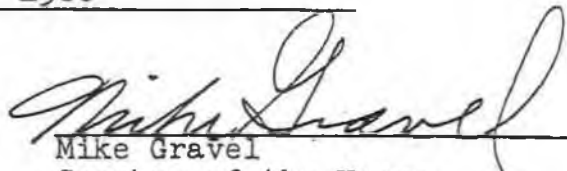


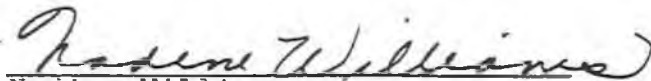
Authentication

The following officers of the Legislature certify that the attached enrolled bill, HB 313 with Certified Amendments , consisting of 485 pages, was passed in conformity with the requirements of the constitution and laws of the State of Alaska and the Uniform Rules of the Legislature. Engrossment/enrollment waived - Rule 44(b).

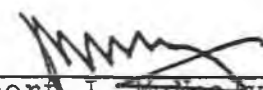
Passed by the House, March 29, 1966


Mike Gravel
Speaker of the House

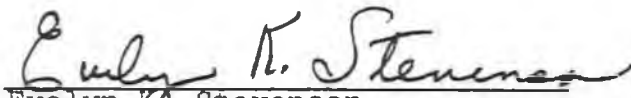
ATTEST:


Nadine Williams
Chief Clerk of the House

Passed by the Senate, March 25, 1966

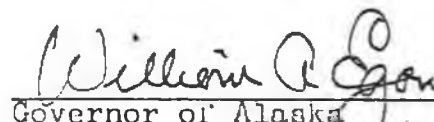

Robert J. McNeary
President of the Senate

ATTEST:


Evelyn K. Stevenson
Secretary of the Senate

ACTION BY GOVERNOR

Approved by the Governor April 18 , 1966


Governor of Alaska



LAWS OF ALASKA

1966

Source:

HB 313 am by Senate

Chapter No.:

120

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 AS 21 is repealed and re-enacted to read:

CHAPTER 3. SCOPE OF CODE.

Sec. 21.03.010. INSURANCE REGULATED. (a) 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.

(b) Foreign and alien insurers doing business as authorized insurers under this title are not subject to the Alaska Business Corporation Act (AS 10.05).

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

- (1) domestic benevolent associations, except as stated in ch. 72 of this title;
- (2) fraternal benefit societies, except as stated in ch. 84 of this title;
- (3) health service corporations, except as stated

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CERTIFIED AMENDMENTS

3 TO

4 HOUSE BILL NO. 313

- 5 1. Page 26, line 29: delete the word "Domestic" and capitalize
6 the word "stock"
- 7 2. Page 27, line 1: delete "Foreign stock," and capitalize the
8 word "mutual"
- 9 3. Page 27, line 3: delete the word "Domestic" and capitalize
10 the word "stock"
- 11 4. Page 27, line 4: delete "Foreign stock," and capitalize the
12 word "mutual"
- 13 5. Page 27, line 7: delete the word "Domestic" and capitalize
14 the word "stock"
- 15 6. Page 27, line 8: delete "Foreign stock," and capitalize the
16 word "mutual"
- 17 7. Page 30, line 26: after the word "him" insert "for good
18 cause shown"
- 19 8. Page 42, line 1: after the word "and" insert ", except as
20 provided in AS 21.69.390(c)"
- 21 9. Page 51, line 17: after the word "insurance" insert ", or
22 in the case of a group of individual unincorporated in-
23 surers, assets held in trust for the benefit of its American
24 policyholder in a sum not less than \$50,000,000,"
- 25 10. Page 89, line 13: between lines 13 and 14 insert a new sec-
26 tion to read:

27 "Sec. 21.21.225. BANK CERTIFICATES OF DEPOSITS. An
28 insurer may invest in bank certificates of deposit, subject
29 to review by the director. Whenever the director determines

- 1 19. Page 143, line 3: delete the word "licensee" and insert
2 "surety"
- 3 20. Page 143, line 16: delete the words "a stock or mutual" and
4 insert "an"
- 5 21. Page 170, line 18: after the word "deviation" place a comma
6 and insert "which in the case of casualty insurance may only
7 be a uniform percentage deviation,"
- 8 22. Page 332, line 20: after the title, delete all material in
9 this section through page 334, line 17, and insert:
- 10 "(a) Each domestic insurer shall have and maintain a
11 place of business in this state, and shall keep in this state
12 and in its principal place of business a complete record of
13 its assets, transactions, and affairs in accordance with the
14 methods and systems which are customary or suitable as to
15 the kind or kinds of insurance transacted.
- 16 (b) A person who removes or attempts to remove any
17 records from the place where they are required to be kept
18 under (a) of this section with the intent to wrongfully re-
19 move them, or who conceals or attempts to conceal them from
20 the director, is punishable by a fine of not more than
21 \$10,000, or by imprisonment for not more than five years,
22 or by both. If a domestic insurer violates a provision of
23 this section the director may institute delinquency proceed-
24 ings against the insurer under the provisions of ch. 78 of
25 this title.
- 26 (c) If a domestic insurer does not maintain its
27 principal place of business and home office in this state,
28 it is subject to the premium tax rate that is applied to
29 foreign insurers under AS 21.09.210(b)."

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CERTIFIED AMENDMENTS

3 TO

4 HOUSE BILL NO. 313

5 (AN ACT TO REVISE THE INSURANCE LAW OF ALASKA)

- 6 1. Page 1, line 9: delete the words "amended by adding new
7 chapters" and insert "repealed and re-enacted"
- 8 2. Page 8, line 23: delete the word "governor" and insert the
9 word "commissioner"
- 10 3. Page 14, line 10: change the title so that it reads "WIT-
11 NESSES, EVIDENCE AND CONTEMPT."
- 12 4. Page 15, line 8: delete all of the material which follows
13 period down through line 15 and, beginning on line 9, insert
14 "(d) If a person disobeys or resists a lawful order of the
15 director, refuses to respond to a subpoena, refuses to take
16 oath or affirmation as a witness, refuses to be examined, or
17 is guilty of misconduct at a hearing or so near the hearing
18 as to obstruct the proceeding, the director shall certify the
19 facts to the superior court where the hearing is held and
20 upon certification the court shall issue an order directing
21 the person to appear before the court and show cause why he
22 should not be punished for contempt."
- 23 5. Page 15, line 16: delete "(d)" and insert "(e)"
- 24 6. Page 15, line 20: delete all of subsection (e)
- 25 7. Page 19, line 8: after the word "hearing" insert "and
26 appeal"
- 27 8. Page 19, line 23: delete the number "50" and insert "100"
- 28 9. Page 19, line 24: delete the number "50" and insert "100"
- 29 10. Page 19, line 26: delete the number "15" and insert "65"

- 1 11. Page 19, line 28: delete the number "15" and insert "65"
- 2 12. Page 20, line 6: delete the number "5" and insert "10"
- 3 13. Page 20, line 13: delete all material on line 13 following
- 4 the word "issued" and between line 13 and line 14 insert
- 5 "(i) individual \$ 35
- 6 (ii) firm or corporation. 75"
- 7 14. Page 20, line 15: delete all material on line 15 following
- 8 the word "license" and insert
- 9 "(i) individual \$ 35
- 10 (ii) firm or corporation. 75"
- 11 15. Page 20, line 17: delete the number "2" and insert "5"
- 12 16. Page 20, line 19: delete the number "2" and insert "5"
- 13 17. Page 20, line 20: delete the number "25" and insert "35"
- 14 18. Page 20, line 21: delete the material on line 21 following
- 15 the word "license" and insert
- 16 "(i) individual \$ 75
- 17 (ii) firm or corporation. 150"
- 18 19. Page 20, line 23: delete the number "50" and insert "75"
- 19 20. Page 21, line 7: delete the number "10" and insert "15"
- 20 21. Page 21, line 8: delete the number "10" and insert "15"
- 21 22. Page 21, line 12: delete the material on line 12 following
- 22 the word "issued" and insert
- 23 "(i) individual \$ 35
- 24 (ii) firm or corporation. 75"
- 25 23. Page 21, line 14: delete the material on line 14 following
- 26 the word "license" and insert
- 27 "(i) individual \$ 35
- 28 (ii) firm or corporation. 75"
- 29 24. Page 21, line 15: delete the number "2" and insert "5"

- 1 25. Page 21, line 17: delete the number "2" and insert "5"
- 2 26. Page 22, line 2: delete the number "25" and insert "35"
- 3 27. Page 22, line 4: delete the number "25" and insert "35"
- 4 28. Page 22, line 7: delete the number "50" and insert "75"
- 5 29. Page 22, line 9: delete the number "50" and insert "75"
- 6 30. Page 22, line 11: delete the number "25" and insert "35"
- 7 31. Page 22, line 14: delete the number "2" and insert "5"
- 8 32. Page 22, line 25: delete the number "25" and insert "35"
- 9 33. Page 36, line 13: delete the word "crime" and insert "felony"
- 10 34. Page 39, line 7: delete the number "2" and insert "5"
- 11 35. Page 39, line 12: delete all of lines 12 - 16
- 12 36. Page 39, line 17: delete "(c)" and insert "(b)"
- 13 37. Page 43, line 19: between lines 19 and 20 after the provi-
14 sions in subsection (g) add:
15 "(h) The provisions of this section do not apply to
16 title insurance companies. A premium tax on title insurance
17 companies shall be levied in accordance with the provisions
18 of AS 21.66.110."
19 38. Page 45, line 29: delete the words "and annuity contracts"
20 and insert them after the word "insurance" on page 46, line 1
21 39. Page 89, line 14: after the title insert "(a)"
22 40. Page 89, line 18: after the period insert:
23 "(b) To the extent that such an account is insured by
24 the Federal Deposit Insurance Company, an insurer may purchase
25 bank certificates of deposit."
26 41. Page 98, line 2: delete the words "guaranteed income"
27 42. Page 98, line 4: delete the word "guaranteed"
28 43. Page 119, line 9: After the period insert "Nothing in this
29 section is intended to alter the common law of agency as

- 1 applied to transactions under this title."
- 2 44. Page 120, line 5: delete the word "vocation" and insert
- 3 "gainful occupation"
- 4 45. Page 122, line 10: delete the number "2" and insert "5"
- 5 46. Page 122, line 18: after the period delete all material down
- 6 through line 22 of page 122
- 7 47. Page 124, line 28: after the word "agent" insert ",broker,
- 8 or adjuster"
- 9 48. Page 125, line 6: delete the words "the full fee" and insert
- 10 "an additional license fee for each duplicate license"
- 11 49. Page 125, line 14: delete the first word, "the", and insert
- 12 "each"
- 13 50. Page 126, line 20: after the word "funds" insert ", except
- 14 those made payable to the insurer,"
- 15 51. Page 126, line 21: delete the word "solicitor"
- 16 52. Page 129, line 1: change the title to read "ISSUANCE OF
- 17 TEMPORARY LICENSE"
- 18 53. Page 129, line 24: change title to read "TEMPORARY LICENSE
- 19 LIMITATIONS"
- 20 54. Page 130, line 14: after the word "director" insert "may
- 21 refuse to issue a license or"
- 22 55. Page 130, line 21: after the word "licensee" insert "or
- 23 applicant"
- 24 56. Page 130, line 23: after the word "licensee" insert "or
- 25 applicant"
- 26 57. Page 130, line 27: after the word "licensee" insert "or
- 27 applicant"
- 28 58. Page 131, line 1: after the word "licensee" insert "or
- 29 applicant"

- 1 59. Page 131, line 5: after the word "licensee" insert "or
- 2 applicant"
- 3 60. Page 131, line 8: after the word "licensee" insert "or
- 4 applicant"
- 5 61. Page 131, line 14: after the word "licensee" insert "or
- 6 applicant"
- 7 62. Page 131, line 24: change title to read "PROCEDURE FOR SUS-
- 8 PENDING, REVOKING OR REFUSING TO RENEW A LICENSE." and delete
- 9 all of subsection (a) down through the symbol "(b)" on line
- 10 29 of page 131
- 11 63. Page 137, line 29: delete all material on this line and
- 12 lines 1, 2, and 3 of page 138
- 13 64. Page 138, line 4: delete the symbol "(d)" and insert "(c)"
- 14 65. Page 142, line 16: after the word "qualified" insert "and
- 15 he meets the requirements contained in AS 21.27.090"
- 16 66. Page 147, line 16: delete the word "or" which follows
- 17 "operations" and insert "of"
- 18 67. Page 151, line 2: change title to read "UNFAIR DISCRIMINA-
- 19 TION -- LIFE INSURANCE"
- 20 68. Page 153, line 9: change title to read "UNFAIR DISCRIMINA-
- 21 TION, REBATES PROHIBITED -- PROPERTY AND CASUALTY INSURANCE"
- 22 69. Page 158, line 9: delete all of lines 9 and 10
- 23 70. Page 159, line 5: delete the words "or wilfully"
- 24 71. Page 159, line 8: delete the words "or wilfully"
- 25 72. Page 166, line 15: delete the word "No" and insert "A"
- 26 73. Page 170, line 18: delete the words "uniform percentage"
- 27 74. Page 179, line 18: delete the word "September" and insert
- 28 "July"
- 29 75. Page 181, line 4: delete the word "stock" and insert

- 1 "security"
- 2 76. Page 206, line 8: delete the word "There" and insert "Except
3 as provided in sec. 210 of this chapter, there"
- 4 77. Page 206, line 14: delete the word "There" and insert "Ex-
5 cept as provided in sec. 220 of this chapter, there"
- 6 78. Page 209, line 7: delete the word "There" and insert "Except
7 as provided in sec. 230 of this chapter, there"
- 8 79. Page 213, line 2: change the title to read "MISSTATEMENT OF
9 AGE OR SEX -- ANNUITIES"
- 10 80. Page 213, line 17: change the title to read "DIVIDENDS --
11 ANNUITIES"
- 12 81. Page 213, line 22: change the title to read "REINSTATEMENT --
13 ANNUITIES"
- 14 82. Page 215, line 29: delete the word "continental"
- 15 83. Page 216, line 9: delete the words "director's reserve
16 valuation method" and insert "Commissioner's Reserve Valuation
17 Method"
- 18 84. Page 217, line 8: between the word "except" and the word "a"
19 insert "the policy may contain"
- 20 85. Page 229, line 21: after the word "unless" insert "delivered"
- 21 86. Page 230, line 8: after the comma insert "including state or
22 local governments,"
- 23 87. Page 235, line 2: after the symbol "(B)" delete the remainder
24 of line 2 and all of lines 3, 4, and 5, and insert "there is
25 no provision in the policy stating that the insurance of the
26 employees will cease upon discontinuation of membership by a
27 participating employer;"
- 28 88. Page 238, line 19: insert a semicolon after the word
29 "creditor" and delete the words "or \$20,000, whichever is

- 1 less" and insert "where the insurance is in connection with
2 an educational credit transaction commitment, the amount owed
3 by the debtor to the creditor may be deemed to include the
4 portion of the educational loan commitment that has not been
5 advanced by the creditor"
- 6 89. Page 240, line 6: delete all of lines 6 - 20
- 7 90. Page 241, line 27: delete the number "1,000" and insert
8 "2,000"
- 9 91. Page 248, line 23: delete the word "DEFINED" from the title
- 10 92. Page 248, line 28: after the word "five" insert "nor more
11 than 10"
- 12 93. Page 250, line 12: delete the number "19 and insert "23"
- 13 94. Page 264, line 23: after the word "benefit" insert "provided
14 for such insured pursuant to any compulsory benefit"
- 15 95. Page 267, line 17: delete the period and insert a comma
- 16 96. Page 267, line 18: uncapitalize the word "The"
- 17 97. Page 275, line 7: after the word "services" insert a period
18 and delete the remainder of the sentence down through line 8
- 19 98. Page 301, line 22: delete the word "three" and insert "one"
- 20 99. Page 314, line 4: delete the word "The" and insert "Except
21 as provided in sec. 230 of this chapter, the"
- 22 100. Page 329, line 4: after the title delete all of the remaining
23 material on line 4 and all of lines 5 - 13 on page 329 and
24 insert "The director shall promulgate regulations concerning
25 proxies, consents and authorizations in respect to securities
26 issued by domestic insurance companies. The regulations
27 promulgated shall substantially conform to the recommendations
28 of the National Association of Insurance Commissioners."
- 29 101. Page 329, line 14: after the title delete the remainder of

- 1 the section down through line 19 on page 329 and insert
2 "The director shall promulgate regulations regarding the
3 conduct of meetings of shareholders and members of an
4 insurer and the purchase, sale and bartering of votes and
5 proxies."
- 6 102. Page 378, line 16: delete all of lines 16, 17, 18, 19 and
7 20
- 8 103. Page 378, line 21: delete the symbol "(c)" and insert "(b)"
- 9 104. Page 378, line 27: delete the symbol "(d)" and insert "(c)"
- 10 105. Page 382, line 9: change the title to read "GROUNDS FOR
11 CONSERVATION -- FOREIGN INSURERS"
- 12 106. Page 382, line 19: change the title to read "GROUNDS FOR
13 CONSERVATION -- ALIEN INSURERS"
- 14 107. Page 444, line 7: delete the number "25" and insert "35"
- 15 108. Page 449, line 25: delete the number "2" and insert "5"
- 16 109. Page 451, line 11: change title to read "EFFECT OF CONSOLI-
17 DATIONS AND MERGERS"
- 18 110. Page 465, line 24: after the word "chapter" insert a period
19 and delete the remaining material down through line 26 of
20 page 465
- 21 111. Page 474, line 13: between lines 13 and 14 insert
22 "(e) The director may promulgate any regulations that
23 are necessary to assure that each service corporation main-
24 tains an adequate surplus fund."
- 25 112. Page 475, line 14: between lines 14 and 15 insert
26 "(c) The director may promulgate regulations governing
27 the extent to which the sections referred to in (b) of this
28 section are applicable to a service corporation."
- 29 113. Page 478, line 14: delete the words "Before March 2" and

- 1 insert "At least once each year"
- 2 114. Page 479, line 21: delete the number "50" and insert "100"
- 3 115. Page 479, line 23: delete the number "15" and insert "65"
- 4 116. Page 480, line 1: delete the number "5" and insert "10"
- 5 117. Page 480, line 3: delete the number "1" and insert "5"
- 6 118. Page 481, line 23: delete the "3" and insert "2"
- 7 119. Page 481, line 24: delete the number "0" and insert "1"
- 8 120. Page 482, line 9: delete "1964" and insert "1966"
- 9 121. Page 484, line 17: delete the words "AS 44.62.340 is amended
10 by adding a new subsection" and insert "AS 44.62.330(a) is
11 amended"
- 12 122. Page 484, line 19: delete all of lines 19 and 20 and insert
13 "(a) The procedure of the state boards, commissions, and
14 officers listed in this subsection or of their successors by
15 reorganization under the constitution shall be conducted
16 under the provisions of secs. 330 - 630 of this chapter.
17 This procedure, including, but not limited to, accusations
18 and statements of issues, service, notice and time and place
19 of hearing, subpoenas, depositions, matters concerning evi-
20 dence and decisions, conduct of hearing, judicial review
21 and scope of judicial review, continuances, reconsideration,
22 reinstatement or reduction of penalty, contempt, mail vote,
23 oaths, impartiality, and similar matters shall be governed
24 by this chapter, notwithstanding similar provisions in the
25 statutes dealing with the state boards, commissions, and
26 officers listed. Where indicated, the procedure that shall
27 be conducted under secs. 330 - 630 of this chapter is limited
28 to named functions of the agency.

29 (1) Board of Barber Examiners

- 1 (2) Board of Chiropractic Examiners
- 2 (3) Board of Dental Examiners
- 3 (4) Board of Engineers and Architects Examiners
- 4 (5) Board of Examiners in Basic Sciences
- 5 (6) Board of Examiners in Optometry
- 6 (7) Board of Hairdressing and Beauty Culture
- 7 Examiners
- 8 (8) State Medical Board
- 9 (9) Division of Lands under Alaska Land Act where
- 10 applicable
- 11 (10) Board of Nursing
- 12 (11) Board of Pharmacy
- 13 (12) Board of Public Accountancy
- 14 (13) Department of Labor as to functions relating
- 15 to employment security only as provided in (c) of this sec-
- 16 tion
- 17 (14) Alaska Real Estate Examining Board
- 18 (15) Alaska Workmen's Compensation Board, where
- 19 procedures are not otherwise expressly provided by the Alaska
- 20 Workmen's Compensation Act
- 21 (16) Department of Public Works, as to functions
- 22 relating to aeronautics and communications
- 23 (17) Alcoholic Beverage Control Board
- 24 (18) Department of Natural Resources, as to
- 25 functions relating to the conservation of oil and gas
- 26 (19) Department of Commerce, under Alaska Small
- 27 Loans Act
- 28 (20) Department of Revenue, under Cigarette Tax
- 29 Act

1 (21) Department of Commerce, as to functions
2 under Alaska Banking Code

3 (22) Board of Governors of the Alaska Bar

4 (23) Department of Public Safety, as to suspen-
5 sion, etc., of driver's licenses

6 (24) Department of Health and Welfare, under
7 AS 47.35.010 - 47.35.080, relating to boarding and foster
8 homes for children

9 (25) Department of Education, as to nonretention
10 of teachers, AS 14.20.130 - 14.20.210

11 (26) Department of Health and Welfare, under
12 Radiation Protection Act (AS 18.60.470 - 18.60.570)

13 (27) Department of Health and Welfare under Alaska
14 Food, Drug, and Cosmetic Act (AS 17.20), and in connection
15 with the licensing of embalmers under AS 08.44.010

16 (28) Department of Health and Welfare and the
17 Hospital Advisory Council, under AS 18.20.010 - 18.20.130

18 (29) Department of Health and Welfare, under
19 Alaska Water Pollution Control Act (AS 46.05)

20 (30) Department of Health and Welfare, under
21 AS 18.35.010 - 18.35.090, concerning the regulation of
22 tourist and trailer camps, motor courts, and motels

23 [DEPARTMENT OF COMMERCE, IN RELATION TO INSURANCE COMPANIES
24 UNDER AS 21.05.010 - 21.05.040, EXCEPT AS TO PROCEDURE IN
25 RESPECT TO THE FILING OF RATES, AND THE APPROVAL OR DISAP-
26 PROVAL AND ADMINISTRATIVE AND JUDICIAL REVIEW OF THE RATES,
27 AS PROVIDED IN AS 21.10.745 - 21.10.780, 21.10.785(A) - (C),
28 21.10.790, 21.10.800, AND 21.10.850]

29 123. Page 484, line 21: delete all material on lines 21 - 29

ALASKA
STATE
LEGISLATURE

1 124. Page 485, line 1: delete the number "5" and insert "3"
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BY THE RULES COMMITTEE
BY REQUEST

IN THE HOUSE

HOUSE BILL NO. 313

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTH LEGISLATURE - SECOND 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. (a) 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.

(b) Foreign and alien insurers doing business as
authorized insurers under this title are not subject to the
Alaska Business Corporation Act (AS 10.05).

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

(1) domestic benevolent associations (as identi-
fied in ch. 72), except as stated in ch. 72 of this title
(benevolent associations);

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

(3) health service corporations, except as stated
in ch. 87 of this title (Hospital and Medical Service Corpo-
rations);

(4) a life insurance or annuity company organized
and operated without profit to any private shareholder or

individual exclusively for the purpose of aiding and strengthening educational institutions by issuing insurance and annuity contracts only to or for the benefit of such institutions and individuals engaged in the service of such institutions.

Sec. 21.03.030. EXISTING CERTIFICATES OF AUTHORITY AND LICENSES. (a) The expiration dates of certificates of authority and licenses in force immediately before 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 on the anniversary of the date of issuance;

(4) licenses of nonresident agents and brokers shall expire at midnight on the anniversary of the date of issuance.

(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

1 lawfully in use immediately before the effective date of
2 this title may continue to be so used or be effective until
3 the director otherwise prescribes under this title; except
4 that before expiration of one year from and after such
5 effective date neither this title nor the director shall
6 prohibit the use of the document, rate, or filing because
7 of any power, prohibition, or requirement contained in this
8 title which did not exist under laws in force immediately
9 before such effective date.

10 Sec. 21.03.050. EXISTING DOMESTIC INSURERS. A domes-
11 tic insurer having a subsisting certificate of authority to
12 transact insurance in this state immediately before the
13 effective date of this title, whose law of incorporation or
14 law under which formed is repealed by this title, shall
15 continue to have a corporate existence (if a corporation)
16 or existence (if other than a corporation) as though incor-
17 porated or formed under like provisions of this title; but
18 all amendments to articles of incorporation shall be made
19 hereafter in compliance with the applicable provisions of
20 this title, and all such insurers shall be otherwise
21 governed by the provisions of this title.

22 Sec. 21.03.060. PRE-EMPTION. The state hereby pre-
23 empts the field of regulating insurers and their general
24 agents, agents and representatives; and all political sub-
25 divisions of the state, including home rule boroughs or
26 cities, are prohibited from requiring of an insurer, general
27 agent, agent or representative regulated under this title
28 any authorization, permit or registration of any kind for
29 conducting transactions lawful under the authority granted

1 by the state under this title.

2 CHAPTER 6. THE DIRECTOR OF INSURANCE.

3 Sec. 21.06.010. DIRECTOR, DIVISION OF INSURANCE
4 DESIGNATED. The commissioner of commerce shall appoint the
5 director, division of insurance, Department of Commerce.
6 The director shall serve at the pleasure of the commissioner.

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

11 (b) The division of insurance shall be under the
12 administrative control of the commissioner of commerce and
13 the supervision of his appointee, the director, division of
14 insurance.

15 Sec. 21.06.030. DEPUTIES AND ASSISTANTS. (a) The
16 director may appoint a chief deputy, who shall be in charge
17 of the division of insurance under the direction and con-
18 trol of the director.

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

21 (c) The director may employ a competent insurance
22 actuary to perform actuarial duties, if any, of the division
23 to take charge of or assist in the examination of insurers,
24 and to perform other duties assigned to him.

25 (d) The director may appoint or employ such examiners
26 to conduct or assist in examinations of insurers and others
27 provided for under the title as may be competent, because
28 of experience or special education or training, to fulfill
29 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

1 as director, deputy, examiner, or employee or in connection
2 therewith.

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

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

12 Sec. 21.06.060. RECORDS. The director shall enter in
13 permanent form records of his official transactions, examina-
14 tions, investigations, and proceedings, and keep these re-
15 cords in his office. The records and insurance filings in
16 his office shall be open to public inspection, except as
17 otherwise provided in this title with respect to particular
18 records or filings.

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

23 (b) The director shall furnish, when required, his
24 certificate as to the authority of any person to transact
25 insurance, and such certificate shall be evidence of the
26 facts set out in the certificate.

27 Sec. 21.06.080. GENERAL POWERS, DUTIES. (a) The
28 director shall enforce the provisions of this title, and
29 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 provision of this title.

(c) The director may conduct examinations and investigations of insurance matters, in addition to examinations and investigations expressly authorized, which he may consider proper to determine whether any person has violated a 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 rule or regulation shall extend, modify, or conflict with any law of this state or the reasonable implications thereof. A 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 out the proposed rule or regulation or amendment in or with the notice of hearing. No 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 a rule or regulation shall subject the violator to the administrative penalties which may be applicable under this title as for violation of the provision as to

1 which such rule or regulation relates.

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

5 (b) Every order shall state its effective date and
6 shall concisely state

7 (1) its intent or purpose;

8 (2) the grounds on which based;

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

13 (c) Except as may be provided in this title respecting
14 particular procedures, an order or notice may be given by
15 delivery to the person to be ordered or notified or by
16 mailing it, postage prepaid, addressed to him at his princi-
17 pal place of business as last of record in the director's
18 office. A mailed order or notice shall be considered to have
19 been given when so mailed.

20 Sec. 21.06.110. DIRECTOR'S ANNUAL REPORT. As early
21 in the calendar year as reasonably possible the director
22 annually shall prepare and deliver a report to the legisla-
23 ture and the governor, showing with respect to the preceding
24 calendar year

25 (1) a list of the authorized insurers transacting
26 insurance in Alaska, with such summary of their financial
27 statement as he considers appropriate;

28 (2) the names of all insurers whose business was
29 closed during the year, the cause thereof, and amount of

1 assets and liabilities as ascertainable;

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

6 (4) a statement in regard to examination of
7 rating organizations, advisory organizations, joint under-
8 writers, and joint reinsurers as required by AS 21.39.120;

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

11 (6) recommendations of the director as to amend-
12 ments or supplementation of laws affecting insurance, as to
13 matters affecting the office of director;

14 (7) other pertinent information and matters
15 which the director considers proper.

16 Sec. 21.06.120. EXAMINATION OF INSURERS. (a) The
17 director shall examine the affairs, transactions, accounts,
18 records, and assets of each authorized insurer as often as
19 he considers advisable. He shall so examine each domestic
20 insurer not less frequently than every three years. Examina-
21 tion of an alien insurer may be limited to its insurance
22 transactions and affairs in the United States. Examination
23 of a reciprocal insurer may also include examination of its
24 attorney-in-fact insofar as the transactions of the attorney-
25 in-fact relate to the insurer.

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

29 (c) In lieu of making his own examination, the director

1 may, in his discretion, accept a full report of the last
2 recent examination of a foreign or alien insurer, certified
3 to by the insurance supervisory official of another state,
4 territory, commonwealth, or district of the United States.

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

12 (1) an insurance agent, broker, solicitor, sur-
13 plus line agent, general agent, or adjuster;

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

17 (3) a person holding the shares of voting stock
18 or policyholder proxies of a domestic insurer, for the pur-
19 pose of controlling the management thereof, as voting
20 trustee or otherwise;

21 (4) a person engaged in or proposing to be
22 engaged in or assisting in the promotion or formation of a
23 domestic insurer or insurance holding corporation, or
24 corporation to finance a domestic insurer or the production
25 of its business.

26 (b) The director may withhold from public inspection,
27 any information obtained under the provisions of this section,
28 for so long as he considers the withholding to be necessary
29 for the protection of the person examined against unwarranted

1 injury or to be in the public interest.

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

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

16 (c) If the director finds accounts to be inadequate or
17 inadequately kept or posted, he may employ experts to rewrite,
18 post, or balance them at the expense of the person being
19 examined if the person has failed to complete or correct
20 the accounting after the director has given him notice and
21 a reasonable opportunity to do so.

22 (d) If the director considers it necessary to value
23 any real estate involved in the examination, he may make
24 written request of the person being examined to appoint
25 one or more competent appraisers approved by the director,
26 for the purpose of appraising such property. If no appoint-
27 ment is made within 10 days after the request is delivered
28 to such person the director may appoint the appraiser or
29 appraisers. The appraisal shall be made promptly, and a

1 copy of the report thereof shall be furnished to the dir-
2 ector. The reasonable expense of the appraisal shall be
3 borne by the person being examined.

4 (e) As far as practical the director shall conduct
5 the examination of a foreign or alien insurer in cooperation
6 with the insurance supervisory officials of other states
7 in which the insurer transacts business, and for this
8 purpose he may participate in joint examinations of insurers
9 or he may be represented at an examination by an examiner
10 of another state.

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

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

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

27 (d) The director and his examiners may at any time
28 testify and offer other proper evidence as to information
29 secured during the course of an examination, whether or not

1 a written report of the examination has at that time been
2 either made, served, or filed in the director's office.

3 (e) The director may withhold from public inspection
4 any examination or investigation report for as long as he
5 considers the withholding to be necessary for the protection
6 of the person examined against unwarranted injury or to be in
7 the public interest.

8 (f) If he considers it to be in the public interest
9 the director may publish the examination report or a summary
10 thereof in one or more newspapers in the state.

11 Sec. 21.06.160. EXAMINATION EXPENSE. (a) Each person
12 so examined, other than as to examinations under sec. 130
13 of this chapter, shall pay the actual travel expenses, a
14 reasonable living expense allowance, and a per diem as
15 compensation of examiners, as necessarily incurred on account
16 of the examination, all at reasonable rates customary there-
17 for and as established or adopted by the director, upon
18 presentation of a detailed account of such charges and
19 expenses by the director or pursuant to his written authoriza-
20 tion. Such an account may be so presented periodically
21 during the course of the examination or at the termination
22 of the examination, as the director considers proper. No
23 person shall pay and no examiner shall accept additional
24 emolument on account of any such examination.

25 (b) The director shall pay into the general fund of the
26 state all money received under (a) of this section. In lieu
27 of making a deposit into the general fund, the director may
28 give written authorization for the payment, by the person
29 examined, of such travel expenses and living allowance direct

1 to the examiner. The travel expense and living allowance of
2 examiners shall be as fixed by the director under (a) of
3 this section.

4 (c) If the person fails to pay the charges and
5 expenses, as referred to in (a) above, the amount may be
6 recovered by suit by the attorney general on behalf of the
7 state and restored to the general fund. The amount due
8 shall be a first lien upon all of the assets and property
9 in this state of the person.

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

27 (b) Witness fees and mileage, if claimed, shall be
28 allowed the same as for testimony in a court. Witness fees,
29 mileage, and the actual expenses necessarily incurred in

1 securing attendance of witnesses and their testimony shall
2 be itemized, and shall be paid by the person being examined
3 if the person is found to have been in violation of the law
4 as to the matter with respect to which the witness was
5 subpoenaed, or by the person, if other than the director,
6 at whose request the hearing is held.

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

16 (d) A person wilfully testifying falsely under oath
17 as to any matter material to an examination, investigation,
18 or hearing, shall upon conviction thereof be guilty of
19 perjury and punished accordingly.

20 (e) A person wilfully failing to attend, answer or
21 produce records, documents or other evidence requested by
22 the director, or who wilfully fails to give the director
23 full and truthful information and answer in writing to a
24 material written inquiry of the director, relative to subject
25 of any such examination, investigation, or hearing, or wil-
26 fully fails to appear and testify under oath before the
27 director, shall upon conviction thereof, in addition to or
28 in lieu of any other penalty or penalties applicable, be
29 considered guilty of a misdemeanor.

1 Sec. 21.06.180. HEARINGS. (a) The director may hold
2 hearings for any purpose within the scope of this title
3 considered by him to be necessary.

