's contract" is that between the service corporation and its subscriber under which all or part of one or more health care services is to be rendered to or on behalf of the subscriber by a physician or hospital that has entered into a service agreement with such corporation covering such services;

(7) "participant hospital" is one which has entered into a service agreement with a service corporation;

(8) "participant physician" is one who has entered into a service agreement with a service corporation; and

(9) "physician" includes also "surgeon".

Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addition to those contained or referred to heretofore in this chapter, the following chapters and provisions of this title shall also apply with respect to service corporations to the extent applicable and not in conflict with the express provisions of this chapter and the reasonable implications of such express provisions, and for the purposes of such application such corporations shall be deemed to be mutual "insurers":

(1) AS 21.03 (scope of code);

(2) AS 21.06 (the director of insurance);

(3) AS 21.09 (general eligibility for certificate of authority -- competence, affiliations of management);

(4) AS 21.18.010 (allowable assets);

(5) AS 21.18.030 (assets not allowed);

(6) AS 21.18.040 (disallowance of "wash" transactions);

(7) AS 21.18.130 (valuation of bonds);

(8) AS 21.21.320 (prohibited investments and investment underwriting);

(9) AS 21.36 (trade practices and frauds);

(10) AS 21.69.400 (vouchers for expenditures);

(11) AS 21.69.520 (borrowed surplus);

(12) AS 21.69.600 (mergers and consolidations, mutual insurers), AS 21.69.620 (bulk reinsurance, mutual insurers), and AS 21.69.630 (mutual member's share of assets on liquidation);

(13) AS 21.76 (rehabilitation and liquidation); and

(14) AS 21.90 (general provisions).

CHAPTER 90. GENERAL PROVISIONS

Sec. 21.90.010. PARTICULAR PROVISIONS PREVAIL. Provisions of this title relative to a particular kind of insurance or a particular type of insurer or to a particular matter shall prevail over provisions relating to insurance in general or insurers in general of to such matter in general.

Sec. 21.90.020. EXEMPTED ORGANIZATIONS, ACTIVITIES. This title shall not apply to health service corporations, to the extent that the existence and operations of such

corporations are authorized by AS 21.87 and related sections of the Alaska Statutes.

Sec. 21.90.030. GENERAL PENALTY. Any person who violates any provision of this title, or a regulation issued pursuant to it, with respect to which violation a greater penalty is not provided by other applicable laws of this state, upon conviction, is, in addition to any administrative penalty otherwise applicable thereto, punishable by a fine of not less than $50.00 nor more than $1,000.00, or by imprisonment for not less than 30 days nor more than 90 days, or by both.

Sec. 21.90.040. INSURANCE DEFINED. "Insurance" is a contract whereby one undertakes to indemnify another or pay or provide a specified or determinable amount or benefit upon determinable contingencies.

Sec. 21.90.050. INSURER DEFINED. "Insurer" includes every person engaged as indemnitor, surety, or contractor in the business of entering into contracts of insurance.

Sec. 21.90.060. PERSON DEFINED. "Person" includes an individual, insurer, company, association, organization, Lloyd's society, reciprocal or interinsurance exchange, partnership, syndicate, business trust, corporation, and any other legal entity.

Sec. 21.90.070. COMMISSIONER, DEPARTMENT DEFINED. Unless the context requires otherwise,

(1) "commissioner" means the commissioner of the Department of Commerce;

(2) "director" means the director of the division of insurance;

(3) "division" means the division of insurance,

Department of Commerce.

Sec. 21.90.080. DOMESTIC, FOREIGN, ALIEN INSURER AND STATE DEFINED. (a) A "domestic" insurer is one formed under the laws of this state.

(b) A "foreign" insurer is one formed under the laws of any jurisdiction other than this state.

(c) An "alien" insurer is one formed under the laws of any country other than the United States of America, its states, districts, territories, and commonwealths.

(d) Except when distinguished by context, "foreign" insurer includes also an "alien" insurer.

(e) When used as to jurisdiction, "state" means a state, District of Columbia, territory, commonwealth, or possession of the United States of America.

Sec. 21.90.090. AUTHORIZED, UNAUTHORIZED INSURER DEFINED. (a) An "authorized" insurer is one authorized by subsisting certificate of authority issued by the director to transact insurance in this state.

(b) An "unauthorized" insurer is one not so authorized.

Sec. 21.90.100. TRANSACTING INSURANCE DEFINED. "Transact" with respect to insurance includes any of the following:

(1) solicitation and inducement;

(2) preliminary negotiations;

(3) effectuation of a contract of insurance;

(4) transaction of matters subsequent to effectuation of the contract of insurance and arising out of it.

Sec. 21.90.110. COURT DEFINED. "Court" means the superior court of Alaska.

* Sec. 2. AS 21.05 -- 21.30 are repealed.

* Sec. 3. This Act takes effect on July 1, 1964.

Sec. 21.90.120. SHORT TITLE. This Act may be cited as the Alaska Insurance Code.