4 (b) The director shall hold a hearing if required by
5 any provision, or upon written demand therefor by a person
6 aggrieved by any act, threatened act or failure of the
7 director to act, or by any report, rule, regulation or order
8 of the director (other than an order for the holding of a
9 hearing, or an order on hearing or pursuant thereto). A
10 demand shall specify the grounds to be relied upon as a
11 basis for the relief to be demanded at the hearing, and
12 unless postponed by mutual consent, or for good cause shown,
13 the hearing shall be held within 30 days after receipt by
14 the director of demand therefor.

15 (c) If within the 30-day period the director does not
16 either (1) grant the hearing, or (2) issue his order
17 refusing the hearing, as to the previous report, rule regula-
18 tion, or order as to which the person so claims to be
19 aggrieved, the hearing shall be considered to have been
20 refused.

21 Sec. 21.06.190. STAY OF ACTION. (a) A demand for a
22 hearing received by the director before the effective date
23 of any order issued by him or within 10 days after an order
24 is delivered, shall stay the effectiveness of the order
25 pending the hearing and an order made thereon, except as to
26 action taken or proposed (1) under an order on hearing, or
27 (2) under an order pursuant and supplemental to an order
28 on hearing, or (3) under an order based upon impairment of
29 assets or unsound financial condition of an insurer.

1 (b) If an automatic stay is not provided for and the
2 director after written request therefor fails to grant a
3 stay, the person aggrieved may apply to the superior court
4 for a stay of the director's proposed action.

5 Sec. 21.06.200. NOTICE OF HEARING. Not less than 20
6 days in advance the director shall give notice of the time
7 and place of the hearing, stating the matters to be considered
8 at the hearing. If the persons to be given notice are not
9 specified in the provision under which the hearing is held,
10 the director shall give notice to all persons whose pecuniary
11 interests are to be directly and immediately affected by the
12 hearing.

13 Sec. 21.06.210. HEARING PROCEDURE. (a) The director
14 shall allow a party to the hearing to appear in person and
15 by counsel, to be present during the giving of all evidence,
16 to have a reasonable opportunity to inspect all documentary
17 evidence and to examine witnesses, to present evidence in
18 support of his interest, and to have subpoenas issued by the
19 director to compel attendance of witnesses and production
20 of evidence in his behalf.

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

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

28 (d) Upon written request reasonably made by a party to
29 the hearing and at that person's expense, the director shall

1 cause a full stenographic record of the proceedings to be
2 made by a competent reporter. If transcribed a copy of the
3 stenographic record shall be furnished to the director,
4 without cost to the director or the state, and shall be a
5 part of the director's record of the hearing. If transcribed
6 a copy of the stenographic record shall be furnished to any
7 other party to the hearing at the request and expense of
8 such other party. If no stenographic record is made or
9 transcribed, the director shall prepare an adequate record
10 of the evidence and of the proceedings.

11 (e) Upon written request of a party to a hearing filed
12 with the director within 30 days after any order made
13 pursuant to a hearing has been mailed or delivered to the
14 persons entitled to receive the same, the director may, in
15 his discretion, grant a rehearing or reargument of the matters
16 involved in the hearing, and notice of the rehearing or
17 reargument shall be given as provided in sec. 200 of this
18 chapter.

19 Sec. 21.06.220. ORDER ON HEARING. (a) In conducting
20 the hearing the director shall sit in a quasi judicial
21 capacity. Within 30 days after termination of the hearing
22 or of any rehearing thereof or reargument thereon, he shall
23 make his order on hearing, covering matters involved in the
24 hearing and in any rehearing or reargument thereof, and
25 shall give a copy of the order to the same persons given
26 notice of the hearing.

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

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

4 Sec. 21.06.230. APPEALS FROM THE DIRECTOR. A person
5 aggrieved by an order of the director may appeal the order
6 to the superior court, using procedures provided by court
7 rule.

8 Sec. 21.06.240. HEARINGS INAPPLICABLE. The hearing
9 procedures provided for in secs. 180 - 230 of this chapter
10 shall not apply to matters covered by ch. 39 of this title.

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

14 (1) certificate of authority

15 (A) application for original certificate of
16 authority; for filing applications for certificate of
17 authority, articles of incorporation and other charter
18 documents, bylaws, financial statement, examination
19 report, power of attorney to the director, and all
20 other documents and filings required in connection with
21 such application, and for issuance of an original
22 certificate of authority, if issued

23 domestic insurers \$ 50

24 foreign insurers. 50

25 (B) annual continuation of certificate of
26 authority \$ 15

27 (C) reinstatement of certificates of
28 authority \$ 15

29 (2) filing amendment of articles of incorporation,

- 1 domestic and foreign insurers. \$ 10
- 2 (3) filing bylaws or amendment thereto, where
- 3 required \$ 10
- 4 (4) filing annual statement of insurer, other
- 5 than as part of application for original certificate
- 6 authority. \$ 5
- 7 (5) agent's license, property, casualty, surety,
- 8 title insurance agents, and including disability insurance
- 9 without additional license or fee when written by property,
- 10 casualty, or surety insurer otherwise represented by the
- 11 agent
- 12 (A) application for original license,
- 13 and including issuance of license, if issued. . . \$ 25
- 14 (B) annual renewal or continuation
- 15 of license. \$ 25
- 16 (C) appointment of agent, each
- 17 insurer \$ 2
- 18 (D) annual renewal of appointment of
- 19 agent, each insurer \$ 2
- 20 (E) temporary license. \$ 25
- 21 (6) non-resident agent's license. \$ 50
- 22 (A) annual renewal or continuation of
- 23 license \$ 50
- 24 (7) broker's license:
- 25 (A) application for original license and
- 26 including issuance of license if issued resident. \$100
- 27 (B) annual renewal or continuation of
- 28 license \$100
- 29 (C) application for original license and

- 1 including issuance of license, if issued, non-
2 resident. \$250
3 (D) annual renewal or continuation of
4 license, nonresident. \$250
5 (8) solicitor's license
6 (A) application for original license,
7 including issuance of license if issued \$ 10
8 (B) annual continuation of license . . \$ 10
9 (9) agent's license, life, disability insur-
10 ance and annuities
11 (A) application for original license,
12 including issuance of license, if issued. \$ 25
13 (B) annual renewal or continuation of
14 license \$ 25
15 (C) appointment of agent, each insurer \$ 2
16 (D) Annual renewal of appointment of
17 agent, each insurer \$ 2
18 (10) examination for license as agent, broker,
19 solicitor or adjuster, each examination. \$ 10
20 (11) surplus line broker's license
21 (A) application for original license and
22 for issuance of license, if issued - resident . . \$100
23 (B) application for original license and
24 for issuance of license, if issued, nonresident . \$300
25 (C) annual renewal or continuation of
26 license - resident. \$100
27 (D) annual renewal or continuation of
28 license - nonresident \$300
29 (12) adjuster's license

- 1 (A) application for original license
2 and for issuance of license if issued - resident. \$ 25
3 (B) annual renewal or continuation of
4 license - resident. \$ 25
5 (C) application for original license
6 and for issuance of license, if issued - nonresi-
7 dent. \$ 50
8 (D) annual renewal or continuation of
9 license - nonresident \$ 50
10 (13) insurance vending machine license, each
11 machine, each year \$ 25
12 (14) for issuing any other certificate required
13 or permissible under law \$ 5
14 (15) for accepting service of process. . . . \$ 2
15 (16) for copy of insurance code, actual
16 printing cost plus postage;
17 (17) for copy of insurance report, actual
18 printing cost plus postage;
19 (18) for any printed material furnished by the
20 director not mentioned above, the director may charge the
21 actual cost of printing plus handling and postage;
22 (19) for limited license (travel insurance agent),
23 \$25;
24 (20) for general agent's license (resident and
25 nonresident), \$25;
26 (21) rating bureaus (for a three-year license),
27 \$100.
28 (b) The director shall promptly deposit with the
29 commissioner of revenue to the credit of the general fund

1 of this state all fees received by him under this section.

2 CHAPTER 9. AUTHORIZATION OF INSURERS

3 AND GENERAL REQUIREMENTS.

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

10 (b) No insurer shall have or maintain in Alaska any
11 office, representative, or other facilities for the solici-
12 tation or servicing of any kind of insurance in any other
13 state unless it is then authorized to transact the same kind
14 of insurance in this state.

15 Sec. 21.09.020. EXCEPTIONS, CERTIFICATE OF AUTHORITY
16 REQUIREMENT. A certificate of authority shall not be re-
17 quired of an insurer, not otherwise authorized in this state,
18 as to the following transactions:

19 (1) transactions relative to its policies law-
20 fully written in Alaska, or liquidation of assets and lia-
21 bilities of the insurer (other than collection of new pre-
22 miums), all as resulting from its former authorized opera-
23 tions in Alaska;

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

29 (3) transactions pursuant to surplus lines cover-

1 ages lawfully written under ch. 33 of this title;

2 (4) reinsurance, except as to domestic reinsurers.

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

10 Sec. 21.09.040. GENERAL ELIGIBILITY OF INSURERS. To
11 qualify for and hold authority to transact insurance in this
12 state an insurer must be otherwise in compliance with this
13 title and with its charter powers, and must be an incorpora-
14 ted stock insurer, or an incorporated mutual insurer, or a
15 reciprocal insurer, all of the same general type as may
16 hereafter be formed as a domestic insurer under this title;
17 except that:

18 (1) no foreign insurer shall be authorized to
19 transact insurance in Alaska which does not maintain reserves
20 as required by ch. 18 of this title applicable to the kind or
21 kinds of insurance transacted by the insurer, wherever trans-
22 acted in the United States; or which transacts business any-
23 where in the United States on the assessment plan, or stipu-
24 lated premium plan, or any similar plan;

25 (2) no foreign insurer which is directly or
26 indirectly owned or controlled in whole or in substantial
27 part by a government or governmental agency shall be author-
28 ized to transact insurance in Alaska; membership or subscrib-
29 ership in a mutual or reciprocal insurer by virtue of being

1 a policyholder thereof, or ownership of stock or other
2 security which does not having voting rights with respect
3 to the management of the insurer, or supervision of an
4 insurer by public authority, shall not be considered to be
5 an ownership or control of the insurer for the purposes of
6 this provision.

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

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

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

20 (d) In case of a conflict of names between two insurers,
21 or a conflict otherwise prohibited under (a) - (c) of this
22 section, the director may permit or require the more
23 recently authorized insurer to use in Alaska a supplementa-
24 tion or modification of its name or a business name which may
25 reasonably be necessary to avoid the conflict.

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

1 that

2 (1) a life insurer may also grant annuities, but
3 shall not be authorized to transact any other kind of insur-
4 ance other than disability; except that if the insurer is
5 otherwise qualified therefor the director shall continue to
6 authorize a life insurer which, immediately before the
7 effective date of this title, was lawfully authorized to
8 transact in this state a kind or kinds of insurance in
9 addition to life and disability;

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

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

13 Sec. 21.09.070. CAPITAL FUNDS REQUIRED -- FOREIGN
14 INSURERS AND NEW DOMESTIC INSURERS. (a) To qualify for
15 authority to transact any one kind of insurance (as defined
16 in ch. 12) or combination of kinds of insurance as shown
17 below, a foreign insurer, or a domestic insurer applying for
18 its original certificate of authority in this state, or a
19 insurer re-applying for a certificate of authority in this
20 state after having withdrawn from this state for any cause,
21 shall possess and thereafter maintain unimpaired basic paid-
22 in capital stock (if a stock insurer) or unimpaired basic
23 surplus (if a foreign mutual insurer or foreign reciprocal
24 insurer), and shall possess when first so authorized addi-
25 tional funds in surplus as follows:

26	Kind or Kinds	Basic Capital or Additional	
27	of Insurance	Basic Surplus	Surplus
28	Life		
29	Domestic stock insurers.	\$200,000	\$100,000

1	Foreign stock, mutual insurers .	\$300,000	\$150,000
2	Disability		
3	Domestic stock insurers.	200,000	100,000
4	Foreign stock, mutual,		
5	reciprocal insurers.	300,000	150,000
6	Life and disability		
7	Domestic stock insurers.	200,000	150,000
8	Foreign stock, mutual insurers .	300,000	225,000
9	Property	200,000	100,000
10	Casualty		
11	Without workmen's compensation .	200,000	100,000
12	With workmen's compensation. . .	250,000	150,000
13	Marine and transportation.	200,000	100,000
14	Surety	250,000	150,000
15	Title.	100,000	100,000
16	Multiple lines (any two or more		
17	kinds of insurance, other than		
18	life or title insurances). . . .	400,000	200,000

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

24 (c) If, within three years after its initial certifi-
25 cate of authority in this state, an insurer requests author-
26 ity to transact an additional kind or kinds of insurance, it
27 shall not be authorized unless it then possesses basic
28 capital or basic surplus and additional surplus in an amount
29 which would be required under this section for an original

1 certificate of authority covering all kinds of insurance
2 the insurer then proposes to transact.

3 (d) As to surplus required for qualification to trans-
4 act one or more kinds of insurance and thereafter to be
5 maintained, domestic mutual insurers hereafter formed are
6 governed by ch. 69 of this title and domestic reciprocal
7 insurers hereafter formed are governed by ch. 75 of this
8 title.

9 (e) A life insurer may also grant annuities without
10 additional capital or additional surplus.

11 Sec. 21.09.080. CAPITAL FUNDS REQUIRED -- OLD DOMESTIC
12 INSURERS. (a) A domestic insurer holding a valid certifi-
13 cate of authority to transact insurance in this state
14 immediately before the effective date of this title may
15 continue to transact the same kinds of insurance as permitted
16 by the certificate of authority by maintaining thereafter
17 unimpaired not less than the same amount of paid-in capital
18 stock (if a stock insurer) or not less than the same amount
19 of surplus (if a mutual or reciprocal insurer) for such
20 authority as required under the laws of this state in force
21 immediately before such effective date, and as if such laws
22 had continued in force; except that in no case shall any
23 domestic insurer be thereby required to have and maintain a
24 larger amount of capital and/or surplus than a like domestic
25 insurer transacting the same kinds of insurance and formed
26 under this title.

27 (b) Such an insurer shall not hereafter be granted
28 authority to transact any other or additional kind of insur-
29 ance unless it then fully complies with the requirements as

1 to capital and surplus, as applied to all the kinds of
2 insurance it then proposes to transact, as provided under
3 sec. 70 of this chapter as to new domestic insurers.

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

6 (b) The director shall not authorize any insurer to
7 transact insurance in this state unless it makes and there-
8 after maintains in trust in this state through the director
9 for the protection of all its policyholders or of all its
10 policyholders and creditors, a deposit of cash or securities
11 eligible for deposit under AS 21.24.030 in the amount of
12 \$200,000, except that

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

18 (2) as to foreign insurers, in lieu of the deposit
19 or part thereof in this state, the director shall accept the
20 certificate in proper form of the public official having
21 supervision over insurers in any other state to the effect
22 that a like deposit or part thereof by the insurer is being
23 maintained in public custody or control pursuant to law in
24 that state in trust for the protection generally of the
25 insurer's policyholders or its policyholders and creditors,
26 in the United States;

27 (3) as to alien insurers, in lieu of the deposit
28 or part thereof in this state, the director shall accept
29 evidence satisfactory to him that the insurer maintains

1 within the United States by way of trust deposits with
2 public depositaries, or in trust institutions acceptable to
3 the director, assets available for discharge of its United
4 States insurance obligations, which assets shall be in an
5 amount not less than the outstanding liabilities of the
6 insurer arising out of its insurance transactions in the
7 United States together with a surplus equal to the larger
8 of the following sums:

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

12 (B) \$300,000; which surplus shall for all
13 purposes under this title be considered to be the
14 capital or surplus of the insurer.

15 (c) Deposits of foreign insurers, or deposits of
16 alien insurers under (b)(3)(A) or (B) of this section in
17 another state shall be in cash and/or securities of sub-
18 stantially as high quality as those eligible for deposit in
19 this state under AS 21.24.030.

20 (d) All such deposits in this state are subject to
21 the applicable provisions of ch. 24 of this title (admini-
22 stration of deposits).

23 Sec. 21.09.100. MANAGEMENT AND AFFILIATIONS. The
24 director shall not grant or continue authority to transact
25 insurance in this state to an insurer the principal manage-
26 ment personnel of which is found by him to be untrustworthy
27 or not of good character, or so lacking in insurance company
28 managerial experience as to make the proposed operation
29 hazardous to the insurance-buying public or to its stock-

holders; 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 a 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 (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 any additional information which 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 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 the preceding December 31, 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) a 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 under 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, a certificate as to deposit if to be tendered under sec. 90 of this chapter;

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

1 requirements for and is entitled thereto under this title, he
2 shall issue to the insurer a proper certificate of authority;
3 if he does not so find, the director shall issue his order
4 refusing the certificate. The director shall act upon an
5 application for a certificate of authority within 30 days
6 after its completion.

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

13 (c) Although issued to the insurer the certificate of
14 authority is at all times the property of the state. Upon
15 the expiration, suspension, or termination of the certificate
16 of authority the insurer shall promptly deliver it to the
17 director.

18 Sec. 21.09.130. CONTINUANCE, EXPIRATION, REINSTATEMENT
19 AND AMENDMENT OF CERTIFICATE OF AUTHORITY. (a) A certificate
20 of authority issued or renewed under this title shall continue
21 in force as long as the insurer is entitled to it under this
22 title and until suspended or revoked, or otherwise terminated;
23 subject, however, to continuance of the certificate by the
24 insurer each year by payment before June 30 of the continua-
25 tion fee provided in AS 21.06.250.

26 (b) If not continued by the insurer, its certificate
27 of authority shall expire at midnight on June 30 next fol-
28 lowing the failure of the insurer to continue it in force.

29 The director shall promptly notify the insurer of the occur-

1 rence of a failure resulting in impending expiration of its
2 certificate of authority.

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

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

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

19 (1) if such action is required by a provision of
20 this title;

21 (2) if the insurer no longer meets the require-
22 ments for the authority originally granted, on account of
23 deficiency of assets or otherwise; or

24 (3) if the insurer's authority to transact
25 insurance is suspended or revoked by its state of domicile,
26 or state of entry into the United States if an alien insurer.

27 (b) Except in cases of insolvency or impairment of
28 required capital or surplus, or suspension or revocation by
29 another state as referred to in (a)(3) of this section, the

1 director shall give the insurer at least 15 days' notice in
2 advance of a suspension or revocation under this section.

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

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

13 (1) is in unsound condition, or in a condition,
14 or using methods or practices in the conduct of its business,
15 which render its further transaction of insurance in Alaska
16 injurious or hazardous to its policyholders or to the public;

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

21 (3) has failed to pay a final judgment rendered
22 against it in Alaska within 30 days after the judgment became
23 final (A judgment appealed from is not final until determined
24 by the appellate court.);

25 (4) with such frequency as to indicate its general
26 business practice in Alaska, has without just cause refused to
27 pay proper claims arising under its policies, whether the
28 claim is in favor of an insured or is in favor of a third
29 person, or without just cause delays adjustment of claims,

1 or compels the insured or claimant to accept less than the
2 amount due them or to employ attorneys or to bring suit
3 against the insurer or an insured to secure full payment
4 or settlement of claims;

5 (5) is affiliated with and under the same general
6 management or interlocking directorate or ownership as
7 another insurer which transacts direct insurance in Alaska
8 without having a certificate of authority, except as per-
9 mitted as to surplus line insurance under ch. 33 of this
10 title;

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

15 (c) The director may, in his discretion and without
16 advance notice or a hearing, immediately suspend the certi-
17 ficate of authority of an insurer against which proceedings
18 for receivership, conservatorship, rehabilitation, or other
19 delinquency proceedings, have been commenced in any state.

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

25 (b) The suspension or revocation shall automatically
26 suspend or revoke, as the case may be, the authority of all
27 its agents to act as agents of the insurer in this state,
28 and the director shall so state in the notice to agents
29 provided for in (a) of this section.

1 (c) The director shall also publish notice of the
2 revocation in one or more newspapers of general circulation in
3 this state.

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

10 (b) During the period of the suspension the insurer
11 shall not solicit or write any new business in this state,
12 but shall file its annual statement, pay fees, licenses and
13 taxes as required under this title and may service its
14 outstanding business in force in this state as if the certi-
15 ficate had continued in full force.

16 (c) Upon expiration of the suspension period (if within
17 this period the certificate of authority has not been termin-
18 ated) the insurer's certificate of authority shall automati-
19 cally reinstate, unless the director finds that the practices
20 which led to the suspension have not been discontinued, or
21 that the insurer is otherwise not in compliance with the
22 requirements of this title, and of which the director shall
23 give the insurer notice not less than 30 days in advance of
24 the expiration of the suspension period. If not automati-
25 cally reinstated the certificate of authority shall be
26 considered to have expired as of the end of the suspension
27 period or upon failure of the insurer to continue the certi-
28 ficate during the suspension period, whichever event occurs
29 first.

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

(e) The director shall immediately notify both the insurer and its agents in this state, as shown by his records, of the 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 designated and furnished by the director. The appointment shall be irrevocable, shall bind the insurer and any successor in interest to the assets or liabilities of the insurer, and shall remain in effect as long as there is in force in Alaska a contract made by the insurer or obligations arising therefrom.

(b) Service of 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 of a domestic reciprocal insurer.

(c) Each insurer at the 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.

1 The insurer may change the designation by a new filing.

2 Sec. 21.09.190. SERVING PROCESS -- TIME TO PLEAD. (a)
3 Duplicate copies of legal process against an insurer for
4 whom the director is attorney under sec. 180 of this chapter,
5 shall be served upon the director, or upon his deputy or
6 other person in charge of his office during his absence. At
7 the time of service the plaintiff shall pay \$2 to the direc-
8 tor taxable as costs in the action. Upon receiving service
9 the director shall promptly forward a copy thereof by
10 certified mail with return receipt requested to the person
11 last designated by the insurer to receive it.

12 (b) If process is served upon the director as an
13 insurer's attorney, the insurer shall have 45 days within
14 which to appear, answer, or plead after date of mailing of
15 the copy thereof by the director, exclusive of date of
16 mailing, as provided by (a) of this section.

17 (c) Process served upon the director and copy thereof
18 forwarded as provided in this section constitutes service
19 upon the insurer.

20 Sec. 21.09.200. ANNUAL STATEMENT. (a) Each authorized
21 insurer shall annually before March 2 file with the director
22 a full and true statement of its financial condition, trans-
23 actions, and affairs as of the preceding December 31. The
24 statement shall be in the general form and context acceptable
25 to the director, and in current use for similar reports to
26 states in general with respect to the type of insurer and
27 kinds of insurance to be reported upon, and supplemented for
28 additional information as required by the director. The
29 statement shall be verified by the oath of the insurer's

1 president or vice-president, and secretary, or, if a
2 reciprocal insurer, by oath of the attorney-in-fact or its
3 like officers if a corporation unless verification is waived
4 by the director of insurance.

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

13 (c) The director may refuse to accept a fee for
14 continuance of the insurer's certificate of authority, as
15 provided in sec. 130 of this chapter, or may in his discre-
16 tion suspend or revoke the certificate of authority of any
17 insurer failing to file its annual statement when due.

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

21 Sec. 21.09.210. TAX. (a) Each authorized insurer,
22 and each formerly authorized insurer with respect to premiums
23 so received while an authorized insurer in this state, shall
24 file with the director, before March 2 in each year, a
25 report of all insurance business written or contracted in
26 the state (with proper proportionate allocation of premium
27 as to the property, subjects, or risks in the state insured
28 under policies or contracts covering property, subjects, or
29 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;

(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 other than wet marine and transportation insurance, after deducting from the total direct premium income the applicable cancellations, returned premiums, the unabsorbed portion of any deposit premium, all policy dividends, unabsorbed premiums refunded to policyholders, 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 value 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

1 annually before April 1, and is computed at the rate of

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

3 (2) for hospital and medical service corporations,
4 (ch. 87 of this title) 6 per cent of their gross premiums
5 less claims paid;

6 (3) for companies other than domestic and hospital
7 and medical service corporations, 3 per cent.

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

11 (d) An authorized insurer shall, with respect to all wet
12 marine and transportation contracts written within this state
13 during the preceding calendar year, before April 1 of each
14 year, pay to the director a tax of three-quarters of one per
15 cent on its gross underwriting profit. The gross underwriting
16 profit is computed by deducting from the net premiums (i.e.,
17 gross premiums less all return premiums and premiums for rein-
18 surance), on wet marine and transportation insurance contracts,
19 the net losses paid (i.e., gross losses paid, less salvage and
20 recoveries on reinsurance ceded) during the calendar year under
21 the contracts. In the case of an insurer issuing participating
22 contracts, the gross underwriting profit shall not include, for
23 computation of the tax prescribed by this section, the amounts
24 refunded or paid as participation dividends by the insurers to
25 the holders of the contracts.

26 (e) Payment to the director by an insurer of the tax upon
27 its premiums as in this section required, shall be in lieu
28 of all other taxes imposed by the state upon premiums, fran-
29 chise, privilege or other taxes measured by income of the

1 insurer commencing with the taxable year beginning January 1,
2 1967.

3 (f) The state hereby pre-empts the field of imposing
4 excise, privilege, franchise, income, license, permit,
5 registration, and similar taxes, licenses, and fees upon
6 insurers and their general agents, agents and representatives
7 as such; and on the intangible property of insurers or agents;
8 and all political subdivisions of agencies in the state,
9 including home rule boroughs or cities, are prohibited from
10 imposing or levying upon insurers, or upon their general
11 agents, agents and representatives as such, any tax, license,
12 or fee. Provided, however, that this subsection shall not
13 be construed as prohibiting the imposition by political
14 subdivisions of taxes upon real and tangible personal pro-
15 perty of insurers and their general agents, agents and
16 representatives.

17 (g) The director may suspend or revoke the certificate
18 of authority of an insurer which fails to pay its taxes as
19 required under this section.

20 Sec. 21.09.220. COUNTER SIGNATURE BY RESIDENT AGENT --
21 APPLICATION OF TITLE. No company, association, reciprocal
22 exchange, person or persons authorized to transact insurance
23 or offer indemnity contracts in this state excepting reci-
24 procal mutuals organized under the laws of this state and
25 life insurance companies or life insurance contracts and
26 health and accident contracts and annuity contracts written
27 therein, shall make, write, place or cause to be made,
28 written or placed, a policy or contract of insurance or
29 indemnity of any kind or character, or a general or floating

1 policy covering risks on property located in the state,
2 liability created by or accruing under the laws of this
3 state, or undertakings to be performed in this state, except
4 through their licensed resident insurance agents, who shall
5 countersign all policies, riders and endorsements or
6 indemnity contracts so issued and collect the premiums
7 therefor, or see to their collection in due course, and who
8 shall keep a record of the same. The record shall contain
9 the usual and customary information concerning the risk
10 undertaken, including the full premium paid or to be paid
11 therefor, to the end that the state may receive the taxes
12 required by law to be paid on premiums collected for insur-
13 ance on property or undertakings located in this state. No
14 agent shall pay or forward a premium or application for
15 insurance or in any manner secure, help or aid in the
16 placing of any insurance, or effect a contract of insurance
17 or indemnity upon property, liability or undertakings located
18 in this state with an insurer which is not authorized to
19 transact its business in this state; except that if two or
20 more insurers issue a single policy of insurance, the policy
21 may be countersigned on behalf of all insurers appearing on
22 it by a licensed agent, resident of the state, or any one
23 such insurer. The practice of signing policies in blank
24 is likewise prohibited.

25 Sec. 21.09.230. EXCEPTION. Nothing contained in sec.
26 220 of this chapter shall be construed as preventing the
27 free and unlimited right to negotiate wholly outside this
28 state contracts of insurance by licensed nonresident agents
29 and brokers, provided the policies, dailies, endorsements or

1 evidence of the contracts covering properties or insurable
2 interests in this state are countersigned by the resident
3 agent of this state, in which event the countersigning
4 agent shall receive a commission of not less than five per
5 cent of the premium paid; provided, however, that the
6 countersigning commission shall not exceed one-half of the
7 total commission and provided further that for counter-
8 signing these insurance policies the resident agent shall
9 not be paid more than \$50 nor less than \$1 for counter-
10 signing a policy or bond; and provided further, that if
11 the licensed nonresident agent or broker or the insurer
12 assuming the risk desires the resident agent to render
13 additional services during the life of a policy the compensa-
14 tion to be paid to the countersigning agent shall be a
15 matter of contract between the parties in interest. Secs.
16 220 through 250 of this chapter shall not apply to the
17 following contracts:

18 (1) policies covering property received for
19 shipment or delivery, or in transit while in possession or
20 custody of a common carrier, or the rolling stock, vessels,
21 aircraft, or other property of a common carrier used and
22 employed by it in interstate or foreign commerce, or
23 insurance of aircraft owned or operated by manufacturers of
24 aircraft;

25 (2) policies issued by insurers not using agents
26 in the general solicitation of business;

27 (3) contracts of reinsurance or retrocessions
28 made by and for admitted companies;

29 (4) contracts and annuity contracts of life and

1 disability insurance;

2 (5) contracts of title insurance;

3 (6) bid bonds issued in connection with a public
4 or private contract;

5 (7) wet marine and transportation insurances.

6 Sec. 21.09.240. AFFIDAVIT ATTACHED TO ANNUAL STATEMENT.

7 At the time of the filing of the annual statement of every
8 such company with the director there shall be attached to it
9 an affidavit of the president, manager or chief executive
10 officer in the United States stating that secs. 220 - 250 of
11 this chapter have not been violated.

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

25 Sec. 21.09.260. VIOLATIONS -- PENALTIES. An insurer
26 violating the provisions of secs. 220 - 250 of this chapter
27 is guilty of a misdemeanor and upon conviction is punishable
28 by a fine not more than \$500 for each violation. In the
29 event of conviction the insurance director may suspend or

1 revoke the license of the insurer, but violation shall not
2 invalidate the insurance contract.

3 Sec. 21.09.270. RETALIATION. (a) If, under the laws
4 of another state or foreign country, taxes, licenses and
5 other fees, in the aggregate, and fines, penalties, deposit
6 requirements or other material obligations, prohibitions or
7 restrictions are or would be imposed upon Alaska insurers,
8 or upon their agents or representatives, which are in
9 excess of the taxes, licenses and other fees, in the aggre-
10 gate, or which are in excess of the fines, penalties, deposit
11 requirements or other obligations, prohibitions, or restric-
12 tions directly imposed upon similar insurers, or upon their
13 agents or representatives, of another state or country under
14 the statutes of this state, as long as the laws of the other
15 state or country continue in force or are applied, the same
16 taxes, licenses and other fees, in the aggregate, or fines,
17 penalties or deposit requirements or other material obliga-
18 tions, prohibitions or restrictions of whatever kinds shall
19 be imposed by the director upon the insurers, or upon their
20 agents or representatives, of the other state or country
21 doing business or seeking to do business in Alaska. A tax,
22 license or other fee or other obligation imposed by a city,
23 county, or other political subdivision or agency of another
24 state or country on Alaska insurers or their agents or
25 representatives shall be considered to be imposed by the
26 state or country within the meaning of this section.

27 (b) This section shall not apply as to personal income
28 taxes, nor as to ad valorem taxes on real or personal pro-
29 perty nor to special purpose obligations or assessments

1 imposed by another state in connection with particular kinds
2 of insurance other than property insurance; except that
3 deductions from premium taxes or other taxes otherwise pay-
4 able allowed on accounts of real estate or personal property
5 taxes paid shall be taken into consideration by the director
6 in determining the propriety and extent of retaliatory
7 action under this section.

8 (c) For the purposes of this section the domicile of
9 an alien insurer, other than insurers formed under the laws
10 of Canada or a province of Canada, shall be that state
11 designated by the insurer in writing filed with the director
12 at the time of admission to this state or within six months
13 after the effective date of this title, whichever date is
14 the later, and may be any one of the following states:

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

17 (2) that in which is located the insurer's princi-
18 pal place of business in the United States;

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

22 (d) If the insurer makes no designation, its domicile
23 shall be considered to be that state in which is located
24 its principal place of business in the United States.

25 (e) If an insurer is formed under the laws of Canada
26 or a province of Canada, its domicile is the province in
27 which its head office is located.

28 Sec. 21.09.280. GENERAL AGENTS, MANAGERS -- APPOINT-
29 MENT -- POWERS -- LICENSING. (a) An insurer appointing a

1 person as its general agent or manager to represent it as
2 such in this state shall file notice of the appointment with
3 the director on forms prescribed and furnished by the di-
4 rector.

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

12 (c) Except as provided under AS 21.27.510, the appoint-
13 ment of a resident or nonresident general agent shall not be
14 effective unless the person appointed is licensed as the
15 general agent of the insurer by the director upon application
16 and payment of the fee as provided in AS 21.06.250.

17 (d) Every license expires at the close of business on
18 the 30th day of June following the date of issue, and may
19 be renewed for an additional year upon application and
20 payment of the fee.

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

24 CHAPTER 12. KINDS OF INSURANCE -- LIMITS
25 OF RISK -- REINSURANCE

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

1 (b) In this section a "subject of insurance" as to
2 insurance against fire and hazards other than windstorm,
3 earthquake, and other catastrophe hazards, includes all
4 properties insured by the same insurer which are customarily
5 considered by underwriters to be subject to loss or damage
6 from the same fire or the same occurrence of the hazard
7 insured against.

8 (c) Reinsurance ceded as authorized by sec. 20 of this
9 chapter shall be deducted in determining risk retained. As
10 to surety risks, deduction shall also be made of the amount
11 assumed by an established incorporated cosurety and the
12 value of a security deposited, pledged or held subject to
13 the surety's consent and for the surety's protection.

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

17 (e) In this section "surplus to policyholders" in
18 addition to the insurer's capital and surplus shall be
19 considered to include any voluntary reserves which are not
20 required under law, and shall be determined from the last
21 sworn statement of the insurer on file with the director,
22 or by the last report of examination of the insurer, which-
23 ever is more recent at time of assumption of risk.

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

1 issuance of the policy.

2 Sec. 21.12.020. REINSURANCE. (a) An insurer may
3 accept reinsurance only of the kinds of risks and retain
4 risk within the limits it is otherwise authorized to insure.

5 (b) An insurer may reinsure all or part of a particu-
6 lar risk with a solvent insurer authorized to transact
7 insurance in one or more states and having surplus to
8 policyholders in an amount not less than the paid-in capital
9 stock required of a domestic stock insurer transacting like
10 kinds of insurance.

11 (c) No credit shall be allowed to an insurer, as an
12 asset or as a deduction from liability, for reinsurance
13 ceded to an alien insurer unless the alien insurer has sur-
14 plus to policyholders, or assets held in trust for the
15 benefit of its American policyholders, in an amount not less
16 than the paid-in capital stock required of a domestic stock
17 insurer transacting like kinds of insurance and is either
18 (1) authorized to transact insurance in at least one state
19 of the United States, or (2) has an attorney-in-fact
20 resident in the United States upon whom service of legal
21 process may be made.

22 (d) Credit shall be allowed as an asset or as a
23 deduction from liability, to a ceding insurer for reinsurance
24 ceded to an assuming insurer qualified under (a) - (c) of
25 this section; except that no credit shall be allowed unless
26 the reinsurance is payable by the assuming insurer on the
27 basis of the liability of the ceding insurer under the
28 contracts reinsured without diminution because of the
29 insolvency of the ceding insurer.

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

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

7 Sec. 21.12.030. DEFINITIONS NOT MUTUALLY EXCLUSIVE.
8 It is intended that certain insurance coverages may come
9 within the definitions of two or more kinds of insurance as
10 defined in this chapter, and the inclusion of coverage within
11 one definition shall not exclude it from the definition of
12 another kind of insurance coverage if the coverage may be
13 reasonably included.

14 Sec. 21.12.040. LIFE INSURANCE DEFINED. Life insur-
15 ance is insurance on human lives. The transaction of life
16 insurance includes also the granting of endowment benefits,
17 additional benefits in event of death or dismemberment by
18 accident or accidental means, additional benefits in event
19 of the insured's disability, and optional modes of settle-
20 ment of proceeds of life insurance. Transaction of life
21 insurance does not include workmen's compensation insurance.

22 Sec. 21.12.050. DISABILITY INSURANCE DEFINED. Dis-
23 ability insurance is insurance of human beings against
24 bodily injury, disablement, or death by accident or acci-
25 dental means, or the expense thereof, or against disable-
26 ment or expense resulting from sickness or childbirth, or
27 against expense incurred in prevention of sickness, or
28 dental care and every insurance appertaining thereto.

29 Transaction of disability insurance does not include work-

1 men's compensation insurance.

2 Sec. 21.12.055. ANNUITIES AND ANNUITY CONTRACT
3 DEFINED. (a) Annuities means all agreements to make
4 periodical payments if the making or continuance of all or
5 some of a series of payments or the amount of a payment is
6 dependent upon the continuance of human life, except pay-
7 ments made under sec. 40 of this chapter. The business of
8 annuities shall be considered to include additional benefits
9 operating to safeguard the contract from lapse, or to
10 provide a special surrender value, or special benefit, or
11 annuity, in the event of the total and permanent disability
12 of the holder.

13 (b) Annuity contract means a contract providing for
14 an annuity as defined in (a) of this section.

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

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

25 (1) vehicle insurance: insurance against loss
26 of or damage to a land vehicle or aircraft or a draft or
27 riding animal or to property while contained therein or
28 thereon or being loaded or unloaded therein or therefrom,
29 from any hazard or cause, and against any loss, liability

or expense resulting from or incidental to ownership, maintenance or use of the 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, if 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 a 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, if 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 an 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

1 money, coins, bullion, securities, notes, drafts, acceptances,
2 or other valuable papers and documents, resulting from any
3 cause;

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

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

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

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

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

26 (10) malpractice: insurance against legal
27 liability of the insured, and against loss, damage, or
28 expense incidental to a claim of liability, and including
29 medical, hospital, surgical, and funeral benefits to injured

1 persons, irrespective of legal liability of the insured,
2 arising out of the death, injury or disablement of a person,
3 or arising out of damage to the economic interest of a
4 person, as the result of negligence in rendering expert,
5 fiduciary, or professional service;

6 (11) elevator: insurance against loss of or
7 damage to any property of the insured, resulting from the
8 ownership, maintenance or use of elevators, except loss or
9 damage by fire, and to make inspection of and issue certifi-
10 cates of inspection on elevators;

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

13 (13) entertainments: insurance indemnifying the
14 producer of a motion picture, television, radio, theatrical,
15 sport, spectacle, entertainment, or similar production,
16 event, or exhibition against loss from interruption, post-
17 ponement, or cancellation due to death, accidental injury,
18 or sickness of performers, participants, directors, or other
19 principals;

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

25 (b) Provision of medical, hospital, surgical, and
26 funeral benefits, and of coverage against accidental death
27 or injury, as incidental to and part of other insurance as
28 stated under (a)(1) (vehicle), (2) (liability), (4) (burglary),
29 and (10) (malpractice) of this chapter, shall for all pur-

1 poses be considered to be the same kind of insurance to which
2 it is incidental, and shall not be subject to provisions of
3 this title applicable to life or disability insurances.

4 Sec. 21.12.080. SURETY INSURANCE DEFINED. Surety insur-
5 ance includes

6 (1) fidelity insurance, which is insurance guaran-
7 teeing the fidelity of persons holding positions of public or
8 private trust;

9 (2) insurance guaranteeing the performance of con-
10 tracts, other than insurance policies, and guaranteeing and
11 executing bonds, undertakings, and contracts of suretyship;

12 (3) insurance indemnifying banks, bankers, brokers,
13 financial or moneyed corporations or associations against loss,
14 resulting from any cause, of bills of exchange, notes, bonds,
15 securities, evidences of debt, deeds, mortgages, warehouse re-
16 cepts or other valuable papers, documents, money, precious
17 metals and articles made therefrom, jewelry, watches, necklaces,
18 bracelets, gems, precious and semiprecious stones, including
19 loss while being transported in armored motor vehicles or by
20 messenger, but not including any other risks of transportation
21 or navigation; also insurance against loss or damage to an
22 insured's premises or to his furnishings, fixtures, equipment,
23 safes, and vaults therein, caused by burglary, robbery, theft,
24 vandalism, or malicious mischief, or attempt thereat.

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

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

29 (A) vessels, craft, aircraft, cars, automobiles

1 and vehicles of every kind, as well as all goods,
2 freights, cargoes, merchandise, effects, disbursements,
3 profits, money, bullion, precious stones, securities,
4 choses in action, evidences of debt, valuable papers,
5 bottomry and respondentia interests and all other kinds
6 of property and interests therein, in respect to, apper-
7 taining to or in connection with any and all risks or
8 perils of navigation, transit, or transportation, in-
9 cluding war risks, on or under any seas or other waters,
10 on land or in the air, or while being assembled, packed,
11 crated, baled, compressed or similarly prepared for ship-
12 ment or while awaiting shipment or during delays, storage,
13 transshipment, or reshipment incident thereto, including
14 marine builder's risks and all personal property floater
15 risks;

16 (B) A person or to property in connection with
17 or appertaining to a marine, inland marine, transit or
18 transportation insurance, including liability for loss of
19 or damage to either, arising out of or in connection with
20 the construction, repair, operation, maintenance or use
21 of the subject matter of the insurance (but not including
22 life insurance or surety bonds or insurance against loss
23 by reason of bodily injury to the person arising out of
24 the ownership, maintenance or use of automobiles);

25 (C) precious stones, jewels, jewelry, gold,
26 silver and other precious metals, whether used in
27 business or trade or otherwise and whether in the
28 course of transportation or otherwise;

29 (D) bridges, tunnels and other instrumen-

1 section; and

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

12 Sec. 21.12.100. TITLE INSURANCE DEFINED. Title insur-
13 ance is insurance of owners of property or others having an
14 interest in the property, or liens or encumbrances on the
15 property, against loss by encumbrance or defective title
16 or invalidity or adverse claim to title.

17 CHAPTER 18. ASSETS AND LIABILITIES.

18 Sec. 21.18.010. ALLOWABLE ASSETS. In a determination
19 of the financial condition of an insurer, there shall be
20 allowed as assets only those assets which are owned by the
21 insurer and which consist of

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

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

28 (A) interest due or accrued on a bond or
29 evidence of indebtedness which is not in default and

1 which is not valued on a basis including accrued
2 interest;

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

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

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

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

18 (F) rent due or accrued on real property if
19 the rent is not in arrears for more than three months,
20 and rent more than three months in arrears if the pay-
21 ment of the rent is adequately secured by property
22 held in the name of the tenant and conveyed to the
23 insurer as collateral;

24 (G) the unaccrued portion of taxes paid
25 before the due date on real property;

26 (3) .premium notes, policy loans, and other policy
27 assets and liens on policies and certificates of life insur-
28 ance and annuity contracts and accrued interest thereon,
29 in an amount not exceeding the legal reserve and other policy

1 liabilities carried on each individual policy;

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

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

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

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

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

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

24 (10) deposits or equities recoverable from under-
25 writing associations, syndicates and reinsurance funds, or
26 from a suspended banking institution, to the extent con-
27 sidered by the director available for the payment of losses
28 and claims and at values to be determined by him;

29 (11) electronic and mechanical machines consti-

1 tuting a date processing and accounting system if the cost
2 of the system is at least \$25,000, which cost shall be
3 amortized in full over a period of not to exceed 10
4 calendar years;

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

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

13 Sec. 21.18.020. ASSETS AS DEDUCTIONS FROM LIABILITIES.
14 Assets may be allowed as deductions from corresponding
15 liabilities, and liabilities may be charged as deductions
16 from assets, and deductions from assets may be charged as
17 liabilities, in accordance with the form of annual state-
18 ment applicable to the insurer as prescribed by the director,
19 or otherwise in his discretion.

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

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

26 (2) " advances to officers (other than policy loans)
27 whether secured or not, and advances to employees, agents
28 and other persons on personal security only;

29 (3) stock of the insurer, owned by it, or any

1 material equity in the stock or loans secured by the stock,
2 or a material proportionate interest in the stock acquired
3 or held through the ownership by the insurer of an interest
4 in another firm, corporation or business unit;

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

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

20 Sec. 21.18.040. DISALLOWANCE OF WASH TRANSACTIONS.

21 (a) The director shall disallow as an asset or as a credit
22 against liabilities any reinsurance found by him after a
23 hearing arranged for the purpose principally of deception
24 as to the ceding insurer's financial condition as of the
25 date of any financial statement of the insurer. Without
26 limiting the general purport of the foregoing provision,
27 reinsurance of any substantial part of the insurer's out-
28 standing risks contracted for in fact within four months
29 before the date of any financial statement and canceled in

talities of transportation and communication (excluding buildings, their furniture and furnishings, fixed contents 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 a 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

1 fact within four months after the date of the statement,
2 or reinsurance under which the reinsurer bears no substan-
3 tial insurance risk or substantial risk of net loss to
4 itself, shall prima facie be considered to have been
5 arranged for the purpose principally of deception within
6 the intent of this provision.

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

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

12 (2) not freely subject to withdrawal or liquida-
13 tion by the insurer at any time for the payment or discharge
14 of claims or other obligations arising under its policies;

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

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

24 (d) The director may suspend or revoke the certificate
25 of authority of an insurer which has knowingly been a party
26 to a deception or an attempted deception.

27 Sec. 21.18.050. LIABILITIES, IN GENERAL. In a
28 determination of the financial condition of an insurer,
29 capital stock and liabilities to be charged against its

1 assets shall include

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

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

9 (3) with reference to life and disability insur-
10 ance and annuity contracts,

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

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

17 (C) reserves for accidental death benefits;

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

22 (4) with reference to disability insurance, the
23 amount of reserves required under sec. 80 of this chapter;

24 (5) with reference to insurance other than
25 specified in (a)(3) and (4) of this section, and other than
26 title insurance, the amount of reserves equal to the unearned
27 portions of the gross premiums charged on policies in force,
28 computed in accordance with this chapter.

29 (6) 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 the reserves 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 table in (b) of this section, the insurer at its option may compute all of the reserves on a monthly or more frequent pro rata basis.

(d) After adopting a method for computing the reserve, an insurer shall not change methods without approval of the supervisory official of the insurer's state of domicile.

(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 considered 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 the policies and be not less than the reserve according to appropriate standards set out in regulations issued by the director and, in no event, less in the aggregate than the pro rata gross unearned premiums for the policies.

Sec. 21.18.090. LOSS RESERVES, LIABILITY INSURANCE AND WORKMEN'S COMPENSATION. Where required in the form of

1 annual statement required of the insurer, the reserve for
2 outstanding losses under insurance against loss or damage
3 from accident to or injuries suffered by an employee or
4 other person and for which the insured is liable, shall be
5 computed as follows:

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

8 (A) 10 years before the date the statement
9 is made, \$1,500 for each suit;

10 (B) five or more and less than 10 years
11 before the statement is made, \$1,000 for each suit;

12 (C) three or more and less than five years
13 before the statement is made, \$850 for each suit;

14 (2) for all liability policies written during
15 the three years immediately preceding the date the statement
16 is made, the reserve shall be 60 per cent of the earned
17 liability premiums of each of the three years less all
18 losses and expense payments made under liability policies
19 written in the corresponding years; but the reserve shall
20 for the first of the three years be not less than \$750 for
21 each outstanding liability suit on the year's policies;

22 (3) for all workmen's compensation claims under
23 policies written more than three years before the statement
24 is made, the reserve shall be the present value at four per
25 cent interest of the determined and the estimated future
26 payments;

27 (4) for all workmen's compensation claims under
28 policies written in the three years immediately preceding
29 the date the statement is made, the reserve shall be 65 per

1 cent of the earned compensation premiums of each of the
2 three years, less all loss and loss expense payments made
3 in connection with the claims under policies written in the
4 corresponding years; but in the first year of the three-year
5 period, the reserve shall be not less than the present
6 value at 4 per cent interest of the determined and the
7 estimated unpaid compensation claims under policies written
8 during the year.

9 Sec. 21.18.100. INCREASE OF INADEQUATE RESERVES. If
10 loss experience shows that an insurer's loss reserves, how-
11 ever computed or estimated, are inadequate, the director
12 shall require the insurer to maintain loss reserves in the
13 increased amount needed to make them adequate.

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

1 may make the valuation and it may be received by the director
2 upon satisfactory proof of its correctness. In lieu of the
3 valuation of the reserves herein required of any foreign
4 or alien insurer, the director may accept any valuation
5 made, or caused to be made, by the insurance supervisory
6 official of a state or other jurisdiction when the valuation
7 complies with the minimum standard herein provided and if
8 the official of the state or jurisdiction accepts as suffi-
9 cient and valid for all legal purposes the certificate of
10 valuation of the director when the certificate states the
11 valuation was made in a specified manner in which the
12 aggregate reserves would be at least as large as if they
13 had been computed in the manner prescribed by the law of
14 that state or jurisdiction. An insurer which at any time
15 adopted a standard of valuation producing greater aggregate
16 reserves than those calculated according to the minimum
17 standard herein provided may, with the approval of the
18 director, adopt a lower standard of valuation, but not
19 lower than the minimum herein provided.

20 (b) This subsection shall apply to only those policies
21 and contracts issued on or after the operative date of
22 AS 21.45.300 (the Standard Nonforfeiture Law):

23 (1) The minimum standard for the valuation of
24 all these policies and contracts shall be the Commissioner's
25 Reserve Valuation Method defined in (b)(2) of this section,
26 3 1/2 per cent interest, and the following tables:

27 (A) for all ordinary policies of life
28 insurance issued on the standard basis, excluding
29 disability and accidental death benefits in the policies

1 the Commissioner's 1958 Standard Ordinary Mortality
2 Table, except that for a category of policies issued
3 on female risks, modified net premiums and present
4 values, referred to in (b)(2) of this section may be
5 calculated -- according to an age not more than three
6 years younger than the actual age of the insured;

7 (B) for all industrial life insurance
8 policies issued on the standard basis, excluding
9 disability and accidental death benefits in the
10 policies, -- the 1941 Standard Industrial Mortality
11 Table for the policies issued before the effective
12 date of AS 21.45.300(j) of the Standard Nonforfeiture
13 Law, and the Commissioner's 1961 Standard Industrial
14 Mortality Table for the policies issued on or after
15 the operative date;

16 (C) for individual annuity and pure endow-
17 ment contracts, excluding disability and accidental
18 death benefits in the policies -- the 1937 Standard
19 Annuity Mortality Table, or, at the option of the
20 insurer, the Annuity Mortality Table for 1949, ultimate,
21 or any modification of either of these tables approved
22 by the director;

23 (D) for group annuity and pure endowment
24 contracts, excluding disability and accidental death
25 benefits in the policies -- the group annuity mortality
26 table for 1951, any modification of the table approved
27 by the director, or, at the option of the insurer, any
28 of the tables or modifications of tables specified for
29 individual annuity and pure endowment contracts;

1 (E) for total and permanent disability bene-
2 fits in or supplementary to ordinary policies or con-
3 tracts -- the tables of period 2 disablement rates and
4 the 1930 to 1950 termination rates of the 1952 dis-
5 ability study of the society of actuaries, with due
6 regard to the type of benefit; the table shall, for
7 active lives, be combined with a mortality table
8 permitted for calculating the reserves for life insur-
9 ance policies;

10 (F) for accidental death benefits in or
11 supplementary to policies the 1959 Accidental Death
12 Benefits Table -- combined with a mortality table
13 permitted for calculating the reserves for life insur-
14 ance policies;

15 (G) for group life insurance, life insurance
16 issued on the substandard basis and other special
17 benefits -- tables approved by the director.

18 (2) Reserves according to the Commissioner's
19 Reserve Valuation Method, for the life insurance and endow-
20 ment benefits of policies providing for a uniform amount of
21 insurance and requiring the payment of uniform premiums shall
22 be the excess, if any, of the present value, at the date of
23 valuation, of the future guaranteed benefits provided for by
24 the policies, over the then present value of any future
25 modified net premiums; the modified net premiums for the
26 policy shall be the uniform percentage of the respective
27 contract premiums for the benefits that the present value,
28 at the date of issue of the policy, of all the modified net
29 premiums shall be equal to the sum of then present value of

1 the benefits provided for by the policy and the excess of
2 (A) over (B), as follows:

3 (A) a net level annual premium equal to the
4 present value, at the date of issue, of the benefits
5 provided for after the first policy year, divided by
6 the present value, at the date of issue of an annuity
7 of one per annum payable on the first and each subse-
8 quent anniversary of the policy on which a premium
9 falls due; provided, that the net level annual premium
10 shall not exceed the net level annual premium on the
11 19 year premium whole life plan for insurance of the
12 same amount at an age one year higher than the age at
13 issue of the policy;

14 (B) a net one-year term premium for the
15 benefits provided for in the first policy year;

16 (C) reserves according to the Commissioner's
17 Reserve Valuation Method for

18 (i) life insurance policies providing
19 for a varying amount of insurance or requiring
20 the payment of varying premiums,

21 (ii) annuity and pure endowment contracts,

22 (iii) disability and accidental death
23 benefits in all policies and contracts, and

24 (iv) all other benefits, except life
25 insurance and endowment benefits in life insurance
26 policies, shall be calculated by a method consistent
27 with the principles of (b)(2) of this section,
28 except that any extra premiums charged because of
29 impairments or special hazards shall be disregarded

1 in the determination of modified net premiums.

2 (3) In no event shall an insurer's aggregate
3 reserves for all life insurance policies, excluding dis-
4 ability and accidental death benefits, be less than the
5 aggregate reserves calculated in accordance with the method
6 set forth in (b)(2) of this section, and the mortality table
7 or tables and rate or rates of interest used in calculating
8 nonforfeiture benefits for such policies.

9 (4) Reserves for any category of policies, con-
10 tracts or benefits as established by the director, may be
11 calculated at the option of the insurer according to standards
12 which produce greater aggregate reserves for the category
13 than those calculated according to the minimum standard
14 herein provided, but the rate or rates of interest used
15 shall not be higher than the corresponding rate or rates
16 of interest used in calculating nonforfeiture benefits
17 provided for therein; provided that reserves for partici-
18 pating life insurance policies may, with the consent of
19 the director, be calculated according to a rate of interest
20 lower than the rate of interest used in calculating the
21 nonforfeiture benefits in the policies, with the further
22 proviso that if the lower rate differs from the rate used
23 in the calculation of the nonforfeiture benefits by more
24 than 1/2 per cent the insurer issuing the policies shall
25 file with the director a plan providing for the equitable
26 increases, if any, in the cash surrender values and non-
27 forfeiture benefits in the policies as the director approves.

28 (5) Deficiency reserves: if the gross premium
29 charged by a life insurer on a policy or contract is less

1 than the net premium for the policy or contract according
2 to the mortality table, rate of interest and method used in
3 calculating the reserve, there shall be maintained on
4 the policy or contract a deficiency reserve in addition to
5 all other reserves required by law; for each policy or
6 contract the deficiency reserve shall be the present value,
7 according to the standard, of an annuity of the difference
8 between the net premium and the premium charged for the
9 policy or contract, running for the remainder of the
10 premium-paying period.

11 Sec. 21.18.120. VALUATION OF BONDS. (a) All bonds or
12 other evidences of debt having a fixed term and rate of
13 interest held by an insurer may, if amply secured and not
14 in default in principal or interest, be valued as follows:

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

16 (2) if purchased above or below par, on the basis
17 of the purchase price adjusted to bring the value to par at
18 maturity and yield in the meantime the effective rate of
19 interest at which the purchase was made, or in lieu of
20 this method, according to an accepted method of valuation
21 approved by the director;

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

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

1 (b) The director shall have full discretion in deter-
2 mining the method of calculating values according to the
3 rules set out in this section, and not inconsistent with
4 methods currently formulated or approved by the National
5 Association of Insurance Commissioners.

6 Sec. 21.18.130. VALUATION OF OTHER SECURITIES. (a)
7 Securities, other than those referred to in sec. 120 of this
8 chapter, held by an insurer shall be valued, in the discre-
9 tion of the director, at their market value, or at their
10 appraised value, or at prices determined by him as representing
11 their fair market value, all consistent with the current
12 method for the valuation of a security formulated or approved
13 by the National Association of Insurance Commissioners.

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

18 Sec. 21.18.140. VALUATION OF PROPERTY. (a) Real
19 property acquired under a mortgage loan or contract for sale,
20 in the absence of a recent appraisal considered by the
21 director to be reliable, shall not be valued at an amount
22 greater than the unpaid principal of the defaulted loan or
23 contract at the date of the acquisition, together with taxes
24 and expenses paid or incurred in connection with the acquisi-
25 tion, and the cost of improvements thereafter made by the in-
26 surer and any amounts thereafter paid by the insurer on
27 assessments levied for improvements in connection with the
28 property.

29 (b) Other real property held by an insurer shall not

1 be valued at an amount in excess of fair value as determined
2 by recent appraisal. If valuation is based on an appraisal
3 more than three years old, the director may at his discretion
4 call for and require a new appraisal in order to determine
5 fair value. The reasonable cost of the appraisal shall be
6 borne by the insurer.

7 (c) Personal property acquired under a chattel
8 mortgage made in accordance with AS 21.21.270 shall not be
9 valued at an amount greater than the unpaid balance of the
10 principal on the defaulted loan at the date of acquisition,
11 together with taxes and expenses incurred in connection with
12 the acquisition, or the fair value of the property, whichever
13 amount is the lesser.

14 Sec. 21.18.150. VALUATION OF PURCHASE MONEY MORTGAGES.
15 Purchase money mortgages on real property referred to in
16 sec. 140(a) of this chapter shall be valued in an amount
17 not exceeding the acquisition cost of the real property
18 covered or 90 per cent of the fair value of the real property,
19 whichever is less.

20 CHAPTER 21. INVESTMENTS.

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

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

27 (b) A particular investment held by an insurer on the
28 effective date of this title, which was a legal investment
29 at the time it was made, and which the insurer was legally

1 entitled to possess immediately before the effective date,
2 shall be considered an eligible investment.

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

6 (d) An investment limitation based upon the amount of
7 the insurer's assets or particular funds shall relate to the
8 assets or funds shown by the insurer's annual statement as
9 of the preceding December 31 date of acquisition of the
10 investment by the insurer, or shown by a current financial
11 statement filed with the director.

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

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

22 (c) No provision of this chapter shall prohibit the
23 acquisition by an insurer of other or additional securities
24 or property if received as a dividend or as a lawful distri-
25 bution of assets, or under a lawful and bona fide agreement
26 of bulk reinsurance, merger, or consolidation. An investment
27 so acquired which is not otherwise eligible under this chapter
28 shall be disposed of under sec. 300 of this chapter if
29 personal property or securities, or under sec. 290 of this

1 chapter, if real property.

2 Sec. 21.21.040. AUTHORIZATION OF INVESTMENT. An
3 insurer shall not make an investment or loan (other than
4 policy loans or annuity contract loans of a life insurer)
5 unless the loan is authorized or approved by the insurer's
6 board of directors or by a committee authorized by the board
7 and charged with the supervision or making of the investment
8 or loan. The minutes of the committee shall be recorded and
9 regular reports of the committee shall be submitted to the
10 board of directors.

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

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

23 (2) voting stock: an insurer shall not invest in
24 or hold at any one time more than 10 per cent of the out-
25 standing voting stock of a corporation, except with the
26 consent of the director given with respect to voting rights
27 of preference stock during default of dividends; this pro-
28 vision does not apply to stock of a wholly-owned subsidiary
29 of the insurer or to controlling stock of an insurer acquired

1 under sec. 170 of this chapter;

2 (3) minimum capital: an insurer (other than title
3 insurer) shall invest and maintain invested funds not less in
4 amount than the minimum paid-in capital stock required under
5 this title of a domestic stock insurer transacting like kinds
6 of insurance, only in cash and the securities provided for
7 under the following sections of this chapter: sec. 60
8 (United States or Canadian government obligations), sec. 80
9 (state, municipal, other political subdivision, obligations),
10 and sec. 260 (real estate mortgages);

11 (4) life insurance reserves: a life insurer shall
12 also invest and keep invested its funds in an amount not less
13 than the reserves under its life insurance policies and
14 annuity contracts (other than variable annuities) in force, in
15 cash and/or the securities or investments provided for under
16 this chapter;

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

23 (6) common stocks: an insurer may invest and have
24 invested at any one time in aggregate amount not more than 10
25 per cent of its assets in all stocks under: sec. 160 (common
26 stocks), sec. 170 (insurance stocks), and sec. 200 (investment
27 trust certificates) of this chapter; determination of the
28 amount which an insurer has invested in common stocks for the
29 purposes of this provision shall be based on the cost of the

1 stocks to the insurer; this provision shall not apply to
2 stock of a controlled or subsidiary insurance corporation or
3 other corporation under secs. 170 and 180 of this chapter;

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

11 (8) other specific limits: limits in investments
12 in the category of real estate shall be as provided in sec.
13 280 of this chapter; and other specific limits shall apply as
14 stated in the sections dealing with other respective kinds of
15 investments.

16 Sec. 21.21.060. UNITED STATES OR CANADIAN GOVERNMENT
17 OBLIGATIONS. An insurer may invest in bonds, notes, warrants
18 and other evidences of indebtedness which are direct obliga-
19 tions of the United States of America or of Canada or for
20 which the full faith and credit of the United States of
21 America or of Canada, is pledged for the payment of principal
22 and interest.

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

28 Sec. 21.21.080. STATE, COUNTY, MUNICIPAL, AND SCHOOL
29 OBLIGATIONS. An insurer may invest in bonds or other evidences

1 of indebtedness which are general obligations of, or are
2 secured by pledge or specific revenues by, this state or of
3 another state of the United States or of a province of
4 Canada, or of a political subdivision or all other taxing
5 districts of these states or provinces.

6 Sec. 21.21.090. REVENUE BONDS. An insurer may invest
7 in bonds, notes or evidences of indebtedness of a state of
8 the United States or province of Canada or a political sub-
9 division thereof or an agency or instrumentality of any of
10 them, which are payable from revenues or earnings specifi-
11 cally pledged for the payment of the principal and interest
12 on the obligations, and for the payment of which a lawful
13 sinking fund or reserve fund has been established and is
14 being maintained.

15 Sec. 21.21.100. IMPROVEMENT DISTRICT OBLIGATIONS. An
16 insurer may invest in bonds, notes or evidences of indebted-
17 ness issued by a political subdivision of this or any other
18 state to finance local improvements authorized by law, if
19 the principal and interest of the obligations is payable
20 from assessments on real property within the political sub-
21 division. No investment shall be made if the face value of
22 all the obligations, together with all similar obligations
23 of the political subdivision outstanding, exceed 50 per cent
24 of the market value of the real property and improvements
25 upon which the bonds or the assessments for the payment of
26 principal and interest thereon are liens inferior only to
27 the liens for general ad valorem property taxes.

28 Sec. 21.21.110. OBLIGATIONS, STOCK OF CERTAIN FEDERAL
29 AGENCIES. An insurer may invest in the obligations, and/or

1 stock where stated, of the following agencies of the govern-
2 ment of the United States of America, whether or not the
3 obligations are guaranteed by the government:

- 4 (1) Commodity Credit Corporation;
- 5 (2) Federal Intermediate Credit Banks;
- 6 (3) Federal Land Banks;
- 7 (4) Central Bank for Cooperatives;
- 8 (5) Federal Home Loan Banks, and stock thereof;
- 9 (6) Federal National Mortgage Association, and
10 stock thereof when acquired in connection with sale of mort-
11 gage loans to the association;
- 12 (7) any other similar agency of the government of
13 the United States of America of similar financial quality.

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

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

20 Sec. 21.21.140. CORPORATE BONDS AND DEBENTURES. (a)
21 An insurer may invest in bonds, debentures, notes and other
22 evidences of indebtedness issued, assumed or guaranteed by
23 a solvent institution existing under the laws of the United
24 States of America or of Canada, or a state or province
25 thereof, which is not in default as to principal or interest
26 and which is secured by adequate collateral and bears fixed
27 interest and if during each of any three, including either
28 of the last two, of the five fiscal years preceding the
29 date of acquisition by the insurer, the net earnings of the

1 issuing, assuming or guaranteeing institution available for
2 its fixed charges, defined in (d) of this section, have been
3 not less than one and one-quarter times the total of its
4 charges for that year. In determining the adequacy of col-
5 lateral security, not more than one-third of the total value
6 of the required collateral shall consist of common stock.

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

20 (c) An insurer may invest in adjustment, income, or
21 other contingent interest obligations of these institutions
22 if the net earnings of the issuing, assuming or guaranteeing
23 institution available for its fixed charges for a period of
24 five fiscal years immediately preceding the date of acquisi-
25 tion by the insurer have averaged per year not less than
26 one and one-half times the sum of its average annual fixed
27 charges and its average annual maximum contingent interest
28 applicable to that period and if during either of the last
29 two years of that period the net earnings have been not less

1 than one and one-half times the sum of its fixed charges
2 and maximum contingent interest for the year.

3 (d) In this section, the term "net earnings available
4 for fixed charges" means net income after deducting operating
5 and maintenance expenses, taxes other than federal income
6 taxes, depreciation and depletion, but excluding extraordinary
7 nonrecurring items of income or expense appearing in the
8 regular financial statement of the issuing, assuming or
9 guaranteeing institutions. The term "fixed charges" includes
10 interest on funded and unfunded debt, amortization of debt
11 discount, and rental for leased properties.

12 Sec. 21.21.150. PREFERRED OR GUARANTEED STOCK. An
13 insurer may invest in preferred or guaranteed stocks or
14 shares of a solvent institution existing under the laws of
15 the United States of America or of Canada, or of a state or
16 province thereof, if all of the prior obligations and prior
17 preferred stocks, if any, of the institution at the date of
18 acquisition of the investment by the insurer are eligible as
19 investments under this chapter and if the net earnings of
20 the institution available for its fixed charges during each
21 of the last two years have been, and during each of the last
22 five years have averaged, not less than one and one-half
23 times the sum of its average annual fixed charges, if any,
24 its average annual maximum contingent interest, if any, and
25 its average annual preferred dividend requirements. For
26 the purposes of this section the computation shall refer to
27 the fiscal years immediately preceding the date of acquisition
28 of the investment by the insurer, and the term "preferred
29 dividend requirement" shall be considered to mean cumulative

1 or noncumulative dividends, whether paid or not.

2 Sec. 21.21.160. COMMON STOCKS. An insurer may invest
3 in nonassessable common stocks, other than insurance stocks,
4 of a solvent corporation existing under the laws of the
5 United States of America or of Canada, or a state or pro-
6 vince thereof, if cash or stock dividends have been earned
7 and paid on its common stock in each of the five fiscal
8 years preceding the acquisition; and if, further, all prior
9 obligations or preference stock of the corporation, if any,
10 are eligible for investment under this chapter. If the
11 issuing corporation has not been in legal existence for the
12 whole of the five preceding fiscal years but was formed as
13 a consolidation or merger of two or more businesses, the
14 test of eligibility for investment of its common stock
15 under this section shall be based upon consolidation pro-
16 forma statements of the predecessor or constituent institu-
17 tions.

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

23 (b) With the director's consent an insurer may acquire
24 and hold the controlling interest in the outstanding voting
25 stock of another stock insurer formed under the laws of this
26 or another state. All stocks under this subsection shall be
27 subject to the limitation as to amount as provided in sec.
28 180 of this chapter.

29 Sec. 21.21.180. STOCKS OF SUBSIDIARIES. With the

1 director's consent an insurer may invest in the stock of its
2 wholly-owned subsidiary insurance corporation; or in the
3 stock of its wholly-owned subsidiary business corporation
4 formed under the laws of this state and necessary and inci-
5 dental to the convenient operation of the insurer's insurance
6 business or to the administration of any of its investments.
7 All of the insurer's investments under this section, together
8 with its investments in insurance stocks under sec. 170(b)
9 of this chapter shall not at any time exceed the amount of
10 the investing insurer's surplus, if a life insurer, or its
11 surplus to policyholders if other than a life insurer.

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

20 Sec. 21.21.200. INVESTMENT TRUST SECURITIES. An
21 insurer may invest in the securities of any management type
22 investment company or investment trust registered with the
23 Federal Securities and Exchange Commission under the Invest-
24 ment Company Act of 1940 as from time to time amended, if
25 the investment company or trust has assets not less than
26 \$50,000,000 as at date of investment by the insurer.

27 Sec. 21.21.210. POLICY LOANS. A life insurer may lend
28 to its policyholder upon pledge of the policy as collateral
29 security, a sum not exceeding the cash surrender value of

1 the policy; or may lend against pledge or assignment of any
2 of its supplementary contracts or other contracts or obli-
3 gations, so long as the loan is adequately secured by the
4 pledge or assignment. Loans so made are eligible invest-
5 ments of the insurer.

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

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

19 Sec. 21.21.240. FOREIGN SECURITIES. An insurer
20 authorized to transact insurance in a foreign country may
21 make investments, in aggregate amount not exceeding its
22 deposit and obligations incurred in that country, in
23 securities of or in that country possessing characteristics
24 and of a quality similar to like investments required under
25 this chapter for investments in the United States of America.
26 Canadian securities eligible for investment under other pro-
27 visions of this chapter are not subject to this section.

28 Sec. 21.21.250. MISCELLANEOUS INVESTMENTS. (a) An
29 insurer may make loans or investments not otherwise expressly

1 permitted under this chapter, in aggregate amount not over
2 five per cent of the insurer's assets and not over one per
3 cent of the assets as to any one loan or investment, if the
4 loan or investment fulfills the requirements of sec. 30
5 of this chapter, and otherwise qualifies as a sound invest-
6 ment. But no loan or investment shall be represented by

7 (1) an item described in AS 21.18.030 (assets not
8 allowed), or a loan or investment otherwise expressly pro-
9 hibited;

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

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

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

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

21 Sec. 21.21.260. REAL ESTATE MORTGAGES. (a) An insurer
22 may invest its funds in bonds, notes or other evidences of
23 indebtedness which are secured by first mortgages or deeds
24 of trust upon improved real property located in the United
25 States or Canada, or which are secured by first mortgages or
26 deeds of trust upon leasehold estates having an unexpired
27 term which may be provided by enforceable options of renewal
28 in improved real property located in the United States or
29 Canada. In all cases the security for the loan must be a

1 first lien upon the real property, and there must not be a
2 condition or right of re-entry or forfeiture not insured
3 against, under which, in the case of real property other than
4 leaseholds, the lien can be cut off or subordinated or other-
5 wise disturbed or under which, in the case of leaseholds,
6 the insurer is unable to continue the lease in force for
7 the duration of the loan. Nothing herein shall prohibit
8 an investment by reason of the existence of a prior lien for
9 ground rents, taxes, assessments or other similar charges
10 not yet delinquent. This section shall not prohibit invest-
11 ment in mortgages or similar obligations when made under
12 sec. 240 (foreign securities) of this chapter.

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

17 (c) No mortgage loan or loans made or acquired by
18 an insurer on any one property shall, at the time of invest-
19 ment by the insurer, exceed the larger of the following
20 amounts as applicable:

21 (1) two-thirds of the value of the real property
22 or leasehold securing the same; provided however if the real
23 property or leasehold consists of one or two-family resi-
24 dential property, three-fourths of the value; or

25 (2) the amount of any insurance or guaranty of
26 the loan by the United States of America or by an agency or
27 instrumentality thereof; or

28 (3) the amounts provided in (c)(1) of this section,
29 plus the amount by which the excess of the loan over the

1 amount is insured or guaranteed by the United States of
2 America or by an agency or instrumentality thereof; except,
3 that in the case of a purchase money mortgage given to
4 secure the purchase price of real estate sold by the insurer,
5 the amount loaned or invested shall not exceed the unpaid
6 portion of the purchase price.

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

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

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

27 Sec. 21.21.270. CHATTEL MORTGAGES. (a) In connection
28 with a mortgage loan on the security of real estate designed
29 and used primarily for residential purposes only, which

1 mortgage loan was acquired under sec. 260 of this chapter,
2 an insurer may lend or invest an amount not exceeding 20 per
3 cent of the amount loaned on or invested in the real estate
4 mortgage on the security of a chattel mortgage to be
5 amortized by regular periodic payments within a term of
6 not more than five years, and representing a first and prior
7 lien, except for taxes not then delinquent, on personal
8 property constituting durable equipment owned by the mort-
9 gator and kept and used in the mortgaged premises.

10 (b) In this section, the term "durable equipment"
11 includes only mechanical refrigerators, air conditioning
12 equipment, mechanical laundering machines, heating and
13 cooking stoves and ranges, and, in addition, in the case of
14 apartment houses, motel and hotels, room furniture and
15 furnishings.

16 (c) Before the acquisition of a chattel mortgage
17 hereunder, items of property to be included shall be
18 separately appraised by a qualified appraiser and the fair
19 market value determined. No chattel mortgage loan shall
20 exceed in amount the same ratio of loan to the value of
21 the property as is applicable to the companion loan on the
22 real property.

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

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

29 (1) the land and the buildings on the land in

1 which it has its principal office, and the other real estate
2 which is requisite for its convenient accommodation in the
3 transaction of its business; except with the consent of the
4 director, all investments shall not aggregate more than five
5 per cent of the insurer's assets;

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

9 (3) real estate acquired in part payment of the
10 consideration on the sale of other real estate owned by it,
11 if the transaction does not increase the insurer's invest-
12 ment in real estate;

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

16 (5) the seller's interest in real property sub-
17 ject to an agreement of purchase or sale, but the sum
18 invested in a parcel of real estate shall not exceed three-
19 fourths of the market value of the parcel provided it consists
20 of one or two family residential property and two-thirds of
21 the market value of all other parcels of real estate;

22 (6) real estate, or any interest therein acquired
23 or held by purchase, lease or otherwise, other than real
24 estate to be used primarily for agricultural, ranch mining,
25 development of oil or mineral resources, recreational,
26 amusement or club purposes, acquired as an investment for
27 the production of income, or acquired to be improved or
28 developed for such investment purposes pursuant to an
29 existing program; the insurer may hold, improve, develop,

1 maintain, manage, lease, sell, and convey real estate
2 acquired by it under this provision; an insurer shall not,
3 except with the director's consent, have at any one time
4 invested in real estate under this paragraph an amount
5 exceeding five per cent of its assets;

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

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

22 Sec. 21.21.290. TIME LIMIT FOR DISPOSAL OF REAL
23 ESTATE. (a) Except as stated in (c) of this section, the
24 insurer shall dispose of real estate acquired under sec.
25 280 (a)(1) of this chapter, within five years after it has
26 ceased to be necessary for the convenient accommodation of
27 the insurer in the transaction of its business.

28 (b) Except as stated in (c) of this section, the
29 insurer shall dispose of real estate acquired under sec.

1 280 (a)(2), (3) and (4) of this chapter within five years
2 after the date of acquisition.

3 (c) Upon proof satisfactory to him that the interests
4 of the insurer will suffer materially by the forced sale
5 thereof, the director may by order grant a reasonable exten-
6 sion of the period, as specified in the order, within which
7 the insurer shall dispose of any particular parcel of the
8 real estate; unless the insurer elects to hold the real
9 estate as an investment for income purposes under sec. 280
10 (a)(6) of this chapter, in which event thereafter the real
11 estate shall be considered to have been acquired at a cost
12 equal to its book value at the time of the election and to be
13 held under, and subject to, the provisions of sec. 280 (a)(6)
14 of this chapter.

15 Sec. 21.21.300. TIME LIMIT FOR DISPOSAL OF OTHER
16 INELIGIBLE PROPERTY AND SECURITIES. Personal property or
17 securities lawfully acquired by an insurer which it could
18 not otherwise have invested in or loaned its funds upon at
19 the time of the acquisition, shall be disposed of within
20 three years from date of acquisition, unless within that
21 period the security has attained to the standard of eligi-
22 bility; except, that a security or personal property acquired
23 under an agreement of bulk reinsurance, merger, or consolida-
24 tion, may be retained for a longer period if so provided in
25 the plan for reinsurance, merger, or consolidation as approved
26 by the director under ch. 69 of this title. Upon application
27 by the insurer and proof that forced sale of the property
28 or security would materially injure the interests of the
29 insurer, the director may extend the disposal period for an

1 additional reasonable time.

2 Sec. 21.21.310. FAILURE TO DISPOSE OF REAL ESTATE,
3 PROPERTY OR SECURITIES. (a) Real estate, personal property,
4 or securities lawfully acquired and held by an insurer after
5 expiration of the period for disposal thereof or any exten-
6 sion of the period granted by the director, as provided in
7 secs. 290 or 300 of this chapter, shall not be allowed as
8 an asset of the insurer.

9 (b) The insurer shall immediately dispose of an
10 ineligible investment unlawfully acquired by it, and the
11 director may, in his discretion, suspend or revoke the insur-
12 er's certificate of authority if the insurer fails to dispose
13 of the investment within such reasonable time as the director
14 may, by his order, specify.

15 Sec. 21.21.320. SEPARATE ACCOUNTS. (a) This section
16 applies only to the establishment or operation of separate
17 investment accounts by domestic life insurers for the funding
18 of qualified pension, retirement or profit-sharing plans.
19 In this section, the term "qualified pension, retirement or
20 profit-sharing plan" means a plan or agreement which meets
21 the requirements for qualification under secs. 401 or 403
22 of the United States Internal Revenue Code, as now or there-
23 after amended, or any corresponding provisions of prior or
24 subsequent United States revenue laws.

25 (b) A domestic life insurer may allocate to one or
26 more separate investment accounts, in accordance with the
27 terms of a written agreement, any amounts which are paid to
28 the insurer in connection with a qualified pension, retire-
29 ment or profit-sharing plan and which are to be invested by

1 the insurer in accordance with the agreement and applied to
2 the purchase of guaranteed income benefits under the insurer's
3 policies or annuity contracts, whether on the individual or
4 group basis, or to provide other guaranteed incidental bene-
5 fits; provided that at least 25 individuals are covered
6 under the agreement at the time it is entered into.

7 (c) The income, if any, and gains and losses, realized
8 or unrealized, on each account shall be credited to or
9 charged against the amounts allocated to the account in
10 accordance with the agreement, without regard to the other
11 income, gains or losses of the insurer.

12 (d) Amounts allocated to separate accounts and accumu-
13 lations thereon may be invested and reinvested in any class
14 of investments authorized by this chapter as life insurance
15 reserve investments. Common stock investments of amounts
16 allocated to separate accounts shall not be included in
17 applying the 10 per cent limitations provided in sec. 50(6)
18 of this chapter. No insurer may invest more than \$10,000
19 or five per cent of any one separate account, whichever is
20 greater, in the stock or shares of any one corporation,
21 mutual fund or investment company.

22 (e) No insurer shall guarantee the value of amounts
23 allocated to a separate account nor the value of investments
24 of the amounts nor the income thereon without limiting its
25 liability under the guarantee to the interest of the con-
26 tractholder in the investments.

27 (f) Amounts allocated to a separate account in the
28 exercise of the power granted by this section shall be owned
29 by the insurer, and the insurer shall not be, or hold itself

1 out to be, a trustee with respect to the amounts.

2 (g) This section shall not apply to amounts contributed
3 by an employee or other participant in a pension, retirement
4 or profit-sharing plan who is entitled to retirement or
5 other incidental benefits under the plan, nor to amounts
6 which have been applied to purchase or provide retirement
7 or other incidental benefits under the policies or contracts
8 of the insurer.

9 (h) The investments and liabilities of each separate
10 account shall at all times be clearly identifiable and dis-
11 tinguishable on the books of the insurer from the other
12 investments and liabilities of the insurer. No investment
13 in an separate account or in the insurer's general investment
14 account shall be transferred by sale, exchange, substitution
15 or otherwise from one account to another, except with the
16 director's approval.

17 (i) No insurer shall, in connection with the alloca-
18 tion of investments or expenses, or in any other respect,
19 discriminate unfairly between separate accounts or between
20 a separate account and the insurer's general investment
21 account, but this provision shall not require the insurer
22 to follow uniform investment policies for its accounts.

23 (j) Investments made with respect to separate accounts
24 shall be valued for the purpose of a valuation required by
25 this chapter at their market value on the date of valuation,
26 or if there is no readily available market, then in accord-
27 ance with the terms of the agreement referred to in (b)
28 of this section.

29 Sec. 21.21.321. PROHIBITED INVESTMENTS AND INVESTMENT

1 UNDERWRITING. (a) In addition to investments excluded
2 under other provisions of this title, an insurer shall not
3 invest in or lend its funds upon the security of

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

6 (2) except with the advance consent of the
7 director, securities issued by a corporation or enterprise
8 the controlling interest of which is, or after the acquisi-
9 tion by the insurer will be, held directly or indirectly by
10 the insurer or a combination of the insurer and the insurer's
11 directors, officers, parent corporation, subsidiaries, or
12 controlling stockholders; investments in subsidiaries under
13 sec. 180 of this chapter shall not be subject to this pro-
14 vision;

15 (3) a note or other evidence of indebtedness of
16 a director, officer, or controlling stockholders of the
17 insurer, except as to policy loans authorized under sec.
18 210 of this chapter.

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

22 Sec. 21.21.330. INVESTMENTS OF FOREIGN INSURERS. The
23 investment portfolio of a foreign insurer shall be as per-
24 mitted by the laws of its domicile but shall be of a quality
25 substantially as high as that required under this chapter for
26 similar funds of like domestic insurers. For the purposes
27 of this provision, the domicile of an alien insurer, other
28 than a life insurer formed under the laws of Canada, shall
29 be considered 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 under the laws of other states, provinces and countries as requirement for authority to transact insurance in the state, province or country;

(3) deposits in the additional amounts which are permitted to be made under sec. 100 of this chapter.

Sec. 21.24.020. PURPOSE OF DEPOSIT. The 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 the other state, province or country, shall be held for the protection of all creditors or for the other purpose or purposes which may be specified under those laws;

(3) deposits required under the retaliatory law, AS 21.09.270, shall be held for the purposes required by the law, and specified by the director's order requiring the deposit to be made.

Sec. 21.24.030. SECURITIES ELIGIBLE FOR DEPOSIT. (a)

1 All deposits required under AS 21.09.090 for authority to
2 transact insurance in this state shall consist of certifi-
3 cates of deposit, or any combination of securities of the
4 kinds described in the following sections of this title:
5 AS 21.21.060 (United States and Canadian government obliga-
6 tions), AS 21.21.080 (state, county, municipal, and school
7 obligations), and AS 21.21.090 (revenue bonds).

8 (b) All other deposits of a domestic insurer held in
9 this state under the laws of another state, province, or
10 country shall be comprised of assets of the kinds described
11 in (a) of this section, and of the additional kind or kinds
12 of securities required or permitted by the laws of the state,
13 province, or country except common stocks, mortgages of any
14 kind and real estate.

15 (c) Deposits of foreign insurers made in this state
16 under the retaliatory law, AS 21.09.270, shall consist of
17 the assets required by the director under the law.

18 Sec. 21.24.040. DEPOSITARY OR CUSTODIAN. (a) Deposits
19 made in this state under this title shall be made through the
20 office of the director in safe deposit or under custodial
21 arrangements as required or approved by the director consis-
22 tent with the purposes of the deposit, with an established
23 safe deposit institution, bank, or trust company located in
24 this state selected by the insurer with the director's approval.

25 (b) No safe deposit shall be used for a deposit unless
26 the box or compartment in which are kept the assets and
27 securities comprising the deposit requires two separate and
28 distinctly differing keys or one key and a combination (in
29 the case of a box having a combination lock) to open it.

1 One of the keys or the combination shall at all times be kept
2 by the director, and the other key or the combination shall
3 at all times be kept by the insurer. The box or compartment
4 shall not at any time be opened or remain open except through
5 the joint action and in the presence of both the director and
6 an authorized officer or representative of the insurer.

7 (c) If of convenience to the insurer in the buying,
8 selling, and exchange of securities comprising its deposit,
9 and in the collection of interest and other income currently
10 accruing thereon, the insurer may, with the director's writ-
11 ten approval in advance, deposit certain of the securities
12 under custodial arrangements with an established bank or trust
13 company located outside this state, as long as receipts
14 representing all the securities are issued by the custodial
15 bank or trust company and are held in safe deposit or custody
16 subject to the requirements of (a) and (b) of this section.

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

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

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

27 (b) The director shall keep a record of the assets
28 and securities comprising each deposit, showing as far as
29 practical the amount and market value of each item, and all

1 his transactions relative thereto.

2 Sec. 21.24.060. RESPONSIBILITY FOR SAFEKEEPING. The
3 director and the state shall have no liability as to the
4 safekeeping of a deposit by the depositary or custodian.

5 Sec. 21.24.070. ASSIGNMENT, CONVEYANCE OF ASSETS OR
6 SECURITIES. All securities not negotiable by delivery and
7 deposited under this title shall be assigned to the director
8 and his successors in office. In the case of securities
9 held under custodial arrangements outside this state under
10 sec. 40(c) of this chapter, the custodian's receipt for the
11 securities shall be delivered, if negotiable, or assigned
12 to the director if thereby legal title to the securities is
13 vested in the director. The insurer shall transfer or convey
14 to the director and his successors in office all other assets
15 so deposited. Upon release to the insurer of the asset or
16 security the director shall reassign or transfer or reconvey
17 it to the insurer.

18 Sec. 21.24.080. APPRAISAL. The director may, in his
19 discretion, before acceptance for deposit of any particular
20 asset or security, or at any time thereafter while so de-
21 posited, have the same appraised or valued by competent
22 appraisers. The reasonable costs of the appraisal or valua-
23 tion shall be borne by the insurer.

24 Sec. 21.24.090. RIGHTS OF INSURER DURING SOLVENCY. As
25 long as the insurer remains solvent and is in compliance with
26 this title it may

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

29 (2) exchange and substitute for the deposited

1 assets or securities, or any part thereof, other eligible
2 assets or securities of equivalent or greater value;

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

4 Sec. 21.24.100. EXCESS DEPOSITS. An insurer may deposit
5 and have on deposit assets or securities in an amount exceeding
6 its deposit required or otherwise permitted under this title
7 by no more than 20 per cent of the required or permitted
8 deposit or \$50,000, whichever is the larger amount, for the
9 purpose of absorbing fluctuations in the value of assets and
10 securities deposited, and to facilitate the exchange and
11 substitution of the assets and securities. During the
12 solvency of the insurer an excess shall be released to the
13 insurer upon its request. During the insolvency of the
14 insurer the excess deposit shall be released only as provided
15 in sec. 130(d) of this chapter.

16 Sec. 21.24.110. LEVY UPON DEPOSIT. No judgment cred-
17 itor or other claimant of an insurer shall have the right to
18 levy upon any of the assets or securities held in this state
19 as a deposit for the protection of the insurer's policyholders
20 or policyholders and creditors. As to deposits under the
21 retaliatory law, AS 21.09.270, levy thereupon shall be
22 permitted if provided in the director's order under which
23 the deposit is made.

24 Sec. 21.24.120. DEFICIENCY OF DEPOSIT. If for any
25 reason the market value of assets and securities of an
26 insurer held on deposit in this state, or in another state
27 under custodial arrangements authorized by sec. 40(c) of
28 this chapter, falls below the amount required under this
29 title to be so held, the insurer shall promptly deposit

1 other or additional assets or securities eligible for deposit
2 under this chapter and in an amount sufficient to cure the
3 deficiency. If the insurer has failed to cure the deficiency
4 within 20 days after receipt of notice by registered mail
5 from the director, the director shall immediately revoke
6 the insurer's certificate of authority.

7 Sec. 21.24.130. DURATION AND RELEASE OF DEPOSIT. (a)
8 Every deposit made in this state by an insurer under this
9 title, including assets and securities held in another
10 state under custodial arrangements permitted by sec. 40(c)
11 of this chapter, shall be held as long as there is outstanding
12 any liability of the insurer as to which the deposit was
13 required; or, if a deposit required under the retaliatory
14 law, AS 21.09.270, the deposit shall be held for so long as
15 the basis of the retaliation exists.

16 (b) Upon the request of a domestic insurer, the director
17 shall return to the insurer the whole or any portion of the
18 assets and securities of the insurer held on deposit when
19 the director is satisfied that the assets and securities
20 to be returned are subject to no liability and are no longer
21 required to be held by any provision of law or purposes of
22 the original deposit. If the insurer has reinsured all its
23 outstanding risks in another insurer or insurers authorized
24 to transact insurance in this state, the director shall
25 deliver the assets and securities to the insurer or insurers
26 assuming the risks, upon written notice to him by the
27 domestic insurer that the assets and securities have been
28 assigned, transferred and set over to the reinsuring insurer
29 or insurers, which notice shall be accompanied by a verified

1 copy of the assignment, transfer, or conveyance.

2 (c) The director shall return to a foreign insurer
3 any deposit made in this state by the insurer, when (1) the
4 insurer has ceased transacting insurance in this state, or
5 in the United States, and the insurer is not subject to any
6 liability in this state on account of which the deposit was
7 held; (2) the deposit is no longer required by a provision
8 of law; (3) the insurer, during its solvency, has made a
9 similar deposit in another state and has filed with the
10 director the certificate of evidence thereof, under the
11 conditions provided for in AS 21.09.090(b)(2) or 21.09.090-
12 (b)(3). Upon the effectuation of a merger or consolidation
13 of an insurer that has made a deposit in this state, the
14 director shall return the deposit to the resulting or sur-
15 viving corporation, or to any person it may designate for
16 that purpose, provided that the resulting or surviving
17 corporation is or becomes authorized to transact an insurance
18 business in this state.

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

26 (e) No release of deposited assets shall be made except
27 upon application to and the written order of the director.
28 The director shall have no personal liability for a release
29 of a deposit or part thereof 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 licensed 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 licensed.

(c) This section shall not apply to a 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 the insurance to the person.

(d) A person violating this section shall be liable to a fine of not to exceed \$500 and imprisonment for not to exceed six months for each instance of a 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 a license except in compliance with this chapter, or to, or 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 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 a person if the director has reasonable cause to believe that

1 (1) during either of the two calendar years
2 immediately preceding the request for renewal of the license
3 the aggregate amount of commissions represented by the con-
4 trolled business procured by or through the licensee exceeded
5 the aggregate amount of commissions represented by all other
6 insurance business procured by or through him; or

7 (2) the circumstances of the applicant for the
8 license or of a licensee are such as to cause the director
9 reasonably to believe that during the 12-month period immedi-
10 ately following issuance or renewal of the license, if issued
11 or renewed, the aggregate amount of commissions to be repre-
12 sented by the controlled business would exceed the aggregate
13 amount of commissions to be represented by all other insurance
14 business to be procured by or through the applicant or licen-
15 see.

16 (b) "Controlled business" means insurance procured or
17 to be procured by or through the person upon

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

21 (2) the life, person, or property of his employer,
22 or his firm, or of an officer, director, stockholder; or
23 member of his employer or firm, other than members of mutual
24 insurers, or of a spouse of the employer, officer, director,
25 stockholder, or member;

26 (3) the life, person, or property of his ward, or
27 his employees; or upon persons or property under his super-
28 vision or control as trustee under an indenture or decree,
29 or as administrator or executor of an estate.

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

5 Sec. 21.27.040. APPLICATION FOR LICENSE. (a) Appli-
6 cation for a license shall be made to the director upon
7 forms prescribed and furnished by him. As a part of or in
8 connection with the application the applicant shall furnish
9 information concerning his identity, personal history,
10 experience, business record, purposes, and other pertinent
11 facts, which the director may reasonably require.

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

19 (c) A person wilfully misrepresenting a fact required
20 to be disclosed in the application shall be liable to pen-
21 alties as provided by this title.

22 Sec. 21.27.050. ONE FILING OF PERSONAL DATA SUFFICIENT.
23 (a) The filing of personal data by an individual in connec-
24 tion with one application for an agent's license shall be
25 sufficient, regardless of the number of insurers to be
26 represented by the agent or the number of subsequent appli-
27 cations by the same applicant.

28 (b) The director may, for his information from time
29 to time require a licensed agent, or solicitor, or broker,

1 or adjuster, to supply him with the information called for
2 in an application for license.

3 Sec. 21.27.060. EXAMINATION OF APPLICANTS. (a) Each
4 applicant for license as agent, broker, solicitor, or
5 adjuster shall, before the issuance of the license, per-
6 sonally take and pass to the satisfaction of the director
7 an examination given by the director as a test of his
8 qualifications and competence; but this requirement shall
9 not apply to

10 (1) applicants for limited licenses, as travel
11 insurance agents only, under sec. 150 of this chapter, or,
12 at the discretion of the director, to applicants for
13 licenses as disability insurance agents for the purpose
14 of handling limited coverages pertaining to sports and
15 recreation;

16 (2) applicants who at any time within the five-
17 year period immediately preceding the date of application
18 have been licensed in this state under a license requiring
19 qualifications required by the license applied for and who
20 are considered by the director to be fully qualified and
21 competent;

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

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

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

9 Sec. 21.27.070. SCOPE OF EXAMINATIONS. (a) Each
10 examination shall be as the director prescribes and shall
11 be of sufficient scope reasonably to test the applicant's
12 knowledge relative to the kinds of insurance which may be
13 dealt with under the license applied for, and of the duties
14 and responsibilities of, and laws of this state applicable to
15 the licensee.

16 (b) Examination as to ocean marine and related coverages
17 may be waived by the director as to an applicant considered
18 by the director to be qualified by past experience to deal
19 in that insurances.

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

25 Sec. 21.27.080. EXAMINATIONS. (a) The answers of
26 the applicant to an examination shall be written by the
27 applicant under the director's supervision, and the written
28 examination may be supplemented by oral examination at the
29 director's discretion.

1 (b) The director shall give examinations at the times
2 and places within this state which he considers necessary to
3 reasonably serve the convenience of both the director and
4 applicants.

5 (c) The director may require a waiting period of
6 reasonable duration before giving a new examination to an
7 applicant who has failed to pass a previous similar examina-
8 tion.

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

11 Sec. 21.27.090. AGENT'S AND BROKER'S QUALIFICATIONS.

12 (a) To qualify for an agent's or broker's license an appli-
13 cant must otherwise comply with this title and must

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

15 (2) if for a resident agent's or broker's license:
16 be a bona fide resident for a period of not less than one
17 year of continuous residency, immediately before issuance
18 of license, and actually residing in Alaska; or if a corpora-
19 tion, be other than an insurer and maintain a lawfully
20 established place of business in this state, except as
21 provided in sec. 270 of this chapter;

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

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

27 (5) be a trustworthy person;

28 (6) not intend to use or use the license for the
29 purpose principally of writing controlled business, as

1 defined in sec. 30 of this chapter;

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

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

12 (b) If the director finds that the applicant is
13 qualified and that the license fee has been paid, he shall
14 issue the license. Otherwise, the director shall refuse to
15 issue the license.

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

24 Sec. 21.27.110. TERM OF APPOINTMENT OF AGENT. Each
25 appointment shall continue in force until

26 (1) the appointment shall expire on the 30th of
27 June of each year unless renewed by the insurer; or

28 (2) the appointment is revoked by the insurer
29 by written notice of revocation to the agent; the insurer

1 shall immediately file a duplicate copy of the notice of
2 revocation with the director; no fee shall be charged for
3 filing the copy.

4 Sec. 21.27.120. REVOCATION OF APPOINTMENT. (a) Re-
5 vocation of an appointment by the insurer shall be considered
6 to be effective as of the date designated in the notice as
7 being the effective date if the notice is actually received
8 by the agent before the designated date; otherwise, as of
9 the earlier of the following dates:

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

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

15 (b) As a part of the notice of termination given the
16 director, the insurer shall file with the director a state-
17 ment of facts relative to the termination and the cause
18 thereof; the information or statement contained in the notice
19 of termination shall be privileged and shall not be admis-
20 sible as evidence in an action or proceeding against the
21 insurer or a representative thereof by or on behalf of any
22 person affected by the termination.

23 Sec. 21.27.130. CONTENT OF AGENTS, BROKERS, SOLICITORS
24 LICENSES. Agents', solicitors', and brokers' licenses shall
25 be in the form the director prescribes, and shall set out

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

29 (2) if the agent or broker is a firm or corporation,

1 the name of each individual authorized to exercise the
2 powers conferred by the license;

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

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

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

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

11 Sec. 21.27.140. LICENSES TO FIRMS AND CORPORATIONS.

12 A firm or corporation shall not be licensed as an agent or
13 broker unless each individual to be empowered and designated
14 in the license to exercise the powers conferred by the
15 license is qualified as though he were the sole individual
16 to be so empowered. Exercise or attempted exercise of the
17 powers by an individual not so designated, with the knowledge
18 or consent of the licensee, shall constitute cause for the
19 revocation or suspension of the license.

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

26 Sec. 21.27.160. NUMBER OF LICENSES. An agent is
27 required to have but one license inclusive of all kinds or
28 combination of kinds of insurance he is licensed to handle,
29 regardless of the number of insurers for whom he is appointed

1 as agent.

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

9 (1) that the policy to be sold provides rea-
10 sonable coverage and benefits, is reasonably suited for
11 sale and issuance through vending machines, and that use
12 of a machine in a particular proposed location would be
13 of material convenience to the public;

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

17 (3) that reasonable means are provided for in-
18 forming the prospective purchaser of the policy of the
19 coverage and restrictions of the policy;

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

24 (b) The director shall issue to the agent a special
25 vending machine license for each machine to be used. The
26 license shall specify the name and address of the insurer
27 and agent, the name of the policy to be sold, the serial
28 number of the machine, and the place where the machine is to
29 be in operation. The license shall be subject to annual

1 continuation, to expiration, suspension or revocation
2 coincidentally with that of the agent. The director shall
3 also revoke the license on a machine if he finds that the
4 conditions upon which the machine was licensed, as referred
5 to in (a) of this section, no longer exist. The license
6 fee shall be as stated in AS 21.06.250 for each license
7 year or part thereof for each respective vending machine.
8 Proof of the existence of a subsisting license shall be
9 displayed on or about each vending machine in use in the
10 manner the director may reasonably require.

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

15 Sec. 21.27.190. BROKER'S BOND. (a) Every applicant
16 for a broker's license or for the renewal of a broker's
17 license existing on the effective date of this title shall
18 file with the application or request for renewal and shall
19 thereafter maintain in force while so licensed a bond in
20 favor of the people of the state, executed by an authorized
21 corporate surety approved by the director, in the amount of
22 \$5,000. The bond may be continuous in form, and total
23 aggregate liability on the bond may be limited to the pay-
24 ment of \$5,000. The bond shall be contingent on the accounting
25 by the broker to any person requesting the broker to obtain
26 insurance, for money or premiums collected in connection
27 therewith.

28 (b) The bond shall remain in force until the surety
29 is released from liability by the director, or until the

1 bond is canceled by the surety. Without prejudice to any
2 liability accrued before the cancellation, the surety may
3 cancel the bond upon 30 days advance notice in writing filed
4 with the director.

5 Sec. 21.27.200. BROKER'S AUTHORITY -- COMMISSIONS. (a)

6 A broker, as such, is not an agent or other representative
7 of an insurer, and does not have power, by his own acts, to
8 bind the insurer upon any risk or with reference to any
9 insurance contract.

10 (b) An insurer or agent shall have the right to pay
11 to a broker licensed under this title, or under the laws of
12 another state or a province, and the broker shall have the
13 right to receive from the insurer or agent, the customary
14 commissions upon insurances placed in the insurer by the
15 broker.

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

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

28 (1) is a bona fide resident of Alaska and has been
29 a continuous resident for at least one year immediately

1 before issuance of a license;

2 (2) is 18 years of age or over;

3 (3) intends to and does make the soliciting and
4 handling of insurance business under his license his princi-
5 pal vocation;

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

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

10 (6) is otherwise qualified under this title.

11 Sec. 21.27.230. SOLICITOR'S LICENSE -- APPLICATION.

12 The director shall issue a solicitor's license only upon
13 application by the applicant and the request of the agent
14 or broker to be represented, upon forms which the director
15 shall prescribe and furnish.

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

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

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

29 (b) A solicitor shall not have power to bind an insurer

1 upon or with reference to a risk or insurance contract, or
2 to countersign insurance contracts.

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

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

11 Sec. 21.27.270. NONRESIDENT AGENTS, BROKERS OR ADJUSTERS.
12 The director may license as a nonresident insurance agent,
13 or broker or adjuster any individual who otherwise qualifies
14 under this title, but who is not a resident of or domiciled
15 in Alaska provided that

16 (1) the nonresident licensee shall be subject to
17 the same obligations and limitations and to the director's
18 supervision as though the nonresident licensee were a resi-
19 dent of Alaska;

20 (2) no nonresident licensee shall be licensed
21 unless he files the power of attorney provided for in this
22 title.

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

1 agent, broker or adjuster.

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

6 (c) Duplicate copies of legal process against the
7 agent, broker or adjuster shall be served upon the director
8 either by a peace officer or through certified mail with
9 return receipt requested. At the time of service the plain-
10 tiff shall pay to the director \$2, taxable as costs in the
11 action.

12 (d) Upon receiving the service, the director shall
13 immediately send one of the copies of the process, by certi-
14 fied mail with return receipt requested, to the defendant
15 agent, broker or adjuster at his last address of record
16 with the director.

17 (e) The director shall keep a record of the day and
18 hour of service upon him of all the legal process. No pro-
19 ceedings shall be had against the defendant agent, broker
20 or adjuster, and the defendant shall not be required to
21 appear, plead, or answer until the expiration of 45 days
22 after the date of service upon the director.

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

28 (1) he is 21 or more years of age;

29 (2) he is a trustworthy person;

(3) he 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) he has successfully passed any examination required under this chapter.

Sec. 21.27.300. ADJUSTER'S LICENSE -- CONTENT. The director shall prescribe the form of adjuster's license, 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. TRAINEE ADJUSTERS. (a) An individual who does not have the experience or special education with reference to the handling of loss claims required under sec. 290(3) of this chapter may be employed as a trainee adjuster, subject to the provisions of this section.

(b) A licensed adjuster employing a trainee adjuster shall immediately inform the division of insurance by certified mail, with return receipt requested, of the employment by him of a trainee adjuster, giving the exact date of employment and enclosing with his correspondence the adjuster's license application form of the trainee adjuster, properly completed.

(c) A trainee adjuster may take the adjuster's license

1 examination after six months from the date of receipt of his
2 application by the division of insurance.

3 (d) A trainee adjuster shall at all times be under the
4 supervision of a licensed adjuster, and all adjusting trans-
5 actions shall be in the name of the licensed adjuster, who
6 shall be responsible for the actions of the trainee adjuster.

7 (e) A trainee adjuster shall be restricted to parti-
8 cipation in factual investigation and tentative closing of
9 losses subject to review and final determination by the
10 licensed adjuster.

11 (f) Compensation of a trainee adjuster shall be on a
12 salary basis only.

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

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

22 Sec. 21.27.330. PLACE OF BUSINESS. Every licensed
23 agent, broker, and adjuster, other than an agent licensed
24 for life or disability insurances or annuities only, shall
25 have and maintain in this state, or if a nonresident agent
26 or nonresident broker, in the state of his domicile, a place
27 of business accessible to the public. The place of business
28 shall be that wherein the agent principally conducts trans-
29 actions under his licenses. The address of his place of

1 business shall appear on all licenses of the licensee, and
2 the licensee shall promptly notify the director of any
3 change of address. If the licensee maintains more than one
4 place of business in this state, he shall obtain a duplicate
5 of his license or licenses for each additional place, and
6 shall pay the full fee.

7 Sec. 21.27.340. DISPLAY OF LICENSE. (a) The license
8 or licenses of each agent, other than licenses as to life
9 or disability insurances or annuities only, or of each broker
10 or adjuster shall be displayed in a conspicuous place in that
11 part of his place of business which is customarily open to
12 the public.

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

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

21 (1) if an agent or broker;

22 (A) a record of each insurance contract pro-
23 cured, issued, or countersigned, together with the
24 names of the insurers and insureds, the amount of premium
25 paid or to be paid, and a statement of the subject of
26 the insurance;

27 (B) the names of any other licensees from
28 whom business is accepted, and of persons to whom com-
29 missions or allowances of any kind are promised or paid;

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

6 (3) other and additional information which is
7 customary, or which may reasonably be required by the director.

8 (b) All records as to a particular transaction shall
9 be kept available and open to the inspection of the director
10 at any business time during the five years immediately after
11 the date of the completion of the transaction.

12 Sec. 21.27.360. REPORTING AND ACCOUNTING FOR PREMIUMS.

13 (a) An agent or any other representative of an insurer
14 involved in the procuring or issuance of an insurance con-
15 tract shall report to the insurer the exact amount of con-
16 sideration charged as premium for the contract, and the
17 amount shall be shown in the contract and in the records of
18 the agent. Each wilfull violation of this provision shall
19 constitute a misdemeanor.

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

26 (c) An agent, solicitor, or broker who, not being law-
27 fully entitled to the funds diverts or appropriates them or
28 any portion of them to his own use, shall be guilty of
29 embezzlement, and shall be punished as provided in the

1 criminal statutes of Alaska for the crime of embezzlement.

2 Sec. 21.27.370. SHARING COMMISSIONS. (a) No agent,
3 general agent, solicitor, or broker shall compensate or
4 offer to compensate in any manner a person other than an
5 agent, general agent, solicitor, or broker licensed in this
6 or any other state or province, for procuring or in any
7 manner helping to procure applications for or to place
8 insurance in this state. This provision shall not prohibit
9 the payment of compensation not contingent upon volume of
10 business transacted, in the form of salaries to the regular
11 employees of the agent, general agent, solicitor or broker.

12 (b) No licensee shall be promised or allowed compensa-
13 tion on account of the procuring of applications for or
14 placing of kinds of insurance which he himself is not then
15 licensed to procure or place.

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

18 Sec. 21.27.380. EXPIRATION AND RENEWAL OF LICENSES.

19 (a) All resident agents', solicitors', adjusters' and non-
20 resident adjusters' licenses shall expire at midnight on
21 the 30th day of June following the date of issuance.

22 (b) All resident brokers' licenses shall expire at
23 midnight on the 31st day of December following the date of
24 issuance.

25 (c) All nonresident agents' and brokers' licenses shall
26 expire at midnight one year from the date of issuance.

27 (d) Subject to the right of the director to suspend,
28 revoke, or refuse to renew a license as provided in this
29 title, the license may be renewed into another like period

1 by filing with the director on or before the expiration date
2 a written request, by or on behalf of the licensee, for the
3 renewal accompanied by payment of the renewal fee as speci-
4 fied in AS 21.06.250. An agent or broker shall make and
5 file renewal requests on behalf of his solicitors.

6 (e) If request and fee for renewal of license is filed
7 with the director before the expiration of the existing
8 license, the licensee may continue to act under the license,
9 unless revoked or suspended, until the issuance of renewal
10 license or until the expiration of 15 days after the director
11 has refused to renew the license and has mailed an order of
12 the refusal to the licensee. A request for renewal not
13 filed until after the date of expiration may be considered
14 by the director as an application for a new license.

15 (f) As to all licenses where renewal must be applied
16 for by the licensee, if request for renewal of license or
17 payment of the license fee is not received by the director
18 before the expiration date as required under (d) of this
19 section, the applicant for renewal of license shall pay to
20 the director and the director shall collect, in addition
21 to the regular license fee, a surcharge for the license as
22 follows: for the first 30 days or part thereof of delinquency
23 the surcharge shall be \$5; for all delinquencies extending
24 more than 30 days, the surcharge shall be \$10. This sub-
25 section shall not be considered to exempt a person from a
26 penalty provided by law for transacting business without a
27 valid and subsisting license, or effect the director's right,
28 at his discretion, to consider the delinquent application as
29 one for a new license.

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

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

7 (2) to the spouse, next of kin, employee, or legal
8 guardian of a licensed agent or broker who is disable
9 because of sickness, insanity, or injury;

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

14 (4) to the designee of a licensed agent who enters
15 active service in the armed forces of the United States.

16 (b) To be eligible for a temporary license the indivi-
17 dual must be qualified as for a permanent license except
18 for experience, training, or the taking of any examination.

19 (c) The fee paid to the director for issuance of a
20 temporary license as specified in AS 21.06.250 shall be
21 credited toward the fee required for a permanent license
22 which is issued to replace the temporary license before the
23 expiration of the temporary license.

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

29 (b) An individual requesting a temporary agent's

1 license because of the death or disability of an agent shall
2 not be licensed for an insurer for which the agent was not
3 licensed at the time of death or commencement of disability.

4 (c) No person writing or renewing "controlled business",
5 as defined in this chapter, under a temporary license shall
6 be entitled to receive the commission or other compensation
7 on account thereof unless and until, before the expiration
8 of the temporary license, the person fully qualifies for
9 and receives a permanent license in place of the temporary
10 license. Otherwise, the licensee under the temporary
11 license may exercise the same powers as under a like permanent
12 license.

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

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

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

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

27 (4) if the licensee has misappropriated or con-
28 verted to his own use or has illegally withheld money required
29 to be held in a fiduciary capacity;

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

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

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

10 (8) if in the conduct of his affairs under the
11 license, the licensee has shown himself to be, and is so
12 considered by the director, incompetent, or untrustworthy,
13 or a source of injury and loss to the public;

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

17 (b) The license of a firm or corporation may be
18 suspended, revoked, or refused for any of the causes which
19 relate to any individual designed in the license to exercise
20 its powers.

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

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

29 (b) The director may suspend, revoke, or refuse to

1 renew a license:

2 (1) by order given to the licensee not less than
3 15 days before the effective date thereof, subject to the
4 right of the licensee to have a hearing as provided in
5 AS 21.06.190; pending a hearing the license shall be suspended;
6 or

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

11 Sec. 21.27.430. DURATION OF SUSPENSION. Every order
12 suspending a license shall specify the period during which
13 suspension will be effective, which period shall in no event
14 exceed 12 months.

15 Sec. 21.27.440. FINES MAY BE IMPOSED. After hearing
16 and in addition to or in lieu of the suspension, revocation,
17 or refusal to renew a license, the director may levy a fine
18 upon the licensee of not less than \$25 and not more than \$250.
19 The order levying the fine shall specify the period within
20 which the fine shall be fully paid, which period shall be not
21 less than 15 or more than 30 days from the date of the order.
22 Upon failure to pay the fine when due, the director shall
23 revoke the licenses of the licensee if not already revoked.
24 The fine shall be paid by the director to the commissioner
25 of revenue for deposit in the general fund.

26 Sec. 21.27.450. FINE IN LIEU OF LICENSE SUSPENSION,
27 REVOCATION, OR REFUSAL. Upon the hearing of an appeal from
28 an order suspending, revoking, or refusing to renew a
29 license issued under this chapter, the court, if it finds

1 that the licensee is guilty of violation of the law and if
2 it considers the suspension, revocation, or refusal too
3 severe a penalty under the facts as found, may impose a fine
4 of not more than \$500 in lieu thereof, and payment of the
5 fine within 10 days thereafter shall reinstate, restore, or
6 renew the license.

7 Sec. 21.27.460. RETURN OF LICENSE. (a) All licenses
8 issued under this chapter, although issued and delivered to
9 the licensee agent, broker, solicitor or adjuster, shall at
10 all times be the property of the state. Upon the expiration,
11 termination, suspension or revocation of the license, the
12 licensee or other person having possession or custody of the
13 license shall immediately deliver it to the director either
14 by personal delivery or by mail.

15 (b) If a license is lost, stolen or destroyed while in
16 the possession of the licensee or person, the director may
17 accept, in lieu of the return of the license, an affidavit
18 of the licensee or other person responsible for or involved
19 in the safekeeping of the license concerning the facts of
20 the loss, theft or destruction.

21 Sec. 21.27.470. AGENT DEFINED. "Agent" means a person
22 appointed by an insurer to solicit applications for insurance
23 or annuities on its behalf, and if authorized so to do, to
24 effectuate and countersign insurance contracts, except life
25 or disability insurance or annuities, and to collect premiums
26 on insurances or annuities so applied for or effectuated.

27 Sec. 21.27.480. BROKER DEFINED. "Broker" means a
28 person who, on behalf of the insured, for compensation as an
29 independent contractor, for commission or fee, and not being

1 an agent of the insurer, solicits, negotiates, or procures
2 insurance or reinsurance or the renewal or continuance
3 thereof, or in any manner aids therein, for insureds or
4 prospective insureds other than himself.

5 Sec. 21.27.490. SOLICITOR DEFINED. "Solicitor" means
6 an individual authorized by an agent or broker to solicit
7 applications for insurance as a representative of the agent
8 or broker and to collect premiums in connection therewith.
9 An individual employed by, and devoting full time to clerical
10 work with incidental taking of insurance applications and
11 receiving premiums in the office of, the agent or broker is
12 not considered to be a solicitor if his compensation is not
13 related to the volume of applications, insurances, or premiums.

14 Sec. 21.27.500. SERVICE REPRESENTATIVES. Officers,
15 managers, or general agents of an insurer, employed on salary
16 by an insurer, are considered to be service representatives
17 and are not required to be licensed.

18 Sec. 21.27.510. ADJUSTER DEFINED. (a) "Adjuster"
19 means a person who, for compensation as an independent
20 contractor or as an employee of an independent contractor,
21 or for fee or commission, investigates and adjusts claims
22 arising under insurance contracts on behalf of the insurer.
23 An attorney at law who adjusts insurance losses from time
24 to time incidental to the practice of his profession, or an
25 adjuster of marine losses, or a salaried employee of an
26 insurer or of a general agent is not considered to be an
27 adjuster for the purposes of this chapter.

28 (b) "Independent adjuster" means an adjuster repre-
29 senting the interests of the insurer.

1 Sec. 21.27.520. EXCEPTIONS FROM DEFINITIONS. The
2 definitions contained in secs. 470 through 510 of this
3 chapter do not include

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

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

14 CHAPTER 33. UNAUTHORIZED
15 INSURERS AND SURPLUS LINES.

16 Sec. 21.33.010. UNAUTHORIZED INSURERS (UNADMITTED
17 COMPANIES). (a) Except as otherwise provided, an insurer
18 not authorized by the department may not solicit insurance
19 business in the state or transact insurance business in the
20 state.

21 (b) Except as otherwise provided, no person in the
22 state may represent an unauthorized insurer. This subsection
23 does not apply to an adjuster or attorney at law representing
24 an insurer from time to time in the state.

25 (c) Each violation of this section is a separate offense
26 punishable by a fine of not less than \$50 or more than \$1,000.

27 Sec. 21.33.020. UNAUTHORIZED INSURERS PROCESS ACT. (a)
28 Secs. 20 - 70 of this chapter may be cited as the Unauthorized
29 Insurers Process Act.

1 (b) The Act shall be interpreted to effectuate its
2 general purpose to make uniform the law of those states which
3 enact it.

4 Sec. 21.33.030. DIRECTOR PROCESS AGENT. Delivery,
5 effectuation, or solicitation of an insurance contract by
6 mail or otherwise within this state by an unauthorized
7 insurer, or the performance within this state of any other
8 service or transaction connected with the insurance by or
9 on behalf of the insurer, shall be considered to constitute
10 an appointment by the insurer of the director and his suc-
11 cessors in office as its attorney upon whom may be served
12 all lawful process issued within this state in any action or
13 proceeding against the insurer arising out of the contract
14 or transaction; and shall be considered to signify the
15 insurer's agreement that the service of process shall have
16 the same legal effect and validity as personal service of
17 process upon it in this state.

18 Sec. 21.33.040. SERVICE OF PROCESS. (a) Service of
19 process upon an insurer under sec. 30 of this chapter shall
20 be made by delivering to and leaving with the director or
21 some person in apparent charge of his office two copies
22 thereof and the payment to him of the fees prescribed by
23 law. The director shall immediately mail by registered mail
24 one of the copies of the process to the defendant at his
25 principal place of business last known to the director, and
26 shall keep a record of all process served upon him. The
27 service of process is sufficient, provided notice of the
28 service and a copy of the process are sent within 10 days
29 thereafter by registered mail by plaintiff's attorney to the

1 defendant at its last known principal place of business, and
2 the defendant's receipt or receipt issued by the post office
3 with which the letter is registered showing the name of the
4 sender of the letter and the name and address of the person
5 to whom the letter is addressed, and the affidavit of the
6 plaintiff's attorney showing a compliance herewith are filed
7 with the clerk of the court in which the action is pending
8 on or before the date the defendant is required to appear,
9 or within such further time as the court may allow.

10 (b) Service of process in an action, suit or proceeding
11 shall, in addition to the manner provided in (a) of this
12 section, be valid if served upon any person within this
13 state, who in this state on behalf of the insurer is (1)
14 soliciting insurance, (2) making a contract of insurance or
15 issuing or delivering policies or written contracts of
16 insurance, or (3) collecting or receiving a premium for
17 insurance; and a copy of the process is sent within 10 days
18 thereafter by registered mail by the plaintiff's attorney
19 to the defendant at the last known principal place of busi-
20 ness of the defendant, and the defendant's receipt, or the
21 receipt issued by the post office with which the letter is
22 registered, showing the name of the sender of the letter
23 and the name and address of the person to whom the letter
24 is addressed, and the affidavit of the plaintiff's attorney
25 showing compliance herewith are filed with the clerk of the
26 court in which the action is pending on or before the date
27 the defendant is required to appear, or within such further
28 time as the court may allow.

29 (c) No plaintiff or complainant shall be entitled to

1 a judgment by default under this section until the expiration
2 of 45 days from the date of the filing of the affidavit of
3 compliance.

4 (d) Nothing in this section shall limit or abridge
5 the right to serve a process, notice or demand upon an
6 insurer in any other manner now or hereafter permitted by
7 law.

8 Sec. 21.33.050. EXEMPTIONS FROM SERVICE OF PROCESS
9 PROVISIONS. Secs. 20, 30 and 40 of this chapter shall not
10 apply to reinsurance, or to an action or proceeding against
11 an unauthorized insurer arising out of (1) surplus line
12 insurance lawfully effectuated under this chapter; (2) wet
13 marine and transportation insurance; (3) insurance on or
14 with respect to subjects located, resident, or to be per-
15 formed wholly outside this state, or on or with respect to
16 vehicles or aircraft owned and principally garaged outside
17 this state; (4) insurance on property or operations of
18 railroads or airlines engaged in interstate commerce; or
19 (5) insurance on aircraft or cargo of aircraft, or against
20 liability, other than employer's liability, arising out of
21 the ownership, maintenance, or use of the aircraft; if the
22 policy or contract contains a provision designating the
23 director as its attorney for the acceptance of service of
24 lawful process in an action or proceeding instituted by or
25 on behalf of an insured or beneficiary arising out of the
26 policy, or if the insurer enters a general appearance in
27 the action.

28 Sec. 21.33.060. DEFENSE OF ACTION BY UNAUTHORIZED
29 INSURER. (a) Before an unauthorized insurer files or

1 causes to be filed a pleading in an action or proceeding
2 instituted against it under secs. 30 and 40 of this chapter,
3 the insurer shall (1) procure a certificate of authority
4 to transact insurance in this state, or (2) deposit with
5 the clerk of the court in which the action or proceeding
6 is pending cash or securities, or file with the clerk a
7 bond with good and sufficient sureties, to be approved by
8 the court, in an amount to be fixed by the court sufficient
9 to secure the payment of any final judgment which may be
10 rendered in the action. The court may in its discretion
11 make an order dispensing with the deposit or bond if the
12 insurer makes a showing satisfactory to the court that it
13 maintains in a state of the United States funds or securities,
14 in trust or otherwise, sufficient and available to satisfy
15 any final judgment which may be entered in the action or
16 proceedings, and that the insurer will pay the final judgment
17 entered without requiring suit to be brought on the judgment
18 in the state where the funds or securities are located.

19 (b) The court in an action or proceeding in which
20 service is made in the manner provided in sec. 40 of this
21 chapter may, in its discretion, order a postponement which
22 may be necessary to afford the defendant reasonable opportu-
23 nity to comply with (a) of this section and to defend the
24 action.

25 (c) Nothing in (a) of this section is to be construed
26 to prevent an unauthorized insurer from filing a motion to
27 quash or to set aside the service of any process made in
28 the manner provided in sec. 30 or 40 of this chapter on the
29 ground that either

1 (1) the unauthorized insurer has not done any of
2 the acts enumerated in sec. 30 of this chapter; or

3 (2) the person on whom service was made under
4 sec. 40(b) of this chapter was not doing any of the acts
5 therein enumerated.

6 Sec. 21.33.070. ATTORNEY FEES. In an action against
7 an unauthorized insurer under this unauthorized insurers
8 service of process act, if the insurer has failed for 30
9 days after demand before the commencement of the action to
10 make payment in accordance with the terms of the insurance
11 contract, and it appears to the court that the refusal was
12 vexatious and without reasonable cause, the court may allow
13 to the plaintiff a reasonable attorney fee and include the
14 fee in any judgment that may be rendered in the action.
15 Failure of an insurer to defend the action shall be considered
16 prima facie evidence that its failure to make payment was
17 vexatious and without reasonable cause.

18 Sec. 21.33.080. SURPLUS LINE INSURANCE LAW. Secs. 80 -
19 330 of this chapter may be cited as the Surplus Line Insur-
20 ance Law.

21 Sec. 21.33.090. SURPLUS LINE INSURANCE IN UNAUTHORIZED
22 INSURERS. An insurance coverage other than workmen's compen-
23 sation insurance placed under sec. 100 of this chapter may
24 be procured from an unauthorized insurer if

25 (1) the insurance is procured through a licensed
26 surplus line broker;

27 (2) the insurance cannot be obtained after diligent
28 effort to obtain it from a majority of the insurers in the
29 office of the agent or broker in the state authorized to

1 transact the class of insurance sought;

2 (3) placing the insurance with an unauthorized
3 insurer is not for the purpose of obtaining a lower premium
4 rate than would be accepted by an authorized insurer;

5 (4) the surplus line broker files an affidavit
6 with the department, within 30 days after obtaining insurance,
7 setting out the facts in (2) and (3) of this section.

8 Sec. 21.33.100. WORKMEN'S COMPENSATION INSURANCE. Work-
9 men's compensation insurance may be placed in and written
10 by an unauthorized insurer if

11 (1) the department considers it in the best
12 interest of the public and issues a directive to that effect,

13 (2) the insurance is placed through a surplus line
14 broker licensed in the state,

15 (3) the surplus line broker makes the reports
16 and pays the taxes in the same manner, at the same time,
17 and at the same rates as apply to other surplus line coverages,

18 (4) the department finds that the financial condi-
19 tion and responsibility of the unadmitted insurer is reasonably
20 satisfactory, assuring adequate protection to the public.

21 Sec. 21.33.110. WORKMEN'S COMPENSATION RATES WHEN
22 PLACED WITH UNAUTHORIZED INSURERS. (a) The rates of the
23 workmen's compensation insurance placed and written under
24 sec. 100 of this chapter are subject to the provisions of
25 ch. 39 of this title.

26 (b) Workmen's compensation insurance which is placed
27 or written with an unauthorized insurer and the activities
28 of the surplus line broker with respect to the insurance
29 are subject to the applicable provisions of this title.

1 Sec. 21.33.120. ENDORSEMENT OF CONTRACT UNDER SURPLUS
2 LINE COVERAGE. Each insurance contract under a surplus line
3 coverage shall have stamped upon it the following: "This
4 contract is registered as a surplus line coverage under the
5 insurance law of Alaska." The contract shall also be
6 initialled by or bear the name of the surplus line broker
7 who procured it.

8 Sec. 21.33.130. SURPLUS LINE INSURANCE VALID. An
9 insurance contract procured as surplus line coverage from
10 an unauthorized insurer in conformity with this chapter is
11 valid and enforceable as to all parties, and shall be
12 recognized the same as contracts issued by an authorized
13 insurer.

14 Sec. 21.33.140. LICENSE AS SURPLUS LINE BROKER. The
15 department may license a person as a surplus line broker
16 if it considers him competent, trustworthy and qualified.
17 An applicant need not be a resident of the state.

18 Sec. 21.33.150. PROCEDURE AND DURATION OF LICENSE.
19 (a) An applicant for a license as a surplus line broker
20 shall apply to the department on forms furnished by it.

21 (b) The license year dates from the time of issuance
22 of the license.

23 Sec. 21.33.160. FILING SURETY BOND AS A CONDITION TO
24 LICENSE. Before receiving a license the applicant shall
25 file a surety bond in favor of the state in the penal sum
26 of \$5,000 with the department. The bond shall be issued by
27 an authorized corporate surety approved by the department.
28 The bond shall be conditioned on the conduct of business under
29 the license in conformity with the provisions of this title,

1 and the payment of all taxes required to be paid by this
2 title. The applicant shall keep the bond in effect during
3 the period of the license. The licensee may terminate the
4 bond by giving at least 30 days' written notice to the
5 department.

6 Sec. 21.33.170. SURPLUS LINE BROKER MAY ACCEPT BUSI-
7 NESS FROM AGENTS. A licensed surplus line broker may accept
8 and place surplus line business for an insurance agent or
9 broker licensed in the state for the class of insurance
10 involved, and may compensate the agent or broker therefor.

11 Sec. 21.33.180. SURPLUS LINES IN SOLVENT INSURERS.

12 (a) A surplus line broker may not knowingly place surplus
13 line insurance with a financially unsound insurer. The
14 broker shall ascertain the financial condition of the
15 unauthorized insurer before placing insurance with him. The
16 broker may not insure with a stock or mutual insurer having
17 capital and surplus or the equivalent of capital and surplus
18 less than that required to qualify as a domestic company.

19 (b) A surplus line broker who violates (a) of this
20 section is punishable by a fine of not less than \$50 or
21 more than \$250 for each offense. The department shall
22 revoke his license and may not license him as a surplus line
23 broker for a period of two years thereafter.

24 Sec. 21.33.190. VALIDITY OF CONTRACTS ILLEGALLY
25 EFFECTUATED. A contract of insurance effectuated by an
26 unauthorized insurer in violation of this title is voidable
27 except at the instance of the insurer.

28 Sec. 21.33.200. RECORDS OF SURPLUS LINE BROKER. (a)

29 Each licensed surplus line broker shall keep in his office

1 a full and true record of each surplus line contract pro-
2 cured by him including a copy of the daily report, if any,
3 showing the following items which may be applicable:

- 4 (1) amount of insurance,
- 5 (2) gross premiums charged,
- 6 (3) return premium paid, if any,
- 7 (4) rate of premium charged upon the items of
8 property,
- 9 (5) effective date of the contract and its terms,
- 10 (6) name and address of the insurer,
- 11 (7) name and address of the insured,
- 12 (8) brief general description of property insured
13 and its location,
- 14 (9) other information which the department may
15 require.

16 (b) The record shall be open at all times to examina-
17 tion by the department.

18 Sec. 21.33.210. ANNUAL STATEMENT AND TAX ON SURPLUS
19 LINES. Each resident or nonresident surplus line broker
20 shall, before March 2 in each year, file with the department
21 a verified statement showing the amount of business trans-
22 acted by him during the year ending the preceding December
23 31. The department shall prescribe and furnish the form
24 of statement. The statement shall show the gross amount
25 of each class of insurance, the gross premiums charged,
26 the aggregate amount of return premiums paid to the insured,
27 the amount of the net premiums, the amounts actually paid
28 to or on behalf of policyholders on losses, and such informa-
29 tion as the department requires.

1 Sec. 21.33.220. FEE. The fee for filing the statement
2 under sec. 210 of this chapter is an amount equal to one-half
3 of one per cent on all premiums collected during the pre-
4 ceding calendar year as shown on the statement, after
5 deducting the amount paid to policyholders as return premiums,
6 or \$50, whichever is greater. The broker shall pay the fee
7 at the time he files the statement. The department shall
8 deposit all fees in the general fund of the state.

9 Sec. 21.33.230. PREMIUM TAX. At the same time the
10 surplus line broker files the statement under sec. 210 of
11 this chapter, he shall pay the premium tax at the same rate
12 and computed in the same manner as provided in AS 21.09.210,
13 except amounts collected for applicable state and federal
14 taxes from insured shall not be considered to be a part of
15 the premium for the computation.

16 Sec. 21.33.240. PREMIUM TAX PAYABLE ONLY ON RISKS IN
17 THE STATE. If a surplus line policy covers a risk or
18 exposure only partially in the state the tax payable under
19 sec. 230 of this chapter shall be computed upon the pro-
20 portion of the premium which is properly allocable to the
21 risk or exposure located in the state.

22 Sec. 21.33.250. PENALTY FOR FAILURE TO FILE OR REMIT.
23 A surplus line broker who fails to file the annual statement
24 or pay the premium tax before April 1 in the year due is
25 liable to a fine of \$25 for each day of delinquency beginning
26 on April 1. The tax may be collected by distraint, or the
27 tax and fine may be recovered by an action by the department
28 in a court. The department shall deposit the proceeds of
29 all fines collected in the general fund.

1 Sec. 21.33.260. MANDATORY REVOCATION OF LICENSE. The
2 department shall revoke the license of a surplus line broker

3 (1) if the broker fails to file the annual state-
4 ment or pay the premium tax;

5 (2) for any of the causes for which a general
6 broker's license may be revoked.

7 Sec. 21.33.270. DISCRETIONARY SUSPENSION OR REVOCATION.
8 The department may suspend or revoke the license of a surplus
9 line broker if it considers that suspension or revocation is
10 for the best interests of the people of the state.

11 Sec. 21.33.280. PROCEDURE FOR SUSPENSION AND REVOCATION.
12 The procedure for the suspension or revocation of the license
13 of a general broker applies to suspension or revocation of
14 the license of a surplus line broker.

15 Sec. 21.33.290. ISSUANCE OF LICENSE AFTER REVOCATION
16 OR SUSPENSION. The department may not issue a license to a
17 surplus line broker whose license has been suspended or
18 revoked less than one year before the application or until
19 the fines and delinquent taxes are paid.

20 Sec. 21.33.300. LEGAL PROCESS AGAINST SURPLUS LINE
21 INSURER. (a) Service of legal process upon an unauthorized
22 insurer may be made in an action arising under a surplus line
23 contract issued by the insurer by service upon the depart-
24 ment. The department shall immediately mail the process,
25 or a copy of it, to the person designated by the insurer in
26 the policy for this purpose by prepaid registered mail with
27 return receipt requested. When the department has been
28 served as provided in this section, the court is considered
29 to have jurisdiction in personam of the insurer.

(b) By issuing a policy under a surplus line contract, an unauthorized insurer authorizes service of process against it in the manner and to the effect as provided in this section. The policy shall contain a provision stating the substance of this section, and shall designate the person to whom the department shall mail process.

Sec. 21.33.310. 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 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;
- (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 the aircraft.

Sec. 21.33.320. RECORDS OF INSUREDS. In order that the director may effectively administer this chapter, every person who has placed insurance 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

1 paid or agreed to be paid for the insurance. For each
2 refusal to obey the order the person, upon conviction, is
3 guilty of a misdemeanor punishable by a fine of not more than
4 \$500.

5 Sec. 21.33.330. SURPLUS LINE BROKER DEFINED. A surplus
6 line broker is an individual licensed to transact business
7 in the state or on risks in the state for an unadmitted
8 insurer.

9 CHAPTER 36. TRADE PRACTICES AND FRAUDS.

10 Sec. 21.36.010. PURPOSE. The purpose of secs. 10 - 150
11 of this chapter is to regulate trade practices in the business
12 of insurance in accordance with the intent of Congress as
13 expressed in the Act of Congress of March 9, 1945 (Public
14 Law 15, 79th Congress (ch. 20, 59 U.S. Stat. at Large 33)),
15 by defining or providing for determination of all the practices
16 in this state which constitute unfair methods of competition
17 or unfair or deceptive acts or practices and by prohibiting
18 them.

19 Sec. 21.36.020. UNFAIR METHODS, DECEPTIVE ACTS PRO-
20 HIBITED. No person shall engage in this state in a trade
21 practice which is defined in this chapter as, or determined
22 under this chapter to be, an unfair method of competition or
23 an unfair or deceptive act or practice in the business of
24 insurance.

25 Sec. 21.36.030. MISREPRESENTATION, FALSE ADVERTISING.
26 No person shall make, issue, circulate, or cause to be made,
27 issued, or circulated, an estimate, circular, or statement
28 misrepresenting the terms of a policy issued or to be issued
29 or the benefits or advantages promised or the dividends or

1 share of the surplus to be received, or make a false or
2 misleading statement as to the dividends or share of surplus
3 previously paid on similar policies, or make a misleading
4 representation or a misrepresentation as to the financial
5 condition of an insurer, or as to the legal reserve system
6 upon which a life insurer operates, or use a name or title
7 of a policy or class of policies misrepresenting the true
8 nature of the policy.

9 Sec. 21.36.040. FALSE INFORMATION, ADVERTISING. No
10 person shall make, publish, disseminate, circulate, or
11 place before the public, or cause, directly or indirectly,
12 to be made, published, disseminated, circulated, or placed
13 before the public, in a newspaper, magazine or other publica-
14 tion, or in the form of a notice, circular, pamphlet, letter
15 or poster, or over a radio or television station, or in any
16 other way, an advertisement, announcement or statement con-
17 taining an assertion, representation or statement with
18 respect to the business of insurance or with respect to a
19 person in the conduct of his insurance business, which is
20 untrue, deceptive or misleading.

21 Sec. 21.36.050. TWISTING PROHIBITED. No person shall
22 make or issue, or cause to be made or issued, a written or
23 oral statement misrepresenting or making incomplete compari-
24 sons as to the terms, conditions, or benefits contained in
25 a policy for the purpose of inducing or attempting or tending
26 to induce the policyholder to lapse, forfeit, surrender,
27 retain, exchange or convert an insurance policy.

28 Sec. 21.36.060. FALSE FINANCIAL STATEMENTS. (a) No
29 person shall file with a supervisory or other public official,

1 or make, publish, disseminate, circulate or deliver to a
2 person, or place before the public, or cause directly or
3 indirectly, to be made, published, disseminated, circulated,
4 delivered to a person, or placed before the public, a false
5 statement of financial condition of an insurer with intent
6 to deceive.

7 (b) No person shall make a false entry in a book,
8 report or statement of an insurer with intent to deceive
9 an agent or examiner lawfully appointed to examine into its
10 condition or into any of its affairs, or a public official
11 to whom the insurer is required by law to report, or who has
12 authority by law to examine into its condition or into any
13 of its affairs, or, with like intent, wilfully omit to make
14 a true entry of a material fact pertaining to the business
15 of the insurer in a book, report or statement of the insurer.

16 Sec. 21.36.070. DEFAMATION. No person shall make,
17 publish, disseminate, or circulate, directly or indirectly,
18 or aid, abet or encourage the making, publishing, dissemina-
19 ting or circulating of an oral or written statement or a
20 pamphlet circular, article or literature which is false, or
21 maliciously critical of or derogatory to the financial
22 condition of an insurer, or of an organization proposing
23 to become an insurer, and which is calculated to injure a
24 person engaged or proposing to engage in the business of
25 insurance.

26 Sec. 21.36.080. BOYCOTT, COERCION AND INTIMIDATION.
27 No person shall enter into an agreement to commit, or by any
28 concerted action commit, an act of boycott, coercion or
29 intimidation resulting in or tending to result in unreasonable

1 restraint of, or monopoly in, the business of insurance.'

2 Sec. 21.36.090. UNFAIR DISCRIMINATION. (a) No person
3 shall make or permit unfair discrimination between indivi-
4 duals of the same class and equal expectation of life in the
5 rates charged for a contract of life insurance or of life
6 annuity or in the dividends or other benefits payable thereon,
7 or in any other of the terms and conditions of the contract.

8 (b) No person shall make or permit unfair discrimina-
9 tion between individuals of the same class and of essentially
10 the same hazard in the amount of premium, policy fees, or
11 rates charged for a policy or contract of disability insur-
12 ance or in the benefits payable, or in any of the terms or
13 conditions of the contract, or in any other manner whatever.

14 Sec. 21.36.100. REBATES. Except as otherwise expressly
15 provided by law, no person shall knowingly permit or offer
16 to make or make a contract of life insurance, life annuity
17 or disability insurance, or agreement under the contract
18 other than as plainly expressed in the contract issued there-
19 on, or pay or allow, or give or offer to pay, allow, or give,
20 directly or indirectly, as inducement to the insurance, or
21 annuity, a rebate of premiums payable on the contract, or a
22 special favor or advantage in the dividends or other benefits,
23 or paid employment or contract for services of any kind, or
24 any valuable consideration or inducement whatever not speci-
25 fied in the contract; or directly or indirectly give, or sell,
26 or purchase or offer to agree to give, sell, purchase, or
27 allow as inducement to the insurance or annuity or in con-
28 nection therewith, and whether or not to be specified in the
29 policy or contract, an agreement of any form or nature

1 promising returns and profits, or stocks, bonds, or other
2 securities, or interest present or contingent therein or
3 as measured thereby, of an insurance company or other corpora-
4 tion, association, or partnership, or dividends or profits
5 accrued or to accrue thereon; or offer, promise or give
6 anything of value whatsoever not specified in the contract.

7 Sec. 21.36.110. EXCEPTIONS TO DISCRIMINATION, REBATES.
8 Nothing in secs. 90 and 100 of this chapter shall be con-
9 strued as including within the definition of discrimination
10 or rebates any of the following practices:

11 (1) in the case of a contract of life insurance
12 or life annuity, paying bonuses to policyholders or otherwise
13 abating their premiums in whole or in part out of surplus
14 accumulated from nonparticipating insurance, provided that
15 the bonuses, or abatement of premiums shall be fair and
16 equitable to policyholders and for the best interests of the
17 insurer;

18 (2) in the case of life insurance policies issued
19 on the industrial debit, preauthorized check, bank draft,
20 or similar plans, making allowance to policyholders who
21 have continuously for a specified period made premium pay-
22 ments directly to an office of the insurer or by preauthorized
23 check, bank draft, or similar plans, in an amount which
24 fairly represents the saving in collection expense;

25 (3) readjustment of the rate of premium for a
26 group insurance policy based on the loss or expense experience
27 thereunder, at the end of the first or a subsequent policy
28 year of insurance thereunder, which may be made retroactive
29 only for that policy year;

1 (4) issuance of life or disability insurance
2 policies or annuity contracts at rates less than the usual
3 rates of premiums for the policies or contracts, or modifica-
4 tion of premium or rate based on amount of insurance; but
5 the issuance or modification shall not result in reduction
6 in premium or rate in excess of savings in administration
7 and issuance expenses reasonably attributable to the policies
8 or contracts.

9 Sec. 21.36.120. UNFAIR DISCRIMINATION, REBATES PRO-
10 HIBITED. (a) No property, casualty or surety insurer or
11 employee or representative thereof, and no agent, or solici-
12 tor shall pay, allow, or give, or offer to pay, allow or give,
13 directly or indirectly, as an inducement to insurance, or
14 after insurance has been effected, a rebate, discount,
15 abatement, credit or reduction of the premium named in the
16 policy of insurance, or a special favor or advantage in the
17 dividends or other benefits to accrue thereon, or any
18 valuable consideration or inducement whatever, not specified
19 in the policy, except to the extent provided for in an
20 applicable filing with the director as provided by law.

21 (b) No insured named in a policy, or an employee of
22 the insured shall knowingly receive or accept directly or
23 indirectly, a rebate, discount, abatement, credit or
24 reduction of premium, or special favor or advantage or
25 valuable consideration or inducement.

26 (c) No insurer shall make or permit an unfair discrim-
27 ination between insureds or property having like insuring or
28 risk characteristics, in the premium or rates charged for
29 insurance, or in the dividends or other benefits payable

1 thereon, or in any other of the terms and conditions of the
2 insurance.

3 (d) Nothing in this section shall be construed as
4 prohibiting the payment of commissions or other compensation
5 to duly licensed agents, or solicitors, or as prohibiting
6 an insurer from allowing or returning to its participating
7 policyholders, members or subscribers, lawful dividends,
8 savings or unabsorbed premium deposits.

9 Sec. 21.36.130. STOCK OPERATIONS AND ADVISORY BOARD
10 CONTRACTS. No person shall issue or deliver or permit its
11 agents, officers, or employees to issue or deliver, agency
12 company stock or other capital stock, or benefit certificates
13 or shares in a common law corporation, or an advisory board
14 contract or other similar contract of any kind promising
15 returns and profits as an inducement to insurance.

16 Sec. 21.36.140. DESIST ORDERS FOR PROHIBITED PRACTICES.
17 (a) If, after a hearing, of which notice of the hearing and
18 of the charges against him were given the person, the director
19 finds that a person in this state has engaged or is engaging
20 in an act or practice defined in or prohibited under this
21 chapter, the director shall order the person to desist from
22 the acts or practices.

23 (b) The desist order shall become final upon expiration
24 of the time allowed for appeals from the director's orders,
25 if no appeal is taken, or, in the event of an appeal, upon
26 final decision of the court if the court affirms the director's
27 order or dismisses the appeal. An intervenor in the hearing
28 shall have the right to appeal as provided in sec. 150(c)
29 of this chapter.

1 (c) In event of an appeal, to the extent that the
2 director's order is affirmed, the court shall issue its
3 own order commanding obedience to the terms of the director's
4 order.

5 (d) No order of the director under this section or
6 order of court to enforce it shall in any way relieve or
7 absolve a person affected by the order from any other
8 liability, penalty, or forfeiture under law.

9 (e) Violation of a desist order shall be considered
10 to be and shall be punishable as a violation of this title.

11 (f) This section shall not affect or prevent the
12 imposition of a penalty provided by this title or by other
13 law for violation of any other provision of this chapter,
14 whether or not a hearing is called or held or a desist
15 order issued.

16 Sec. 21.36.150. PROCEDURES AS TO UNDEFINED PRACTICES.

17 (a) If the director believes that a person engaged in the
18 insurance business is engaging in this state in a method
19 of competition or in an act or practice in the conduct of
20 the business which is not defined in this chapter, but that
21 the method of competition is unfair or that the act or
22 practice is unfair or deceptive and that a proceeding by
23 him in respect thereto would be in the public interest, he
24 shall, after a hearing of which notice of the hearing and
25 of the charges against him are given the person, make a
26 written report of his findings of fact relative to the charges
27 and serve a copy upon the person and any intervenor at the
28 hearing.

29 (b) If the report charges a violation of this chapter

1 and if the method of competition, act or practice has not
2 been discontinued, the director may, through the attorney
3 general of this state, at any time after the service of the
4 report cause an action to be instituted to enjoin and
5 restrain the person from engaging in the method, act, or
6 practice. In the action the court may grant a restraining
7 order or injunction upon just terms; but the people of this
8 state shall not be required to give security before the
9 issuance of the order or injunction. If a stenographic
10 record of the proceedings in the hearing before the director
11 was made, a certified transcript, including all evidence
12 taken and the report and findings, shall be received in
13 evidence in the action.

14 (c) If the director's report made under (a) of this
15 section, or order on hearing made under sec. 140 of this
16 chapter does not charge a violation of this chapter, an
17 intervenor in the proceedings may appeal therefrom within
18 the time and in the manner provided for appeals from the
19 director generally.

20 Sec. 21.36.160. RIGHT OF DEBTOR OR BORROWER TO SELECT.
21 If property insurance is required in connection with a debt
22 or loan, the debtor or borrower has the reasonable right to
23 select the agent, broker, and insurer through whom the
24 insurance is to be placed if (1) the insurance is provided
25 for the protection of the creditor's or lender's interest
26 in the property at the commencement of the risk; or (2) in
27 the case of renewal of insurance, the renewal policy is
28 delivered to the creditor or lender no later than 30 days
29 before the renewal date.

1 Sec. 21.36.170. INTERLOCKING OWNERSHIP, MANAGEMENT.

2 (a) Any insurer may retain, invest in or acquire the whole
3 or any part of the capital stock of another insurer or in-
4 surers, or have a common management with another insurer or
5 insurers, unless the retention, investment, acquisition or
6 common management is inconsistent with a provision of this
7 title, or unless by reason thereof the business of the
8 insurers with the public is conducted in a manner which
9 substantially lessens competition generally in the insurance
10 business or tends to create a monopoly.

11 (b) A person otherwise qualified may be director of
12 two or more insurers which are competitors, unless the
13 effect is to lessen substantially competition between insurers
14 generally or tends materially to create a monopoly.

15 Sec. 21.36.180. ILLEGAL DEALING IN PREMIUMS. (a) No
16 person shall wilfully collect a sum as premium or charge for
17 insurance, which insurance is not then provided or is not in
18 due course to be provided (subject to acceptance of the risk
19 by the insurer) by an insurance policy issued by an insurer
20 as authorized by this title.

21 (b) No person shall wilfully collect as premium or
22 charge for insurance a sum in excess of or less than the
23 premium or charge applicable to the insurance, and as speci-
24 fied in the policy, in accordance with the applicable
25 classifications and rates as filed with and approved by the
26 director; or in cases where classifications, premiums, or
27 rates are not required by this title to be filed and approved,
28 the premiums and charges shall not be in excess of or less
29 than those specified in the policy and as fixed by the insurer.

1 This provision shall not prohibit the charging and collection
2 by surplus line agents licensed under ch. 33 of this title,
3 of the amount of applicable state and federal taxes in addi-
4 tion to the premium required by the insurer. Nor shall it
5 prohibit the charging and collection by a life insurer, of
6 amounts actually to be expended for medical examination of an
7 applicant for life insurance or for reinstatement of a life
8 insurance policy.

9 (c) Each violation of this section shall be punishable
10 under AS 21.90.030.

11 Sec. 21.36.190. FICTITIOUS GROUPS. (a) No insurer,
12 whether an authorized insurer or an unauthorized insurer,
13 shall make available through a rating plan or form, property,
14 casualty or surety insurance to a firm, corporation, or as-
15 sociation of individuals, a preferred rate or premium bases
16 upon a fictitious group of the firm, corporation, or associa-
17 tion of individuals.

18 (b) No form or plan of insurance covering a group or
19 combination of persons or risks shall be written or delivered
20 inside or outside this state to cover persons or risks in
21 this state at a preferred rate or on a form other than that
22 offered to persons not in the group or combination and to the
23 public generally, unless the form, plan of insurance, and the
24 rates or premiums to be charged have been submitted to and
25 approved by the director as being not unfairly discriminatory
26 and not otherwise in conflict with (a) of this section or with
27 ch. 39 of this title (rates and rating organizations) to the
28 extent that ch. 39 of this title is, by its terms, applicable
29 to it.

1 (c) This section does not apply to life insurance dis-
2 ability insurance, or annuity contracts.

3 Sec. 21.36.200. FALSE APPLICATIONS, CLAIMS, PROOFS OF
4 LOSS. A solicitor, agent, examining physician, applicant, or
5 other person, who knowingly or wilfully makes a false or
6 fraudulent statement or representation in or with reference to
7 an application for insurance; or for the purpose of obtaining
8 money or benefit, knowingly or wilfully presents or caused to
9 be presented a false or fraudulent claim; or proof in support
10 of a false or fraudulent claim for the payment of the loss
11 upon a contract of insurance; or prepares, makes, or subscribes
12 a false or fraudulent account, certificate, affidavit or proof
13 of loss, or other document or writing, with intent that it may
14 be presented or used in support of a false or fraudulent claim
15 is punishable by imprisonment for not less than three months
16 or more than six months, or by a fine of not less than \$250 or
17 more than \$500, or by both.

18 CHAPTER 39. RATES AND RATING ORGANIZATIONS.

19 Sec. 21.39.010. PURPOSE. The purpose of this chapter is
20 to promote the public welfare by regulating insurance rates to
21 the end that they shall not be excessive, inadequate or unfairly
22 discriminatory, and to authorize and regulate cooperative ac-
23 tion among insurers in rate making and in other matters within
24 the scope of this chapter. Nothing in this chapter is intended
25 (1) to prohibit or discourage reasonable competition, or (2)
26 to prohibit, or encourage except to the extent necessary to
27 accomplish the purpose of this chapter, uniformity in insur-
28 ance rates, rating systems, rating plans or practices. This
29 chapter shall be liberally interpreted to carry into effect

1 the provisions of this section.

2 Sec. 21.39.020. SCOPE OF CHAPTER. (a) This chapter
3 applies to all forms of casualty insurance, including fidelity,
4 surety and guaranty bonds, to all forms of fire, marine and
5 inland marine insurance, and to a combination of any of them,
6 or risks or operations in this state. Inland marine insur-
7 ance shall include insurance now or hereafter defined by
8 statute, or by interpretation thereof, or if not defined or
9 interpreted, by ruling of the director, or as established by
10 general custom of the business, as inland marine insurance.

11 (b) This chapter shall not apply to

12 (1) reinsurance, other than joint reinsurance to
13 the extent stated in sec. 110 of this chapter;

14 (2) disability insurance;

15 (3) insurance of vessels or craft, their cargoes,
16 marine builders' risks, marine protection and indemnity, or
17 other risks commonly insured under marine, as distinguished
18 from inland marine insurance policies;

19 (4) to insurance against loss of or damage to air-
20 craft or against liability, other than workmen's compensation
21 and employer's liability, arising out of the ownership, main-
22 tenance or use of aircraft; or, to insurance of hulls of air-
23 craft, including their accessories and equipment.

24 Sec. 21.39.030. MAKING OF RATES. (a) Rates shall be
25 made in accordance with the following provisions:

26 (1) rates shall not be excessive, inadequate or
27 unfairly discriminatory;

28 (2) consideration shall be given to past and pro-
29 spective loss experience inside and outside this state, to the

1 conflagration and catastrophe hazards, to a reasonable margin
2 for underwriting profit and contingencies, to dividends, sav-
3 ings or unabsorbed premium deposits allowed or returned by
4 insurers to their policyholders, members or subscribers, to
5 past and prospective expenses both countrywide and those spec-
6 ially applicable to this state, and to all other relevant fac-
7 tors inside and outside this state; and in the case of fire
8 insurance rates consideration shall be given to the experience
9 of the fire insurance business during a period of not less
10 than the most recent five-year period for which experience is
11 available;

12 (3) the systems of expense provisions included in
13 the rates for use by an insurer or group of insurers may dif-
14 fer from those of other insurers or group of insurers to re-
15 flect the requirements of the operating methods of the insurer
16 or group of insurers with respect to any kind of insurance, or
17 with respect to a subdivision or combination thereof for which
18 subdivision or combination separate expense provisions are
19 applicable;

20 (4) risks may be grouped by classifications for the
21 establishment of rates and minimum premiums; classification
22 rates may be modified to produce rates for individual risks in
23 accordance with rating plans which establish standards for
24 measuring variations in hazards or expense provisions, or both;
25 the standards may measure any differences among risks that can
26 be demonstrated to have a probable effect upon losses or
27 expenses.

28 (b) Except to the extent necessary to meet the provi-
29 sions of (a)(1) of this section, uniformity among insurers in

1 matters within the scope of this section is neither required
2 nor prohibited.

3 Sec. 21.39.040. RATE FILINGS. (a) Every insurer shall
4 file with the director, except as to inland marine risks which
5 by general custom of the business are not written according to
6 manual rates or rating plans, every manual, minimum, class
7 rate, rating schedule or rating plan and every other rating
8 rule, and every modification of any of them which it proposes
9 to use. Every filing shall state the proposed effective date,
10 and shall indicate the character and extent of the coverage
11 contemplated. When a filing is not accompanied by the infor-
12 mation upon which the insurer supports the filing, and the
13 director does not have sufficient information to determine
14 whether the filing meets the requirements of this chapter, he
15 shall require the insurer to furnish the information upon
16 which it supports the filing and in that event the waiting
17 period shall commence as of the date the information is fur-
18 nished. The information furnished in support of a filing may
19 include (1) the experience or judgment of the insurer or
20 rating organization making the filing; (2) its interpretation
21 of the statistical data it relies upon; (3) the experience of
22 other insurers or rating organizations; or (4) any other
23 relevant factors. A filing and supporting information shall
24 be open to public inspection after the filing becomes
25 effective. Specific inland marine rates on risks specially
26 rated, made by a rating organization, shall be filed with
27 the director.

28 (b) An insurer may satisfy its obligation to make
29 filings by becoming a member of, or a subscriber to, a

1 licensed rating organization which makes filings, and by
2 authorizing the director to accept the filings on its behalf;
3 provided that nothing in this chapter shall be construed as
4 requiring an insurer to become a member of or a subscriber
5 to a rating organization.

6 (c) The director shall review filings as soon as
7 reasonably possible after they have been made in order to
8 determine whether they meet the requirements of this chapter.

9 (d) Subject to the exception specified in (e) of this
10 section, each filing shall be on file for a waiting period
11 of 15 days before it becomes effective, which period may be
12 extended by the director for an additional period not to
13 exceed 15 days if he gives written notice within the waiting
14 period to the insurer or rating organization which made the
15 filing that he needs additional time for the consideration
16 of the filing. Upon written application by the insurer or
17 rating organization, the director may authorize a filing
18 which he has reviewed to become effective before the expira-
19 tion of the waiting period or any extension of it. A filing
20 shall be considered to meet the requirements of this chapter
21 unless disapproved by the director within the waiting period
22 or any extension of it.

23 (e) Specific inland marine rates on risks specially
24 rated by a rating organization, or a specific filing with
25 respect to a surety or guaranty bond required by law or by
26 court or executive order, rule or regulation of a public
27 body and not covered by a previous filing, shall become
28 effective when filed and considered to meet the requirements
29 of this chapter until such time as the director reviews the

1 filing and as long thereafter as the filing remains in effect.

2 (f) Under rules and regulations which he shall adopt the
3 director may, by written order, suspend or modify the require-
4 ment of filing on a kind of insurance, subdivision or combin-
5 ation thereof, or on classes of risks, the rates for which
6 cannot practicably be filed before they are used. The orders,
7 rules and regulations shall be made known to insurers and
8 rating organizations affected by them. The director may make
9 an examination which he may consider advisable to ascertain
10 whether the rates affected by the order meet the standards
11 set out in sec. 30(a)(2) of this chapter.

12 (g) Upon the written application of the insured, stating
13 his reasons, filed with and approved by the director, a rate
14 in excess of that provided by a filing otherwise applicable
15 may be used on a specific risk.

16 (h) No insurer shall make or issue a contract or policy
17 except in accordance with the filings which are in effect for
18 that insurer as provided in this chapter or in accordance
19 with (f) and (g) of this section. This subsection shall not
20 apply to contracts or policies for inland marine risks on
21 which filings are not required.

22 Sec. 21.39.050. DISAPPROVAL OF FILINGS. (a) If, within
23 the waiting period or an extension thereof as provided in sec.
24 40(d) of this chapter, the director finds that a filing does
25 not meet the requirements of this chapter, he shall send to
26 the insurer or rating organization which made the filing,
27 written notice of disapproval of the filing specifying in what
28 respects he finds the filing fails to meet the requirements
29 of this chapter and stating that the filing shall not become

1 effective.

2 (b) If, within 30 days after a specific inland marine
3 rate on a risk especially rated by a rating organization sub-
4 ject to sec. 40(e) of this chapter has become effective or, if
5 within 30 days after a special surety or guaranty filing sub-
6 ject to sec. 40(e) of this chapter has become effective, the
7 director finds that the filing does not meet the requirements
8 of this chapter, he shall send to the rating organization or in-
9 surer which made the filing written notice of disapproval of
10 the filing specifying in what respects he finds the filing fails
11 to meet the requirements of this chapter and stating when, with-
12 in a reasonable period, the filing shall be considered no long-
13 er effective. Disapproval shall not affect a contract made or
14 issued before the expiration of the period set out in the notice.

15 (c) If at any time subsequent to the applicable review
16 period provided for in (a) or (b) of this section, the director
17 finds that a filing does not meet the requirements of this
18 chapter, he shall, after a hearing held upon not less than 10
19 days' written notice, specifying the matters to be considered
20 at the hearing, to every insurer and rating organization which
21 made the filing, issue an order specifying in what respects he
22 finds the filing fails to meet the requirements of this chapter
23 and stating when, within a reasonable period thereafter, the
24 filing shall be considered no longer effective. Copies of the
25 order shall be sent to every such insurer and rating organiza-
26 tion. The order shall not affect a contract or policy made or
27 issued before the expiration of the period set out in the
28 order.

29 (d) A person or organization aggrieved with respect to

1 a filing which is in effect may make written application to
2 the director for a hearing, provided, that the insurer that
3 made the filing shall not be authorized to proceed under this
4 subsection. The application shall specify the grounds to
5 be relied upon by the applicant and the application must
6 show that the person or organization making the application
7 has a specific economic interest affected by the filing. If
8 the director finds that the application is made in good
9 faith, that the applicant has a specific economic interest,
10 that the applicant would be so aggrieved if his grounds
11 are established, and that the grounds otherwise justify
12 holding a hearing, he shall within 30 days after receipt of
13 the application hold a hearing upon not less than 10 days'
14 written notice to the applicant and to every insurer and
15 rating organization which made the filing, No rating or
16 advisory organization shall have status under this chapter
17 to make application for a hearing on a filing made by an
18 insurer with the director. If, after the hearing, the
19 director finds that the filing does not meet the requirements
20 of this chapter, he shall issue an order specifying in what
21 respects he finds that the filing fails to meet the require-
22 ments of this chapter, and stating when, within a reasonable
23 period thereafter, the filing shall be considered no longer
24 effective. Copies of the order shall be sent to the appli-
25 cant and to every such insurer and rating organization. The
26 order shall not affect a contract or policy made or issued
27 before the expiration of the period set out in the order.

28 (e) No filing shall be disapproved if the rates in
29 the filing meet the requirements of this chapter.

1 Sec. 21.39.060. RATING ORGANIZATIONS. (a) A corpora-
2 tion, an unincorporated association, a partnership or an
3 individual, whether located inside or outside this state,
4 may make application to the director for license as a rating
5 organization for the kinds of insurance, or subdivision or
6 class of risk or a part or combination thereof as are speci-
7 fied in its application and shall file with the application:
8 (1) a copy of its constitution, its articles of agreement
9 or association or its certificate of incorporation, and of
10 its bylaws, rules and regulations governing the conduct of
11 its business; (2) a list of its members and subscribers;
12 (3) the name and address of a resident of this state upon
13 whom notices or orders of the director or process affecting
14 the rating organization may be served; and (4) a statement
15 of its qualifications as a rating organization. If the
16 director finds that the applicant is competent, trustworthy
17 and otherwise qualified to act as a rating organization and
18 that its constitution, articles of agreement or association
19 or certificate of incorporation, and its bylaws, rules and
20 regulations governing the conduct of its business conform
21 to the requirements of law, he shall issue a license specify-
22 ing the kinds of insurance, or subdivisions or classes or risks
23 or parts or combinations thereof for which the applicant
24 is authorized to act as a rating organization. Every appli-
25 cation shall be granted or denied in whole or in part by
26 the director within 60 days of the date of its filing with
27 him. Licenses issued under this section shall remain in
28 effect for three years unless sooner suspended or revoked
29 by the director. The fee for the license shall be \$100.

1 Licenses issued under this section may be suspended or
2 revoked by the director, after hearing upon notice, if the
3 rating organization ceases to meet the requirements of this
4 subsection. Every rating organization shall notify the
5 director promptly of every change in (1) its constitution,
6 its articles of agreement or association, or its certificate
7 of incorporation, and its bylaws, rules and regulations
8 governing the conduct of its business; (2) its list of
9 members and subscribers; and (3) the name and address of
10 the resident of this state designated by it upon whom notices
11 or orders of the director or process affecting the rating
12 organization may be served.

13 (b) Subject to rules and regulations which have been
14 approved by the director as reasonable, each rating organiza-
15 tion shall permit an insurer, not a member, to be a sub-
16 scriber to its rating services for the kind of insurance,
17 subdivision, or class of risk or a part or combination thereof
18 for which it is authorized to act as a rating organization.
19 Notice of proposed changes in the rules and regulations shall
20 be given to subscribers. Each rating organization shall
21 furnish its rating service without discrimination to its
22 members and subscribers. The reasonableness of a rule or
23 regulation in its application to subscribers, or the refusal
24 of a rating organization to admit an insurer as a subscriber,
25 shall, at the request of a subscriber or an insurer, be
26 reviewed by the director at a hearing held upon at least 10
27 days' written notice to the rating organization and to the
28 subscriber or insurer. If the director finds that the rule or
29 regulation is unreasonable in its application to subscribers,

1 he shall order that the rule or regulation shall not be ap-
2 plicable to subscribers. If the rating organization fails to
3 grant or reject an insurer's application for subscribership
4 within 30 days after it was made, the insurer may request a
5 review by the director as if the application had been re-
6 jected. If the director finds that the insurer has been re-
7 fused admittance to the rating organization as a subscriber
8 without justification, he shall order the rating organization
9 to admit the insurer as a subscriber. If he finds that the
10 action of the rating organization was justified he shall make
11 an order affirming its action.

12 (c) No rating organization shall adopt a rule which
13 would prohibit or regulate the payment of dividends, savings
14 or unabsorbed premium deposits allowed or returned by insurers
15 to their policyholders, members or subscribers.

16 (d) Cooperation among rating organizations or among rat-
17 ing organizations and insurers in rate making or other matters
18 within the scope of this chapter is hereby authorized, pro-
19 vided the filings resulting from the cooperation are subject to
20 all the provisions of this chapter which are applicable to
21 filings generally. The director may review the cooperative
22 activities and practices and if, after a hearing, he finds
23 that the activity or practice is unfair or unreasonable or in-
24 consistent with this chapter, he may issue a written order
25 specifying in what respects the activity or practice is unfair
26 or unreasonable or otherwise inconsistent with this chapter,
27 and requiring the discontinuance of the activity or practice.

28 (e) A rating organization may provide for the examina-
29 tion 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. The rules shall contain a provision that in the event an insurer does not within 60 days furnish satisfactory evidence to the rating organization of the correction of an 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. All information submitted for examination shall be confidential.

(f) A rating organization may subscribe for or purchase actuarial, technical or other service; the 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 the organization except that an insurer may make written application to the director to file a uniform percentage deviation from the class rates, schedules, rating plans or rules respecting a kind of insurance, or class of risk within a kind of insurance, or combination thereof. The application shall specify the basis for the modification and a copy shall also be sent simultaneously to the rating organization. In considering the application to file the 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 the insurer to be filed if he finds it be justified and it shall thereupon become effective. He shall issue an order denying the

1 application if he finds that the deviation applied for does
2 not meet the requirements of this chapter.

3 (b) Each deviation permitted to be filed shall remain
4 in effect for a period of not less than one year from the
5 effective date unless sooner withdrawn by the insurer with
6 the approval of the director or until terminated in accordance
7 with sec. 50 of this chapter.

8 Sec. 21.39.080. APPEAL BY MINORITY. A member or sub-
9 scriber to a rating organization may appeal to the director
10 from the action or decision of the rating organization in
11 approving or rejecting a proposed change in or addition to
12 the filings of the rating organization and the director
13 shall, after a hearing held upon not less than 10 days'
14 written notice to the appellant and to the rating organiza-
15 tion, issue an order approving the action or decision of the
16 rating organization or directing it to give further considera-
17 tion to the proposal, or, if the appeal is from the action or
18 decision of the rating organization in rejecting a proposed
19 addition to its filings, he may, in the event he finds that
20 the action or decision was unreasonable, issue an order
21 directing the rating organization to make an addition to its
22 filings, on behalf of its members and subscribers, in a
23 manner consistent with his findings, within a reasonable
24 time after the issuance of the order.

25 (b) If the appeal is based upon the failure of the
26 rating organization to make a filing on behalf of the member
27 or subscriber, which is based on a system of expense pro-
28 visions which differs, in accordance with the right granted
29 in sec. 30(a)(3) of this chapter, from the system of expense

1 provisions included in a filing made by the rating organiza-
2 tion, the director shall, if he grants the appeal, order the
3 rating organization to make the requested filing for use by
4 the appellant. In deciding the appeal the director shall
5 apply the standards set out in sec. 30 of this chapter.

6 Sec. 21.39.090. INFORMATION TO BE FURNISHED INSURED:
7 HEARINGS AND APPEALS OF INSURED. Every rating organization
8 and every insurer which makes its own rate shall, within a
9 reasonable time after receiving written request and upon
10 payment of the reasonable charge as it may make, furnish to
11 an insured affected by a rate made by it, or to the authorized
12 representative of the insured, all pertinent information
13 concerning the rate. Every rating organization and every
14 insurer which makes its own rates shall provide within this
15 state reasonable means whereby a person aggrieved by the
16 application of its rating system may be heard, in person or
17 by his authorized representative, on his written request to
18 review the manner in which the rating system has been applied
19 in connection with the insurance afforded him. If the rating
20 organization or insurer fails to grant or reject the request
21 within 30 days after it is made, the applicant may proceed
22 in the same manner as if his application had been rejected.
23 A party affected by the action of the rating organization
24 or the insurer on the request may, within 30 days after
25 written notice of the action, appeal to the director, who,
26 after a hearing held upon not less than 10 days' written
27 notice to the appellant and to the rating organization or
28 insurer, may affirm or reverse the action.

29 Sec. 21.39.100. ADVISORY ORGANIZATIONS. (a) Every

1 group, association or other organization of insurers, whether
2 located inside or outside this state, which assists insurers
3 which make their own filings or rating organizations in rate
4 making by the collection and furnishing of loss or expense
5 statistics, or by the submission of recommendations, but
6 which does not make filings under this chapter, shall be
7 known as an advisory organization.

8 (b) Every advisory organization shall file with the
9 director (1) a copy of its constitution, its articles of
10 agreement or association or its certificate of incorporation
11 and of its bylaws, rules and regulations governing its
12 activities; (2) a list of its members; (3) the name and
13 address of a resident of this state upon whom notices or
14 orders of the director or process issued at his direction
15 may be served; and (4) an agreement that the director may
16 examine the advisory organization in accordance with sec.
17 120 of this chapter.

18 (c) If, after a hearing, the director finds that the
19 furnishing of the information or assistance involves an
20 act or practice which is unfair or unreasonable or otherwise
21 inconsistent with this chapter, he may issue a written order
22 specifying in what respects the act or practice is unfair or
23 unreasonable or otherwise inconsistent with this chapter,
24 and requiring the discontinuance of the act or practice.

25 (d) No insurer which makes its own filings and no
26 rating organization shall support its filings by statistics
27 or adopt rate making recommendations, furnished to it by an
28 advisory organization which has not complied with this section
29 or with an order of the director involving the statistics or

1 recommendations issued under (c) of this section. If the
2 director finds the insurer or rating organization to be in
3 violation of this subsection he may issue an order requiring
4 the discontinuance of the violation.

5 Sec. 21.39.110. JOINT UNDERWRITING OR JOINT REINSURANCE.

6 (a) Every group, association or other organization of
7 insurers which engages in joint underwriting or joint reinsur-
8 ance shall be subject to regulation with respect thereto as
9 herein provided, subject, however, with respect to joint
10 underwriting, to all other provisions of this chapter and,
11 with respect to joint reinsurance, to secs. 120, and 160 -
12 170 of this chapter.

13 (b) If, after a hearing, the director finds that an
14 activity or practice of a group, association or other
15 organization is unfair or unreasonable or otherwise incon-
16 sistent with this chapter, he may issue a written order
17 specifying in what respects the activity or practice is
18 unfair or unreasonable or otherwise inconsistent with this
19 chapter, and requiring the discontinuance of the activity
20 or practice.

21 Sec. 21.39.120. EXAMINATIONS. (a) The director shall,
22 at least once in five years, make or cause to be made an
23 examination of each rating organization licensed in this
24 state as provided in sec. 60 of this chapter and he may, as
25 often as he may consider it expedient, make or cause to be
26 made an examination of each advisory organization referred
27 to in sec. 100 of this chapter, and of each group, associa-
28 tion or other organization referred to in sec. 110 of this
29 chapter. The reasonable costs of the examination shall be

1 paid by the rating organization, advisory organization, or
2 group, association or other organization examined upon
3 presentation to it of a detailed account of the costs. The
4 officers, manager, agents and employees of the rating organi-
5 zation, advisory organization, or group, association or
6 other organization may be examined at any time under oath
7 and shall exhibit all books, records, accounts, documents,
8 or agreements governing its method of operation. In lieu
9 of an examination the director may accept the report of an
10 examination made by the insurance supervisory official of
11 another state, under the laws of that state.

12 (b) No report of an examination, however made or
13 wheresoever obtained, shall be made public unless the rating
14 organization, advisory organization, group, association, or
15 other organization examined within 30 days after its receipt
16 of the director's written notice of his intention to publi-
17 cize the report, does not apply to him for a hearing; but,
18 should the application be made within the 30 days, the
19 director shall hold a hearing, first giving reasonable
20 written notice of the time and place, and thereupon either
21 approve or disapprove the report as being correct. If he
22 approves the report or if no application is made for a
23 hearing, the report shall immediately become and be admissible
24 in evidence as a public record, and open to public inspection.

25 Sec. 21.39.130. RATE ADMINISTRATION. (a) The director
26 shall promulgate reasonable rules and statistical plans,
27 reasonably adapted to each of the rating systems on file
28 with him, which may be modified from time to time and which
29 shall be used thereafter by each insurer in the recording

1 and reporting of its loss and countrywide expense experience,
2 in order that the experience of all insurers may be made
3 available at least annually in the form and detail which may
4 be necessary to aid him in determining whether rating systems
5 comply with the standards set out in sec. 30 of this chapter.
6 The rules and plans may also provide for the recording and
7 reporting of expense experience items which are specially
8 applicable to this state and are not susceptible of deter-
9 mination by a prorating of countrywide expense experience.
10 In promulgating the rules and plans, the director shall
11 give due consideration to the rating systems on file with
12 him and, in order that the rules and plans may be as uniform
13 as is practicable among the several states, to the rules
14 and to the form of the plans used for the rating systems in
15 other states. No insurer shall be required to record or
16 report its loss experience on a classification basis that
17 is inconsistent with the rating system filed by it. The
18 director may designate one or more rating organizations or
19 other agencies to assist him in gathering the experience
20 and making compilations; the compilations shall be made
21 available, subject to reasonable rules promulgated by the
22 director, to insurers and rating organizations.

23 (b) Reasonable rules and plans may be promulgated by
24 the director for the interchange of data necessary for the
25 application of rating plans.

26 (c) In order to further uniform administration of rate
27 regulatory laws, the director and every insurer and rating
28 organization may exchange information and experience data
29 with insurance supervisory officials, insurers and rating

1 organizations in other states and may consult with them with
2 respect to rate making and the application of rating systems.

3 (d) The director may make reasonable rules and regula-
4 tions necessary to effect the purposes of this chapter.

5 Sec. 21.39.140. FALSE OR MISLEADING INFORMATION. No
6 person or organization shall wilfully withhold information
7 from, or knowingly give false or misleading information to,
8 the director, a statistical agency designated by the director,
9 a rating organization, or an insurer, which will affect the
10 rates or premiums chargeable under this chapter. A violation
11 of this section shall subject the one guilty of the violation
12 to the penalties provided in sec. 160 of this chapter.

13 Sec. 21.39.150. ASSIGNED RISKS. Agreements may be
14 made among insurers with respect to the equitable apportion-
15 ment among them of insurance which may be afforded applicants
16 who are in good faith entitled to but who are unable to
17 procure the insurance through ordinary methods and the
18 insurers may agree among themselves on the use of reasonable
19 rate modifications for the insurance, the agreements and
20 rate modifications to be subject to the approval of the
21 director.

22 Sub. 21.39.160. PENALTIES. (a) The director may, if
23 he finds that a person or organization has violated a pro-
24 vision of this chapter, impose a penalty of not more than
25 \$50 for each violation, but if he finds the violation to
26 be wilfull he may impose a penalty of not more than \$500
27 for each violation. The penalties may be in addition to
28 any other penalty provided by law.

29 (b) The director may suspend the license of a rating

1 organization or insurer which fails to comply with an order
2 of the director within the time limited by the order, or any
3 extension thereof which the director may grant. The director
4 shall not suspend the license of a rating organization or
5 insurer for failure to comply with an order until the time
6 prescribed for an appeal has expired or if an appeal has
7 been taken, until the order has been affirmed. The director
8 may determine when a suspension of license shall become
9 effective and it shall remain in effect for the period fixed
10 by him, unless he modifies or rescinds the suspension, or
11 until the order upon which the suspension is based is modi-
12 fied, rescinded or reversed.

13 (c) No penalty shall be imposed and no license shall
14 be suspended or revoked except upon a written order of the
15 director, stating his findings, made after a hearing held
16 upon not less than 10 days' written notice to the person or
17 organization specifying the alleged violation.

18 Sec. 21.39.170. HEARING PROCEDURE AND JUDICIAL REVIEW.

19 (a) An insurer or rating organization to which the director
20 has issued an order made without a hearing may, within 30
21 days after notice to it of the order, make written request
22 to the director for a hearing. The director shall hear the
23 party or parties within 20 days after receipt of the request
24 and shall give not less than 10 days' written notice of the
25 time and place of the hearing. Within 15 days after the
26 hearing the director shall affirm, reverse or modify his
27 previous action, specifying his reasons. Pending the hearing
28 and decision the director may suspend or postpone the
29 effective date of his previous action.

1 (b) Nothing contained in this chapter shall require
2 the observance at a hearing of formal rules of pleading or
3 evidence.

4 (c) An order or decision of the director shall be
5 subject to review by appeal to the superior court at the
6 instance of a party in interest. The court shall determine
7 whether the filing of the appeal shall operate as a stay of
8 an order or decision of the director. The court may, in
9 disposing of the issue before it, modify, affirm or reverse
10 the order or decision of the director in whole or in part.

11 CHAPTER 40. INSIDER TRADING OF DOMESTIC STOCK

12 INSURANCE COMPANY EQUITY SECURITIES.

13 Sec. 21.40.010. FILING STATEMENT OF OWNERSHIP OF
14 EQUITY SECURITIES. Every person who is directly or indirectly
15 the beneficial owner of more than 10 per cent of a class of
16 an equity security of a domestic stock insurance company, or
17 who is a director or an officer of the company, shall file
18 with the department on or before September 1, 1966, or within
19 10 days after he becomes the beneficial owner, director or
20 officer, a statement of the amount of all equity securities
21 of the company of which he is the beneficial owner. Within
22 10 days after the close of each calendar month thereafter,
23 if there has been a change in his ownership during the month,
24 the beneficial owner, director or officer shall file with
25 the department a statement indicating his ownership at the
26 close of the calendar month, the changes in his ownership
27 which have occurred during the calendar month, and any other
28 information required by the department. Statements shall
29 be made in a form prescribed by the department.

1 Sec. 21.40.020. SUIT TO RECOVER PROFITS REALIZED ON
2 UNFAIR USE OF INFORMATION. For the purpose of preventing
3 the unfair use of information which may have been obtained
4 by a beneficial owner of more than 10 per cent of a class
5 of an equity security, or director or officer by reason of
6 his relationship to a company, the profit realized by him
7 from a purchase and sale, or a sale and purchase, of an
8 equity security of the company within any period of less
9 than six months, unless the security was acquired in good
10 faith in connection with a debt previously contracted, shall
11 inure to and be recoverable by the company. The profit
12 shall inure to and be recoverable by the company irrespective
13 of the intention on the part of the beneficial owner,
14 director or officer in entering into the transaction of
15 holding the security purchased or of not repurchasing the
16 security sold, for a period exceeding six months. Suit to
17 recover the profit may be instituted at law or in equity in
18 the superior court by the company, or by the owner of a
19 security of the company in the name and in behalf of the
20 company if the company shall fail or refuse to bring a suit
21 within 60 days after request or shall fail diligently to
22 prosecute the same thereafter. However, no suit to recover
23 profit shall be brought more than two years after the date
24 the profit was realized. This section shall not be construed
25 to cover a transaction where the beneficial owner was not
26 a beneficial owner both at the time of the purchase and sale,
27 or the sale and purchase, of the security involved, or
28 cover a transaction or transactions which the department by
29 rules and regulations may exempt as not comprehended within

1 the purpose of this section.

2 Sec. 21.40.030. UNLAWFUL SALES OF EQUITY SECURITIES.

3 It shall be unlawful for a beneficial owner of more than
4 10 per cent of a class of equity stock, or director or
5 officer, directly or indirectly, to sell an equity security
6 of the company if the person selling the security or his
7 principal (a) does not own the security sold, or (b) if
8 owning the security, does not deliver it against the sale
9 within 20 days thereafter, or does not within five days
10 after the sale deposit it in the mails or other usual
11 channels of transportation; but no person shall be considered
12 to have violated this section if he proves that notwith-
13 standing the exercise of good faith he was unable to make
14 the delivery or deposit within the time prescribed, or
15 that to do so would cause undue inconvenience or expense.

16 Sec. 21.40.040. EXEMPTION OF CERTAIN SALES OF EQUITY
17 SECURITIES. Sec. 20 of this chapter does not apply to a
18 purchase and sale, or sale and purchase, and sec. 30 of
19 this chapter does not apply to a sale, of an equity security
20 of a domestic stock insurance company not then or theretofore
21 held by him in an investment account, by a dealer in the
22 ordinary course of his business and incident to the estab-
23 lishment or maintenance by him of a primary or secondary
24 market (otherwise than on an exchange as defined in the
25 Securities Exchange Act of 1934, as amended) for the security.
26 The department may, by rules and regulations it considers
27 necessary or appropriate in the public interest, define and
28 prescribe terms and conditions with respect to securities
29 held in an investment account and transactions made in the

1 ordinary course of business and incident to the establishment
2 or maintenance of a primary or secondary market.

3 Sec. 21.40.050. ARBITRAGE TRANSACTIONS EXEMPTED. Secs.
4 10 - 30 of this chapter shall not apply to foreign or domes-
5 tic arbitrage transactions unless made in contravention of
6 the rules and regulations which the department may adopt
7 in order to carry out the purposes of this chapter.

8 Sec. 21.40.060. EXEMPTION OF REGISTERED OR CLOSELY
9 HELD EQUITY SECURITIES. Secs. 10 - 30 of this chapter
10 shall not apply to equity securities of a domestic stock
11 insurance company if (a) the securities are registered, or
12 are required to be registered, under sec. 12 of the Securities
13 Exchange Act of 1934, as amended, or if (b) the domestic
14 stock insurance company does not have a class of its equity
15 securities held of record by 100 or more persons on the last
16 business day of the year preceding the year in which equity
17 securities of the company would be subject to secs. 10 - 30
18 of this chapter except for the provisions of this section.

19 Sec. 21.40.070. ENFORCEMENT. The department may, under
20 AS 44.62, issue rules and regulations necessary for the
21 execution of the functions vested in it by sec. 10 - 60
22 of this chapter, and may for that purpose classify domestic
23 stock insurance companies, securities, and other persons or
24 matters within its jurisdiction. No provision of secs. 10 -
25 20 of this chapter imposing a liability shall apply to an
26 act done or omitted in good faith in conformity with a rule
27 or regulation of the department, notwithstanding that the
28 rule or regulation may, after the act or omission, be amended
29 or rescinded or determined by judicial or other authority to

1 be invalid for any reason.

2 Sec. 21.40.080. DEFINITIONS. In this chapter

3 (1) "equity security" means a stock or similar
4 security; or a security convertible, with or without con-
5 siderations, into stock or similar security, or carrying a
6 warrant or right to subscribe to or purchase stock or similar
7 security; or any such warrant or right; or any other security
8 which the department shall consider to be of similar nature
9 and consider necessary or appropriate, by rules and regula-
10 tions the department may prescribe in the public interest or
11 for the protection of investors, to treat as an equity
12 security;

13 (2) "officer" means a president, vice president,
14 treasurer, actuary, secretary, controller, and any other
15 person who performs for the company functions corresponding
16 to those performed by the foregoing officers;

17 (3) "domestic stock insurance corporation" means
18 a stock insurance corporation organized under the laws of
19 this state or the Territory of Alaska.

20 CHAPTER 42. THE INSURANCE CONTRACT

21 Sec. 21.42.010. SCOPE OF CHAPTER. This chapter does
22 not apply as to

23 (1) reinsurance;

24 (2) policies or contracts not issued for delivery
25 in this state or delivered in this state, except as provided
26 in sec. 120 of this chapter (approval of forms for delivery
27 in jurisdictions where local approval not provided for);

28 (3) wet marine and transportation insurance;

29 (4) title insurance, except as to the provisions

1 of the following sections of this chapter:

- 2 (A) sec. 80 (Power to contract, etc.),
- 3 (B) sec. 120 (Filing, approval of forms),
- 4 (C) sec. 130 (Grounds for disapproval),
- 5 (D) sec. 180 (Charter, bylaw provisions),
- 6 (E) sec. 190 (Execution of policies),
- 7 (F) sec. 230 (Construction of policies).

8 Sec. 21.42.020. INSURABLE INTEREST, PERSONAL INSURANCE.

9 (a) An individual of competent legal capacity may procure or
10 effect an insurance contract upon his own life or body for
11 the benefit of any person. But no person shall procure or
12 cause to be procured an insurance contract upon the life or
13 body of another individual unless the benefits under the
14 contract are payable to the individual insured or his per-
15 sonal representatives, or to a person having, at the time
16 the contract was made, an insurable interest in the indivi-
17 dual insured.

18 (b) If the beneficiary, assignee, or other payee under
19 a contract made in violation of this section receives from
20 the insurer any benefits thereunder accruing upon the death,
21 disablement, or injury of the individual insured, the indi-
22 vidual insured or his executor or administrator, as the case
23 may be, may maintain an action to recover the benefits from
24 the person receiving them.

25 (c) "Insurable interest" with reference to personal
26 insurance includes only interests as follows:

27 (1) in the case of individuals related closely
28 by blood or by law, a substantial interest engendered by
29 love and affection;

1 (2) in the case of other persons, a lawful and
2 substantial economic interest in having the life, health,
3 or bodily safety of the individual insured continue, as
4 distinguished from an interest which would arise only by,
5 or would be enhanced in value by, the death, disablement
6 or injury of the individual insured;

7 (3) an individual heretofore or hereafter party
8 to a contract or option for the purchase or sale of an
9 interest in a business partnership or firm, or of shares of
10 stock of a closed corporation or of an interest in the shares,
11 has an insurable interest in the life of each individual
12 party to the contract and for the purposes of the contract
13 only, in addition to an insurable interest which may other-
14 wise exist as to the life of the individual.

15 Sec. 21.42.030. INSURABLE INTEREST, PROPERTY. (a)
16 No contract of insurance of property or of an interest in
17 property or arising from property shall be enforceable as
18 to the insurance except for the benefit of persons having
19 an insurable interest in the things insured as at the time
20 of the loss.

21 (b) "Insurable interest" as used in this section means
22 an actual, lawful, and substantial economic interest in the
23 safety or preservation of the subject of the insurance free
24 from loss, destruction, or pecuniary damage or impairment.

25 (c) The measure of an insurable interest in property
26 is the extent to which the insured might be indemnified by
27 loss, injury, or impairment.

28 Sec. 21.42.040. INTEREST OF NAMED INSURED. When the
29 name of the person insured is specified in a policy insuring

1 property the insurance can be applied only to his own proper
2 interest.

3 Sec. 21.42.050. CHANGE OF INTEREST ON DEATH. A change
4 of interest, by will or succession, on the death of the
5 insured, does not avoid an insurance of property and the
6 insurance passes to the person taking his interest in the
7 thing insured.

8 Sec. 21.42.060. TRANSFER OF INTEREST BETWEEN JOINT
9 INSURED. A transfer of interest by one of the several
10 partners, joint owners, or owners in common, who are jointly
11 insured, to the others, does not avoid an insurance of
12 property even though it has been agreed that the insurance
13 shall cease upon an alienation of the thing insured.

14 Sec. 21.42.070. INSURANCE WITHOUT INTEREST, OR OF WAGER,
15 IS VOID. (a) Every stipulation in a policy of insurance of
16 property for the payment of loss without regard to absence
17 of an insurable interest in the property on the part of the
18 insured, or that the policy shall be received as proof of
19 the interest, is void.

20 (b) Every policy executed by way of gaming or wagering
21 is void.

22 Sec. 21.42.080. POWER TO CONTRACT -- PURCHASE OF INSUR-
23 ANCE BY MINORS. (a) A person of competent legal capacity
24 may contract for insurance.

25 (b) A minor of the age of 19 years or more, as deter-
26 mined by the nearest birthday, may, notwithstanding his
27 minority, contract for annuities and for insurance upon his
28 own life, body, health, property, liabilities or other
29 interests, or on the person of another in whom the minor has

1 an insurable interest. The minor shall, notwithstanding
2 his minority, be considered competent to exercise all rights
3 and powers with respect to or under (a) a contract for
4 annuity or for insurance upon his own life, body or health,
5 or (b) a contract the minor effected upon his own property,
6 liabilities or other interest, or on the person of another,
7 as might be exercised by a person of full legal age, and
8 may at any time surrender his interest in a contract and
9 give valid discharge for any benefit accruing or money pay-
10 able thereunder. A minor shall not, by reason of his minor-
11 ity, be entitled to rescind, avoid or repudiate the contract,
12 or to rescind, avoid or repudiate an exercise of a right or
13 privilege thereunder, except that a minor, not otherwise
14 emancipated, shall not be bound by an unperformed agreement
15 to pay by promissory note or otherwise, a premium on the
16 annuity or insurance contract.

17 (c) If a minor mentioned in (b) of this section, is
18 possessed of an estate that is being administered by a
19 guardian, no contract shall be binding upon the estate as to
20 payment of premiums, except as and when consented to by
21 the guardian and approved by the superior court of this
22 state in which the administration of the estate is pending;
23 the consent and approval shall be required as to each annual
24 premium payment.

25 (d) An annuity contract or policy of life or disability
26 insurance procured by or for a minor under (b) of this
27 section, shall be made payable either to the minor or his
28 estate or to a person having an insurable interest in the
29 life of the minor under sec. 20 of this chapter.

1 Sec. 21.42.090. APPLICATION REQUIRED -- LIFE AND DIS-
2 ABILITY. No life or disability insurance contract upon an
3 individual, except a contract of group life insurance or of
4 group or blanket disability insurance, shall be made or
5 effectuated unless at the time of the making of the contract
6 the individual insured, being of competent legal capacity
7 to contract, applies therefor or has consented thereto in
8 writing, except in the following cases:

9 (1) a spouse may effectuate the insurance upon
10 the other spouse;

11 (2) a person having an insurable interest in the
12 life of a minor, or a person upon whom a minor is dependent
13 for support and maintenance, may effectuate insurance upon
14 the life of or pertaining to the minor;

15 (3) family policies insuring any two or more
16 members of a family may be issued on an application signed
17 by either parent, a stepparent, or by a husband or wife.

18 Sec. 21.42.100. ALTERATION OF APPLICATION. (a) If
19 a policy of life or disability insurance delivered in this
20 state is reinstated or renewed, and the insured or the
21 beneficiary or assignee of the policy makes written request
22 to the insurer for a copy of the application, if any, for
23 the reinstatement or renewal, the insurer shall, within 30
24 days after receipt of the request at its home office or at
25 any of its branch offices, deliver, or mail to the person
26 making the request a copy of the application. In the case
27 of a request from a beneficiary, the time within which the
28 insurer is required to furnish a copy of the application
29 shall not begin to run until after receipt of evidence

1 satisfactory to the insurer of the beneficiary's vested
2 interest in the policy or contract.

3 (b) No alteration of a written application for a life
4 or disability insurance policy shall be made by a person
5 other than the applicant without his written consent,
6 except that insertions may be made by the insurer, for ad-
7 ministrative purposes only, in a manner which indicates
8 clearly that the insertions are not to be ascribed to the
9 applicant.

10 Sec. 21.42.110. REPRESENTATIONS IN APPLICATIONS. All
11 statements and descriptions in an application for an insur-
12 ance policy or annuity contract, or in negotiations therefor,
13 by or in behalf of the insured or annuitant, shall be con-
14 sidered to be representations and not warrenties. Misre-
15 presentations, omissions, concealment of facts, and incorrect
16 statements shall not prevent a recovery under the policy or
17 contract unless either

18 (1) fraudulent; or

19 (2) material either to the acceptance of the
20 risk, or to the hazard assumed by the insurer; or

21 (3) the insurer in good faith would either not
22 have issued the policy or contract, or would not have issued
23 a policy or contract in as large an amount, or at the same
24 premium or rate, or would not have provided coverage with
25 respect to the hazard resulting in the loss, if the true
26 facts had been made known to the insurer as required either
27 by the application for the policy or contract or otherwise.

28 Sec. 21.42.120. FILING, APPROVAL OF FORMS. (a) No
29 basic insurance policy or annuity contract form, or application

1 form where written application is required and is to be made
2 a part of the policy or contract, or printed rider or endorse-
3 ment form or form of renewal certificate, shall be delivered,
4 or issued for delivery in this state, unless the form has
5 been filed with and approved by the director. This provision
6 shall not apply to surety bonds, or to specially rated inland
7 marine risks, nor to policies, riders, endorsements, or form
8 of unique character designed for and used with relation to
9 insurance upon a particular subject, or which relate to the
10 manner of distribution of benefits or to the reservation of
11 rights and benefits under life or disability insurance
12 policies and are used at the request of the individual
13 policyholder, contract holder, or certificate holder. Forms
14 for use in property, marine (other than wet marine and
15 transportation coverages), casualty and surety insurance
16 coverages the filing required by this section may be made
17 by rating organizations on behalf of its members and sub-
18 scribers; but this provision shall not prohibit a member or
19 subscriber from filing the forms on its own behalf.

20 (b) Every filing shall be made not less than 30 days
21 in advance of delivery. At the expiration of the 30 days
22 the form filed shall be considered approved unless prior
23 thereto it has been affirmatively approved or disapproved
24 by order of the director. Approval of the form by the
25 director shall constitute a waiver of any unexpired portion
26 of the waiting period. The director may extend by not more
27 than an additional 30 days the period within which he may so
28 affirmatively approve or disapprove the form, by giving
29 notice of the extension before expiration of the initial

1 30-day period. At the expiration of the extended period,
2 and in the absence of a prior affirmative approval or dis-
3 approval, the form shall be considered approved. The
4 director may at any time, after notice and for cause shown,
5 withdraw the approval.

6 (c) An order of the director disapproving the form or
7 withdrawing a previous approval shall state the grounds and
8 the particulars in such detail as reasonably to inform the
9 insurer thereof.

10 (d) The director may, by order, exempt from the require-
11 ments of this section for as long as he considers proper an
12 insurance document or form or type thereof as specified in
13 the order, to which, in his opinion, this section may not
14 practicably be applied, or the filing and approval of which
15 are, in his opinion, not desirable or necessary for the
16 protection of the public.

17 (e) This section shall apply also to a form used by
18 domestic insurers for delivery in a jurisdiction outside
19 this state, if the insurance supervisory official of the
20 jurisdiction informs the director that the form is not
21 subject to approval or disapproval by the official, and upon
22 the director's order requiring the form to be submitted to
23 him for the purpose. The applicable same standards shall
24 apply to these forms as apply to forms for domestic use.

25 Sec. 21.42.130. GROUNDS FOR DISAPPROVAL. The director
26 shall disapprove a form filed under sec. 120 of this chapter
27 or withdraw a previous approval thereof, only if the form

28 (1) is in any respect in violation of or does
29 not comply with this title;

1 (2) contains or incorporates by reference, where
2 such incorporation is otherwise permissible, any inconsistent,
3 ambiguous, or misleading clauses, or exceptions and conditions
4 which deceptively affect the risk purported to be assumed in
5 the general coverage of the contract;

6 (3) has a title, heading, or other indication of
7 its provisions which is misleading;

8 (4) is printed or otherwise reproduced in a manner
9 which renders any provision of the form substantially
10 illegible.

11 Sec. 21.42.140. STANDARD PROVISIONS. (a) Insurance
12 contracts shall contain the standard or uniform provisions
13 which are required by the applicable provisions of this title
14 pertaining to contracts of particular kinds of insurance.
15 The director may waive the required use of a particular
16 provision in a particular insurance policy form if

17 (1) he finds the provision unnecessary for the
18 protection of the insured and inconsistent with the purposes
19 of the policy; and

20 (2) the policy is otherwise approved by him.

21 (b) No policy shall contain a provision inconsistent
22 with or contradictory to a standard or uniform provision
23 used or required to be used, but the director may approve a
24 substitute provision which is, in his opinion, not less
25 favorable in any particular to the insured or beneficiary
26 than the provisions otherwise required.

27 (c) In lieu of the provisions required by this title
28 for contracts for particular kinds of insurance, substantially
29 similar provisions required by the law of the domicile of a

1 foreign or alien insurer may be used when approved by the
2 director.

3 (d) No such provision, if required to be contained in
4 the policy, can be waived by agreement between the insurer
5 and any other person.

6 Sec. 21.42.150. POLICY MUST CONTAIN ENTIRE CONTRACT.
7 The policy, when issued, shall contain the entire contract
8 between the parties, and neither the insurer nor the agent
9 or representative thereof, nor a person insured thereunder,
10 shall make an agreement as to the insurance which is not
11 expressed in the policy. This provision does not prohibit
12 the modification of a policy, after issuance, by written
13 rider or endorsement issued by the insurer.

14 Sec. 21.42.160. CONTENTS OF POLICIES IN GENERAL. (a)
15 Every policy shall specify

- 16 (1) the names of the parties of the contract;
17 (2) the subject of the insurance;
18 (3) the risks insured against;
19 (4) the time when the insurance thereunder takes
20 effect and the period during which the insurance is to con-
21 tinue;
22 (5) the premium;
23 (6) the conditions pertaining to the insurance.

24 (b) If under the policy the exact amount of premium is
25 determinable only at stated intervals or termination of the
26 contract, a statement of the basis and rates upon which the
27 premium is to be determined and paid shall be included.

28 (c) Subsecs. (a) and (b) of this section shall not
29 apply to surety contracts, or to group insurance policies.

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1 (d) All policies and annuity contracts issued by
2 domestic insurers, and the forms thereof filed with the
3 director, shall have printed on them an appropriate designating
4 letter or figure, or combination of letters or
5 figures or terms identifying the respective forms of policies
6 or contracts, together with the year of adoption of the form.
7 When a change is made in any such form, the designating
8 letters, figures or terms and year of adoption shall be
9 correspondingly changed.

10 Sec. 21.42.170. ADDITIONAL POLICY CONTENTS. A policy
11 may contain additional provisions not inconsistent with this
12 title and which are

13 (1) required to be inserted by the laws of the
14 insurer's domicile;

15 (2) necessary, on account of the manner in which
16 the insurer is constituted or operated, in order to state
17 the rights and obligations of the parties to the contract;
18 or

19 (3) desired by the insurer and neither prohibited
20 by law nor in conflict with any provisions required to be
21 included in it.

22 Sec. 21.42.180. CHARTER, BYLAW PROVISIONS. No policy
23 shall contain a provision purporting to make a portion of
24 the charter, bylaws or other constituent document of the
25 insurer (other than the subscribers' agreement or power of
26 attorney of a reciprocal insurer) a part of the contract
27 unless the portion is set forth in full in the policy. A
28 policy provision in violation of this section shall be
29 invalid.

1 Sec. 21.42.190. EXECUTION OF POLICIES. (a) Every
2 insurance policy shall be executed in the name of and on
3 behalf of the insurer by its officer, attorney-in-fact,
4 employee, or representative duly authorized by the insurer.

5 (b) A facsimile signature of the executing individual
6 may be used in lieu of an original signature.

7 (c) No insurance contract heretofore or hereafter
8 issued and which is otherwise valid shall be rendered
9 invalid by reason of the apparent execution thereof on
10 behalf of the insurer by the imprinted facsimile signature
11 of an individual not authorized so to execute as of the date
12 of the policy.

13 Sec. 21.42.200. UNDERWRITERS' AND COMBINATION POLICIES

14 (a) Two or more authorized insurers may jointly issue, and
15 shall be jointly and severally liable, on, an underwriters'
16 policy bearing their names. Any one insurer may issue
17 policies in the name of an underwriter's department and the
18 policy shall plainly show the true name of the insurer.

19 (b) Two or more insurers may, with the approval of the
20 director, issue a combination policy which shall contain
21 provisions substantially as follows:

22 (1) that the insurers executing the policy shall
23 be severally liable for the full amount of loss or damage,
24 according to the terms of the policy, or for specified per-
25 centages or amounts thereof, aggregating the full amount of
26 insurance under the policy; and

27 (2) that service of process, or of notice or
28 proof of loss required by the policy, upon any of the insurers
29 executing the policy, shall constitute service upon all the

1 insurers.

2 (c) This section shall not apply to cosurety obliga-
3 tions.

4 Sec. 21.42.210. INTEREST IN REINSURANCE. The original
5 insured has no interest in a contract of reinsurance.

6 Sec. 21.42.220. VALIDITY OF NONCOMPLYING FORMS. An
7 insurance policy, rider, or endorsement hereafter issued and
8 otherwise valid which contains a condition or provision not
9 in compliance with the requirements of this title, shall not
10 be thereby rendered invalid but shall be construed and applied
11 in accordance with the conditions and provisions as would
12 have applied had the policy, rider or endorsement been in
13 full compliance with this title.

14 Sec. 21.42.230. CONSTRUCTION OF POLICIES. Every
15 insurance contract shall be construed according to the
16 entirety of its terms and conditions as set out in the policy
17 and as amplified, extended, or modified by any rider, en-
18 dorsement, or application which is a part of the policy.

19 Sec. 21.42.240. BINDERS. (a) Binders or other con-
20 tracts for temporary insurance may be made orally or in
21 writing, and shall be considered to include all the usual
22 terms of the policy as to which the binder was given together
23 with the applicable endorsements designated in the binder,
24 except as superseded by the clear and express terms of the
25 binder.

26 (b) No binder shall be valid beyond the issuance of
27 the policy with respect to which it was given, or beyond
28 90 days from its effective date, whichever period is the
29 shorter.

1 (c) If the policy has not been issued a binder may be
2 extended or renewed beyond the 90 days with the written
3 approval of the insurer.

4 (d) This section shall not apply to life or disability
5 insurances.

6 Sec. 21.42.250. DELIVERY OF POLICY. (a) Subject to
7 the insurer's requirements as to payment of premium, every
8 policy shall be mailed or delivered to the insured or to
9 the person entitled to it within a reasonable period of time
10 after its issuance, except where a condition required by
11 the insurer has not been met by the insured.

12 (b) If the original policy is delivered or is
13 required to be delivered to or for deposit with a vendor,
14 mortgagee, or pledgee of a motor vehicle or aircraft, and
15 in which policy an interest of the vendee, mortgagor, or
16 pledgor in or with reference to the vehicle or aircraft is
17 insured, a duplicate of the policy setting out the name and
18 address of the insurer, insurance classification of vehicle
19 or aircraft, type of coverage, limits of liability, premiums
20 for the respective coverages, and duration of the policy or
21 memorandum thereof containing the same information, shall be
22 delivered by the vendor, mortgagee, or pledgee to each
23 vendee, mortgagor, or pledgor named in the policy or coming
24 within the group of persons designated in the policy to be
25 included. If the policy does not provide coverage of legal
26 liability for injury to persons or damage to the property of
27 third parties, a statement of the fact shall be printed,
28 written, or stamped conspicuously on the face of the dupli-
29 cate policy or memorandum.

1 Sec.21.42.260. RENEWAL BY CERTIFICATE. An insurance
2 policy terminating by its terms at a specified expiration
3 date and not otherwise renewable, may be renewed or extended
4 at the option of the insurer and upon a currently authorized
5 policy form and at the premium rate then required therefor,
6 for a specific additional period or periods by certificate
7 or by endorsement of the policy, and without requiring the
8 issuance of a new policy.

9 Sec. 21.42.270. ASSIGNMENT OF POLICIES. A policy may
10 be assignable or not assignable, as provided by its terms.
11 Subject to its terms relating to the assignability, a life
12 or disability policy, whether heretofore or hereafter
13 issued, under the terms of which the beneficiary may be
14 changed upon the sole request of the insured may be assigned
15 either by pledge or transfer of title, by an assignment
16 executed by the insured alone and delivered to the insurer,
17 whether or not the pledgee or assignee is the insurer. The
18 assignment shall entitle the insurer to deal with the
19 assignee as the owner or pledgee of the policy in accordance
20 with the terms of the assignment, until the insurer has
21 received at its home office written notice of termination
22 of the assignment or pledge, or written notice by or on
23 behalf of some other person claiming some interest in the
24 policy in conflict with the assignment.

25 Sec. 21.42.280. PAYMENT DISCHARGES INSURER. When the
26 proceeds of or payments under a life or disability insurance
27 policy or annuity contract heretofore or hereafter issued
28 become payable in accordance with the terms of the policy or
29 contract, or the exercise of a right or privilege thereunder

1 and the insurer makes payment in accordance with the terms
2 of the policy or contract or in accordance with any written
3 assignment, the person then designated under the policy as
4 being entitled thereto shall be entitled to receive the
5 proceeds or payments and to give full acquittance therefor.
6 The payments shall fully discharge the insurer from all
7 claims under the policy or contract unless, before payment
8 is made, the insurer has received at its home office
9 written notice by or on behalf of some other person that the
10 other person claims to be entitled to the payment or some
11 interest in the policy or contract.

12 Sec. 21.42.290. MINOR MAY GIVE ACQUITTANCE. (a) A
13 minor domiciled in this state who has attained the age of
14 16 years shall be considered competent to receive and to
15 give full acquittance and discharge for a payment or pay-
16 ments in aggregate amount not exceeding \$3,000 in any one
17 year made by a life insurer under the maturity, death or
18 settlement agreement provisions in effect or elected by
19 the minor under a life insurance policy or annuity contract,
20 provided the policy, contract or agreement shall provide
21 for the payment or payments to the minor, and if prior to
22 the payment the insurer has not received written notice of
23 the appointment of a duly qualified guardian of the property
24 of the minor. No minor shall be considered competent to
25 alienate the right to or to anticipate the payments. This
26 section shall not restrict the rights of minors set out in
27 sec. 80 of this chapter.

28 (b) This section shall not require an insurer to
29 determine whether any other insurer may be effecting a

1 similar payment to the same minor.

2 Sec. 21.42.300. FORMS FOR PROOF OF LOSS TO BE FUR-
3 NISHED. An insurer shall furnish, upon written request of
4 the person claiming to have a loss under an insurance con-
5 tract issued by the insurer, forms of proof of loss for
6 completion by the person, but the insurer shall not, by
7 reason of the requirement to furnish forms, have any res-
8 ponsibility for or with reference to the completion of the
9 proof or the manner of the completion or attempted comple-
10 tion.

11 Sec. 21.42.310. CLAIMS ADMINISTRATION NOT WAIVER.
12 Without limitation of a right or defense of an insurer
13 otherwise, none of the following acts by or on behalf of an
14 insurer shall constitute a waiver of a provision of a policy
15 or of a defense of the insurer thereunder:

16 (1) acknowledgment of the receipt of notice of
17 loss or claim under the policy;

18 (2) furnishing forms for reporting a loss or
19 claim, for giving information relative to it, or for making
20 proof of loss, or receiving or acknowledging receipt of forms
21 or proofs completed or uncompleted.

22 (3) investigating a loss or claim under a policy
23 or engaging in negotiations looking toward a possible settle-
24 ment of the loss or claim.

25 Sec. 21.42.320. EXEMPTION OF LIFE INSURANCE PROCEEDS
26 AS TO CREDITORS. (a) If a policy of insurance, whether
27 heretofore or hereafter issued, is effected by a person on
28 his own life or on another life, in favor of a person other
29 than himself, or, except in cases of transfer with intent to

1 defraud creditors, if a policy of life insurance is assigned
2 or in any way made payable to the person, the lawful bene-
3 ficiary or assignee, other than the insured or the person so
4 effecting the insurance or executors or administrators of the
5 insured or the person effecting the insurance, shall be
6 entitled to its proceeds and avails against the creditors
7 and representatives of the insured and of the person effecting
8 the same, whether or not the right to change the beneficiary
9 is reserved or permitted, and whether or not the policy is
10 made payable to the person whose life is insured if the
11 beneficiary or assignee shall predecease the person; except
12 that, subject to the statute of limitations the amount of
13 premiums for the insurance paid with intent to defraud
14 creditors with interest thereon, shall inure to their benefit
15 from the proceeds of the policy; but the insurer issuing the
16 policy shall be discharged of all liability thereof by pay-
17 ment of its proceeds in accordance with its terms, unless
18 before the payment the insurer had received written notice
19 at its home office, by or in behalf of a creditor, of a
20 claim to recover for transfer made or premiums paid with
21 intent to defraud creditors, with specifications of the
22 amount claimed.

23 (b) For the purposes of (a) of this section, a policy
24 shall also be considered to be payable to a person other than
25 the insured if and to the extent that a facility-of-payment
26 clause or similar clause in the policy permits the insurer
27 to discharge its obligation after the death of the individual
28 insured by paying the death benefits to a person as permitted
29 by the clause.

1 Sec. 21.42.330. EXEMPTION OF PROCEEDS, GROUP LIFE. (a)

2 A policy of group life insurance or the proceeds payable to
3 the individual insured or to the beneficiary, shall not be
4 liable, either before or after payment, to be applied by a
5 legal or equitable process to pay a debt or liability of the
6 insured individual or his beneficiary or of any other per-
7 son having a right under the policy. The proceeds, when not
8 made payable to a named beneficiary or to a third person
9 under a facility-of-payment clause, shall not constitute a
10 part of the estate of the individual insured for the payment
11 of his debts.

12 (b) This section shall not apply to group life insur-
13 ance issued under ch. 48 of this title to a creditor covering
14 his debtors, to the extent that the proceeds are applied to
15 payment of the obligation for the purpose of which the insur-
16 ance was issued.

17 Sec. 21.42.340. EXEMPTION OF PROCEEDS, DISABILITY
18 INSURANCE. The proceeds or avails of all contracts of
19 disability insurance and of provisions providing benefits on
20 account of the insured's disability which are supplemental
21 to life insurance or annuity contracts heretofore or here-
22 after effected shall be exempt from all liability for any
23 debt of the insured, and from any debt of the beneficiary
24 existing at the time the proceeds are made available for his
25 use.

26 Sec. 21.42.350. EXEMPTION OF PROCEEDS, ANNUITY CON-
27 TRACTS. (a) The benefits, rights, privileges and options
28 which under an annuity contract heretofore and hereafter
29 issued are due or prospectively due the annuitant, shall not

1 be subject to execution and the annuitant shall not be
2 compelled to exercise the rights, powers or options, and the
3 creditors shall not be allowed to interfere with or terminate
4 the contract, except

5 (1) as to amounts paid for or as premium on the
6 annuity with intent to defraud creditors, with interest
7 thereon, and of which the creditor has given the insurer
8 written notice at its home office before the making of the
9 payments to the annuitant out of which the creditor seeks
10 to recover; the notice shall specify the amount claimed or
11 such facts as will enable the insurer to ascertain the
12 amount, and shall set out the facts which will enable the
13 insurer to ascertain the annuity contract, the annuitant
14 and the payments sought to be avoided on the ground of
15 fraud;

16 (2) That the total exemption of benefits presently
17 due and payable to an annuitant periodically or at stated
18 times under all annuity contracts under which he is an
19 annuitant, shall not at any time exceed \$450 a month for
20 the length of time represented by the installments, and that
21 the periodic payments in excess of \$450 per month shall be
22 subject to garnishee execution;

23 (3) that if the total benefits presently due and
24 payable to an annuitant under all annuity contracts under
25 which he is an annuitant, shall at any time exceed payments
26 at the rate of \$450 a month, the court may order the annui-
27 tant to pay to a judgment creditor or apply on the judgment,
28 in installments, the portion of the excess benefits which
29 to the court may appear just and proper, after due regard

1 for the reasonable requirements of the judgment debtor and
2 his family, if dependent upon him, as well as payments
3 required to be made by the annuitant to other creditors under
4 prior court orders.

5 (b) If the contract provides, the benefits, rights,
6 privileges or options accruing under the contract to a
7 beneficiary or assignee shall not be transferable or subject
8 to commutation, and if the benefits are payable periodically
9 or at stated times, the same exemptions contained herein for
10 the annuitant, shall apply with respect to the beneficiary
11 or assignee.

12 Sec. 21.42.360. POLICY DEFINED. "Policy" means the
13 written contract of or written agreement for or effecting
14 insurance, by whatever name called, and includes all clauses,
15 riders, endorsements and papers attached to it and a part
16 of it.

17 Sec. 21.42.370. PREMIUM DEFINED. "Premium" is the
18 consideration for insurance, by whatever name called. Any
19 "assessment", or "membership", "policy", "survey", "inspection",
20 "service" or similar fee or charge in consideration for an
21 insurance contract is considered part of the premium.

22 CHAPTER 45. LIFE INSURANCE AND ANNUITIES.

23 Sec. 21.45.010. SCOPE OF CHAPTER. This chapter applies
24 only to contracts of life insurance and annuities, other than
25 reinsurance, group life insurance and group annuities.

26 Sec. 21.45.020. STANDARD PROVISIONS REQUIRED. (a) No
27 policy of life insurance, other than group and pure endow-
28 ments with or without return of premiums or of premiums and
29 interest, shall be delivered or issued for delivery in this

1 state unless it contains in substance all of the applicable
2 provisions as required by secs. 30 - 150 of this chapter.
3 This section shall not apply to annuity contracts or to a
4 provision of a life insurance policy, or contract supple-
5 mental to it, relating to disability benefits or to addi-
6 tional benefits in the event of death by accident or acci-
7 dental means.

8 (b) The provisions or portions thereof not applicable
9 to single premium or term policies shall to that extent not
10 be incorporated therein.

11 Sec. 21.45.030. GRACE PERIOD. There shall be a pro-
12 vision that a grace period of 30 days, or, at the option of
13 the insurer, of one month of not less than 30 days, or of
14 four weeks in the case of industrial life insurance policies
15 the premiums for which are payable more frequently than
16 monthly, shall be allowed within which the payment of a
17 premium after the first may be made, during which period of
18 grace the policy shall continue in full force; but if a claim
19 arises under the policy during the period of grace the amount
20 of the premium due or overdue may be deducted from the policy
21 proceeds.

22 Sec. 21.45.040. INCONTESTABILITY. There shall be a
23 provision that the policy (exclusive of provisions relating
24 to disability benefits or to additional benefits in the
25 event of death by accident or accidental means) shall be
26 incontestable, except for nonpayment of premiums, after it
27 has been in force during the lifetime of the insured for a
28 period of two years from its date of issue.

29 Sec. 21.45.050. ENTIRE CONTRACT. There shall be a

1 provision that the policy, or the policy and the application
2 therefor if a copy of the application is endorsed upon or
3 attached to the policy when issued, shall constitute the
4 entire contract between the parties, and if the application
5 is made a part of the policy, that all statements contained
6 in the application shall in the absence of fraud, be con-
7 sidered representations and not warranties.

8 Sec. 21.45.060. MISSTATEMENT OF AGE. There shall be
9 a provision that if the age of the insured or of any other
10 person whose age is considered in determining the premium or
11 benefit has been misstated, any amount payable or benefit
12 accruing under the policy shall be such as the premium
13 would have purchased at the correct age or ages.

14 Sec. 21.45.070. DIVIDENDS. (a) There shall be a
15 provision in participating policies that, beginning not
16 later than the end of the third policy year, the insurer
17 shall annually ascertain and apportion the divisible surplus,
18 if any, that will accrue on the policy anniversary or other
19 dividend date specified in the policy provided the policy
20 is in force and all premiums to that date are paid. Except
21 as hereinafter provided, any dividend becoming payable shall,
22 at the option of the party entitled to elect the option,
23 be either

24 (1) payable in cash; or

25 (2) applied to any one of the other dividend
26 options which may be provided by the policy; if any other
27 dividend options are provided, the policy shall further state
28 which options shall be automatically effective if the party
29 shall not have elected some other option; if the policy

1 specifies a period within which the other dividend option
2 may be elected, the period shall be not less than 30 days
3 following the date on which the dividend is due and payable;
4 the annually apportioned dividend shall be payable in cash
5 within the meaning of (1) of this subsection even though
6 the policy provides that payment of the dividend is to be
7 deferred for a specified period, provided the period does
8 not exceed six years from the date of apportionment and that
9 interest will be added to the dividend at a specified rate;
10 if a participating policy provides that the benefit under
11 a paid-up nonforfeiture provision is to be participating,
12 it may provide that any divisible surplus becoming payable
13 or apportioned while the insurance is in force under the
14 nonforfeiture provision shall be applied in the manner set
15 out in the policy.

16 (b) In participating industrial life insurance policies,
17 in lieu of the provision required in (a) of this section,
18 there shall be a provision that, beginning not later than
19 the end of the fifth policy year, the policy shall partici-
20 pate annually in the divisible surplus, if any, in the manner
21 set out in the policy.

22 Sec. 21.45.080. POLICY LOAN. (a) There shall be a
23 provision that after three full years' premiums have been
24 paid and after the policy has a cash surrender value and
25 while no premium is in default beyond the grace period for
26 payment, the insurer will advance, on proper assignment or
27 pledge of the policy and on the sole security thereof, at
28 a specified rate of interest not exceeding six per cent a
29 year, an amount equal to or, at the option of the party

1 entitled to it, less than the loan value of the policy. The
2 loan value of the policy shall be at least equal to the cash
3 surrender value at the end of the then current policy year,
4 provided that the insurer may deduct, either from the loan
5 value or from the proceeds of the loan, any existing indebt-
6 edness not already deducted in determining the cash surrender
7 value including interest then accrued but not due, the unpaid
8 balance of the premium for the current policy year, and
9 interest on the loan to the end of the current policy year.
10 The policy may also provide that if interest on any indebted-
11 ness is not paid when due it shall then be added to the
12 existing indebtedness and shall bear interest at the same
13 rate, and that if and when the total indebtedness on the
14 policy, including interest due or accrued, equals or exceeds
15 the amount of the loan value thereof, then the policy shall
16 terminate and become void. The policy shall reserve to the
17 insurer the right to defer the granting of a loan, other
18 than for the payment of any premium to the insurer, for
19 six months after application therefor. The policy at the
20 insurer's option, may provide for automatic premium loan,
21 subject to an election of the party entitled to elect.

22 (b) This section shall not apply to term policies or
23 to term insurance benefits provided by rider or supplemental
24 policy provisions, or to industrial life insurance policies.

25 Sec. 21.45.090. TABLE OF VALUES. There shall be a
26 table showing in figures the loan value, if required under
27 sec. 80 of this chapter, and the cash surrender values and
28 nonforfeiture benefits in accordance with sec. 300(b)(5) of
29 this chapter, either during the first 20 policy years or

1 during the term of the policy, whichever is shorter.

2 Sec. 21.45.100. TABLE OF INSTALLMENTS. In case the
3 policy provides that the proceeds may be payable in install-
4 ments which are determinable at issue of the policy, there
5 shall be a table showing the amounts of the guaranteed install-
6 ments.

7 Sec. 21.45.110. REINSTATEMENT. There shall be a pro-
8 vision that unless (1) the policy has been surrendered for
9 its cash surrender value; or (2) its cash surrender value
10 has been exhausted; or (3) the paid-up term insurance, if any,
11 has expired, the policy will be reinstated at any time within
12 three years (or two years in the case of industrial life
13 insurance policies) from the date of premium default upon
14 written application therefor, the production of evidence of
15 insurability satisfactory to the insurer, the payment of all
16 premiums in arrears and the payment or reinstatement of any
17 other indebtedness to the insurer upon the policy, all with
18 interest at a rate not exceeding six per cent a year compounded
19 annually.

20 Sec. 21.45.120. PAYMENT OF PREMIUMS. There shall be a
21 provision relative to the payment of premiums.

22 Sec. 21.45.130. PAYMENT OF CLAIMS. There shall be a
23 provision that when a policy becomes a claim by the death of
24 the insured, settlement shall be made upon receipt of due
25 proof of death and, at the insurer's option, surrender of the
26 policy and/or proof of the interest of the claimant. If an
27 insurer shall specify a particular period before the expira-
28 tion of which settlement shall be made, the period shall not
29 exceed two months from the receipt of the proofs.

1 Sec. 21.45.140. BENEFICIARY, INDUSTRIAL POLICIES. An
2 industrial life insurance policy shall have the name of the
3 beneficiary designated on it with a reservation of the right
4 to designate or change the beneficiary after the issuance of
5 the policy. The policy may also provide that no designation
6 or change of beneficiary shall be binding on the insurer
7 until endorsed on the policy by the insurer, and that the
8 insurer may refuse to endorse the name of proposed benefi-
9 ciary who does not appear to the insurer to have an insurable
10 interest in the life of the insured. The policy may also
11 provide that if the beneficiary designated in the policy does
12 not make a claim under the policy or does not surrender the
13 policy with due proof of death within the period stated in
14 the policy, which shall not be less than 30 days after the
15 death of the insured, or if the beneficiary is the estate of
16 the insured, or is a minor, or dies before the insured, or
17 is not legally competent to give a valid release, then the
18 insurer may make payment thereunder to the executor or
19 administrator of the insured, or to any relative of the insured
20 by blood or legal adoption or connection by marriage, or to
21 any person appearing to the insurer to be equitably entitled
22 thereto by reason of having been named beneficiary, or by
23 reason of having incurred expense for the maintenance, medical
24 attention or burial of the insured. The policy may also
25 include a similar provision applicable to any other payment
26 due under the policy.

27 Sec. 21.45.150. TITLE. There shall be a title on the
28 policy, briefly describing it.

29 Sec. 21.45.160. EXCLUDED OR RESTRICTED COVERAGE. A

1 clause in a policy of life insurance providing that the
2 policy shall be incontestable after a specified period shall
3 preclude only a contest of the validity of the policy, and
4 shall not preclude the assertion at any time of defenses
5 based upon provisions in the policy which exclude or restrict
6 coverage, whether or not the restrictions or exclusions are
7 excepted in such clause.

8 Sec. 21.45.170. STANDARD PROVISIONS -- ANNUITY AND PURE
9 ENDOWMENT CONTRACTS. (a) No annuity or pure endowment
10 contract, other than reversionary annuities, survivorship
11 annuities or group annuities and except as stated herein,
12 shall be delivered or issued for delivery in this state
13 unless it contains in substance each of the provisions speci-
14 fied in secs. 180 - 230 of this chapter. Any of the provi-
15 sions not applicable to single premium annuities or single
16 premium pure endowment contracts shall not, to that extent,
17 be incorporated therein.

18 (b) This section shall not apply to contracts for
19 deferred annuities included in or upon the lives of benefi-
20 ciaries under, life insurance policies.

21 Sec. 21.45.180. GRACE PERIOD -- ANNUITIES. In an annuity
22 or pure endowment contract, other than a reversionary, sur-
23 vivorship or group annuity, there shall be a provision that
24 there shall be a period of grace of one month, but not less
25 than 30 days, within which a stipulated payment to the insurer
26 falling due after the first may be made, subject at the option
27 of the insurer to an interest charge thereon at a rate to be
28 specified in the contract but not exceeding six per cent a
29 year for the number of days of grace elapsing before the

1 payment, during which period of grace the contract shall con-
2 tinue in full force, but in case a claim arises under the
3 contract on account of death before expiration of the period
4 of grace before the overdue payment to the insurer or the
5 deferred payments of the current contract year, if any, are
6 made, the amount of the payments, with interest on any over-
7 due payments, may be deducted from the amount payable under
8 the contract in settlement.

9 Sec. 21.45.190. INCONTESTABILITY -- ANNUITIES. If any
10 statements, other than those relating to age, sex and identity
11 are required as a condition to issuing an annuity or pure
12 endowment contract, other than a reversionary, survivorship,
13 or group annuity, and subject to sec. 210 of this chapter,
14 there shall be a provision that the contract shall be incon-
15 testable after it has been in force during the lifetime of
16 the person or of each of the persons as to whom the state-
17 ments are required, for a period of two years from its date
18 of issue, except for nonpayment of stipulated payments to
19 the insurer; and at the option of the insurer the contract
20 may also except provisions relative to benefits in the event
21 of disability and provisions which grant insurance speci-
22 fically against death by accident or accidental means.

23 Sec. 21.45.200. ENTIRE CONTRACT. In an annuity or pure
24 endowment contract, other than a reversionary, survivorship,
25 or group annuity, there shall be a provision that the con-
26 tract shall constitute the entire contract between the parties
27 or, if a copy of the application is endorsed upon or attached
28 to the contract when issued, a provision that the contract
29 and the application shall constitute the entire contract

1 between the parties.

2 Sec. 21.45.210. MISSTATEMENT OF AGE OR SEX. In an
3 annuity or pure endowment contract, other than a reversionary,
4 survivorship, or group annuity, there shall be a provision
5 that if the age or sex of the person or persons upon whose
6 life or lives the contract is made, or of any of them, has
7 been misstated, the amount payable or benefits accruing
8 under the contract shall be such as the stipulated payment
9 or payments to the insurer would have purchased according
10 to the correct age or sex and that if the insurer shall make
11 or has made any overpayment or overpayments on account of a
12 misstatement, the amount thereof, with interest at the rate
13 to be specified in the contract but not exceeding six per
14 cent a year, may be charged against the current or next
15 succeeding payment or payments to be made by the insurer
16 under the contract.

17 Sec. 21.45.220. DIVIDENDS. If an annuity or pure
18 endowment contract, other than a reversionary survivorship,
19 or group annuity, is participating, there shall be a pro-
20 vision that the insurer shall annually ascertain and apportion
21 any divisible surplus accruing on the contract.

22 Sec. 21.45.230. REINSTATEMENT. In an annuity or pure
23 endowment contract, other than a reversionary, survivorship,
24 or group annuity, there shall be a provision that the con-
25 tract may be reinstated at any time within one year from the
26 default in making stipulated payments to the insurer, unless
27 the cash surrender value had been paid, but all overdue
28 stipulated payments and any indebtedness to the insurer on
29 the contract shall be paid or reinstated with interest at a

1 rate to be specified in the contract but not exceeding six
2 per cent a year payable annually, and in cases where appli-
3 cable the insurer may also include a requirement of evidence
4 of insurability satisfactory to the insurer.

5 Sec. 21.45.240. STANDARD PROVISIONS -- REVERSIONARY
6 ANNUITIES. (a) Except as stated herein, no contract for a
7 reversionary annuity shall be delivered or issued for delivery
8 in this state unless it contains in substance each of the
9 following provisions:

10 (1) a reversionary annuity contract shall contain
11 the provision specified in secs. 180 through 220, of this
12 chapter, except that under sec. 180 the insurer may at its
13 option provide for an equitable reduction of the amount of
14 the annuity payments in settlement of an overdue payment in
15 lieu of providing for deduction of the payments from an
16 amount payable upon settlement under the contract;

17 (2) in the reversionary annuity contracts there
18 shall be a provision that the contract may be reinstated at
19 any time within three years from the date of default in
20 making stipulated payments to the insurer, upon production
21 of evidence of insurability satisfactory to the insurer, and
22 upon condition that all overdue payments and any indebtedness
23 to the insurer on account of the contract be paid, or, within
24 the limits permitted by the then cash values of the contract,
25 reinstated, with interest as to both payments and indebtedness
26 at a rate to be specified in the contract but not exceeding
27 six per cent a year compounded annually.

28 (b) This section shall not apply to group annuities or
29 to annuities included in life insurance policies, and any of

1 the provisions not applicable to single premium annuities
2 shall not to that extent be incorporated therein.

3 Sec. 21.45.250. LIMITATION OF LIABILITY. (a) No
4 policy of life insurance shall be delivered or issued for
5 delivery in this state if it contains any of the following
6 provisions:

7 (1) a provision for a period shorter than that
8 provided by statute within which an action at law or in
9 equity may be commenced on the policy;

10 (2) a provision which excludes or restricts
11 liability for death caused in a certain specified manner
12 or occurring while the insured has a specified status,
13 except that a policy may contain provisions excluding or
14 restricting coverage as specified therein in the event of
15 death under any one or more of the following circumstances:

16 (A) death as a result, directly or indirectly,
17 of war, declared or undeclared, or of action by military
18 forces, or of any act or hazard of the war or action,
19 or of service in the military, naval, or air forces or
20 in civilian forces auxiliary thereto, or from any cause
21 while a member of the military, naval, or air forces
22 of any country at war, declared or undeclared, or of
23 any country engaged in military action;

24 (B) death as a result of aviation or any air
25 travel or flight;

26 (C) death as a result of a specified hazardous
27 occupation or occupations;

28 (D) death while the insured is a resident
29 outside the continental United States and Canada; or

1 (E) death within two years from the date of
2 issue of the policy as a result of suicide, while sane
3 or insane.

4 (b) A policy which contains any exclusion or restric-
5 tion under (a) of this section shall also provide that in
6 the event of death under the circumstances to which an
7 exclusion or restriction is applicable, the insurer will pay
8 an amount not less than a reserve determined according to
9 the director's reserve valuation method upon the basis of
10 the mortality table and interest rate specified in the policy
11 for the calculation of nonforfeiture benefits (or if the
12 policy provides for no such benefits, computed according to
13 a mortality table and interest rate determined by the insurer
14 and either specified in the policy or filed with the director)
15 with adjustment for indebtedness or dividend credit.

16 (c) This section shall not apply to industrial life
17 insurance, group life insurance, disability insurance, re-
18 insurance, or annuities, or to a provision in a life
19 insurance policy relating to disability benefits or to
20 additional benefits in the event of death by accident or
21 accidental means.

22 (d) Nothing contained in this section shall prohibit
23 a provision which in the opinion of the director is more
24 favorable to the policyholder than a provision permitted by
25 this section.

26 Sec. 21.45.260. PROHIBITED PROVISIONS, INDUSTRIAL LIFE
27 INSURANCE. No policy of industrial life insurance shall
28 contain any of the following provisions:

29 (1) a provision by which the insurer may deny

1 liability under the policy for the reason that the insured
2 has previously obtained other insurance from the same
3 insurer;

4 (2) a provision giving the insurer the right to
5 declare the policy void because the insured has had a
6 disease or ailment, whether specified or not, or because the
7 insured has received institutional, hospital, medical or
8 surgical treatment or attention, except a provision which
9 gives the insurer the right to declare the policy void if
10 the insured has, within two years before the issuance of
11 the policy, received institutional, hospital, medical or
12 surgical treatment or attention and if the insured or
13 claimant under the policy fails to show that the condition
14 occasioning the treatment or attention was not of a serious
15 nature or was not material to the risk;

16 (3) a provision giving the insurer the right to
17 declare the policy void because the insured has been rejected
18 for insurance, unless the right be conditioned upon a showing
19 by the insurer that knowledge of the rejection would have
20 led to a refusal by the insurer to make the contract.

21 Sec. 21.45.270. INCONTESTABILITY, LIMITATION OF LIA-
22 BILITY AFTER REINSTATMENT. (a) A reinstated policy of life
23 insurance or annuity contract may be contested on account of
24 fraud or misrepresentation of facts material to the rein-
25 statement only for the same period following reinstatement
26 and with the same conditions and exceptions as the policy
27 provides with respect to contestability after original
28 issuance.

29 (b) When a life insurance policy or annuity contract

1 is reinstated, the reinstated policy or contract may exclude
2 or restrict liability to the same extent that the liability
3 might have been or was excluded or restricted when the policy
4 or contract was originally issued, and the exclusion or
5 restriction shall be effective from the date of reinstatement.

6 Sec. 21.45.280. POLICY SETTLEMENTS. A life insurer
7 shall have the power to hold under agreement the proceeds or
8 any policy issued by it, upon the terms and restrictions as
9 to revocation by the policyholder and control by beneficiaries,
10 and with the exemptions from the claims of creditors of
11 beneficiaries other than the policyholder as set out in the
12 policy or as agreed to in writing by the insurer and the
13 policyholder. Upon maturity of a policy, in the event the
14 policyholder has made no such agreement, the insurer shall
15 have the power to hold the proceeds of the policy under an
16 agreement with the beneficiaries. The insurer shall not be
17 required to segregate the funds so held but may hold them
18 as part of its general assets.

19 Sec. 21.45.290. INDEBTEDNESS DEDUCTED FROM PROCEEDS.
20 In determining the amount due under a life insurance policy
21 heretofore or hereafter issued, deduction may be made of

22 (1) unpaid premiums or installments for the
23 current policy year due under the terms of the policy; and
24 of

25 (2) the amount of principal and accrued interest
26 of a policy loan or other indebtedness against the policy
27 then remaining unpaid.

28 Sec. 21.45.300. STANDARD NONFORFEITURE LAW -- LIFE
29 INSURANCE. (a) This section shall be known as the standard

1 nonforfeiture law.

2 (b) In the case of policies issued on or after the
3 operative date of this section as defined in (n) of this
4 section, no policy of life insurance, except as set out in
5 (m) of this section, shall be delivered or issued for de-
6 livery in this state unless it shall contain in substance
7 the following provisions, or corresponding provisions which
8 in the opinion of the director are at least as favorable
9 to the defaulting or surrendering policyholder:

10 (1) that in the event of default in a premium
11 payment, after premiums have been paid for at least one full
12 year, the insurer will grant, upon proper request not later
13 than 60 days after the due date of the premium in default,
14 a paid-up nonforfeiture benefit on a plan stipulated in the
15 policy, effective as of such due date of such value as may
16 be hereinafter specified:

17 (2) that upon surrender of the policy within 60
18 days after the due date of a premium payment in default
19 after premiums have been paid for at least three full years
20 in the case of ordinary insurance, and five full years in
21 the case of industrial insurance, the insurer will pay, in
22 lieu of any paid-up nonforfeiture benefit, a cash surrender
23 value of such amount as may be hereinafter specified;

24 (3) that a specified paid-up nonforfeiture benefit
25 shall become effective as specified in the policy unless the
26 person entitled to make such election elects another avail-
27 able option not later than 60 days after the due date of the
28 premium in default;

29 (4) that if the policy shall have become paid up

1 by completion of all premium payments, or if it is continued
2 under any paid-up nonforfeiture benefit which became effective
3 on or after the third policy anniversary in the case of
4 ordinary insurance, or the fifth policy anniversary in the
5 case of industrial insurance, the insurer will pay, upon
6 surrender of the policy within 30 days after any policy
7 anniversary, a cash surrender value of such amount as may
8 be hereinafter specified;

9 (5) a statement of the mortality table and interest
10 rate used in calculating the cash surrender values and the
11 paid-up nonforfeiture benefits available under the policy,
12 together with a table showing the cash surrender value, if
13 any, and paid-up nonforfeiture benefit, if any, available
14 under the policy on each policy anniversary, either during
15 the first 20 policy years or during the term of the policy,
16 whichever is shorter, such values and benefits to be calcu-
17 lated upon the assumption that there are no dividends or
18 paid-up additions credited to the policy and that there is
19 no indebtedness to the insurer on the policy;

20 (6) a statement that the cash surrender values
21 and the paid-up nonforfeiture benefits available under the
22 policy are not less than the minimum values and benefits
23 required by or under the insurance law of this state; an
24 explanation of the manner in which the cash surrender values
25 and the paid-up nonforfeiture benefits are altered by the
26 existence of any paid-up additions credited to the policy
27 or any indebtedness to the insurer on the policy; of a
28 detailed statement of the method of computation of the
29 values and benefits shown in the policy is not stated therein;

1 a statement that the method of computation has been filed
2 with the insurance supervisory official of the state in
3 which the policy is delivered; and a statement of the method
4 to be used in calculating the cash surrender value and paid-
5 up nonforfeiture benefit available under the policy on any
6 policy anniversary beyond the last anniversary for which
7 the values and benefits are consecutively shown in the
8 policy.

9 (c) Any of the provisions or portions thereof set out
10 in (b)(1) - (6) of this section which are not applicable by
11 reason of the plan of insurance may, to the extent inappli-
12 cable, be omitted from the policy. The insurer shall reserve
13 the right to defer the payment of a cash surrender value for
14 a period of six months after demand therefor with surrender
15 of the policy.

16 (d) A cash surrender value available under the policy
17 in the event of default in the premium payment due on any
18 policy anniversary, whether or not required by (b) of this
19 section, shall be an amount not less than the excess, if
20 any, of the present value on the anniversary of the future
21 guaranteed benefits which would have been provided for by
22 the policy, including any existing paid-up additions, if
23 there had been no default, over the sum of (1) the then
24 present value of the adjusted premiums as defined in (f),
25 (g), (h), (i) and (j) of this section, corresponding to
26 premiums which would have fallen due on and after the
27 anniversary; and (2) the amount of any indebtedness to the
28 insurer on account of or secured by the policy. A cash
29 surrender value available within 30 days after any policy

1 anniversary under a policy paid-up by completion of all
2 premium payments, or a policy continued under any paid-up
3 nonforfeiture benefits, whether or not required by (b) of
4 this section, shall be an amount not less than the present
5 value, on the anniversary, of the future guaranteed benefits
6 provided for by the policy, including any existing paid-up
7 additions, decreased by any indebtedness to the insurer on
8 account of or secured by the policy.

9 (e) A paid-up nonforfeiture benefit available under
10 the policy in the event of default in the premium payment
11 due on any policy anniversary shall be such that its pre-
12 sent value as of the anniversary shall be at least equal
13 to the cash surrender value then provided for by the policy,
14 or, if none is provided for, that cash surrender value which
15 would have been required by this section in the absence of
16 the conditions that premiums shall have been paid for at
17 least a specified period.

18 (f) Except as provided in (h) of this section, the
19 adjusted premiums for any policy shall be calculated on an
20 annual basis and shall be the uniform percentage of the
21 respective premiums specified in the policy for each policy
22 year, excluding extra premiums on a substandard policy, that
23 the present value, at the date of issue of the policy, of
24 all the adjusted premiums shall be equal to the sum of (1)
25 the then present value of the future guaranteed benefits
26 provided for by the policy; (2) two per cent of the amount
27 of the insurance if the insurance be uniform in amount, or
28 of the equivalent uniform amount, as hereinafter defined,
29 if the amount of insurance varies with the duration of the

1 policy; (3) forty per cent of the adjusted premium for the
2 first policy year; (4) twenty-five per cent of either the
3 adjusted premium for the first policy year or the adjusted
4 premium for a whole life policy of the same uniform or
5 equivalent uniform amount with uniform premiums for the
6 whole of life issued at the same age for the same amount of
7 insurance, whichever is less, provided, however, that in
8 applying the percentages specified in (f)(3) and (4) of
9 this section, no adjusted premiums shall be considered to
10 exceed four per cent of the amount of insurance or uniform
11 amount equivalent thereto. Whenever the plan or term of a
12 policy has been changed, either by request of the insured
13 or automatically in accordance with the provisions of the
14 policy, the date of inception of the changed policy for the
15 purposes of determining a nonforfeiture benefit or cash
16 surrender value shall be the date as of which the age of the
17 insured is determined for the purposes of the changed policy.
18 The date of issue of a policy for the purposes of this
19 section shall be the date on which the rated age of the
20 insured is determined.

21 (g) In the case of a policy providing an amount of
22 insurance varying with the duration of the policy, the
23 equivalent uniform amount thereof for the purpose of (f) of
24 this section shall be considered to be the uniform amount of
25 insurance provided by an otherwise similar policy, containing
26 the same endowment benefit or benefits, if any, issued at the
27 same age and for the same term, the amount of which does not
28 vary with the duration and the benefits under which have the
29 same present value at the date of issue as the benefits under

1 the policy, provided however, that in the case of a policy
2 for a varying amount of insurance issued on the life of a
3 child under age 10, the equivalent uniform amount may be
4 computed as though the amount of insurance provided by the
5 policy before the attainment of age 10 were the amount pro-
6 vided by the policy at age 10.

7 (h) The adjusted premiums for a policy providing term
8 insurance benefits by rider or supplemental policy provision
9 shall be equal to (1) the adjusted premiums for an otherwise
10 similar policy issued at the same age without the term insur-
11 ance benefits, increased, during the period for which premiums
12 for the term insurance benefits are payable, by (2) the
13 adjusted premiums for the term insurance, the foregoing items
14 (1) and (2) being calculated separately and as specified in
15 (f) and (g) of this section, except that, for the purposes
16 of (f)(2), (3) and (4) of this section, the amount of insur-
17 ance or equivalent uniform amount of insurance used in the
18 calculation of the adjusted premiums referred to in (2) of
19 this subsection shall be equal to the excess of the corres-
20 ponding amount determined for the entire policy over the
21 amount used in the calculation of the adjusted premiums in
22 (1) of this subsection.

23 (i) All adjusted premiums and present values referred
24 to in this section shall for all policies of ordinary insur-
25 ance be calculated on the basis of the Commissioners 1958
26 Standard Ordinary Mortality Table, provided that for any
27 category of ordinary insurance issued on female risks,
28 adjusted premiums and present values may be calculated
29 according to an age not more than three years younger than

the actual age of the insured. Except as otherwise provided in (j) of this section, the 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 three and one-half per cent a year, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided however, that in calculating the present value of paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed in the case of policies of ordinary insurance, may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table, and in the case of policies of industrial insurance, may be not more than 130 per cent of the rates of mortality according to the 1941 Standard Industrial Mortality Table, provided further that for insurance issued on a substandard basis, the calculation of the 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 case of industrial policies issued on or after the operative date of this subsection as defined in (k) of this section, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest, not exceeding three and one-half per cent a year, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits.

1 Provided however, that in calculating the present value of
2 a paid-up term insurance with accompanying pure endowment,
3 if any, offered as a nonforfeiture benefit, the rates of
4 mortality assumed may be not more than those shown in the
5 Commissioners 1961 Industrial Extended Term Insurance Table.
6 Provided further, that for insurance issued on a substandard
7 basis, the calculation of the adjusted premiums and present
8 value may be based on such other table of mortality as may
9 be specified by the insurer and approved by the director.

10 (k) On or after the operative date of this section,
11 an insurer may file with the director a written notice of
12 its election to comply with (j) of this section after a
13 specified date before January 1, 1970. After the filing of
14 the notice, then upon the specified date (which shall be
15 the operative date in (j) of this section for the insurer),
16 (j) of this section shall become operative with respect to
17 the industrial policies thereafter issued by the insurer.
18 If an insurer makes no election, the operative date of (j)
19 of this section for the insurer shall be January 1, 1970.

20 (l) A cash surrender value and a paid-up nonforfeiture
21 benefit available under the policy in the event of default
22 in a premium payment due at any time other than on the policy
23 anniversary shall be calculated with allowance for the lapse
24 of time and the payment of fractional premiums beyond the
25 last preceding policy anniversary. All values referred to
26 in (d), (e), (f), (g), (h), (i) and (j) of this section may
27 be calculated upon the assumption that a death benefit is
28 payable at the end of the policy year of death. The net
29 value of any paid-up additions, other than paid-up term

1 additions, shall be not less than the dividends used to
2 provide the additions. Notwithstanding the provisions of
3 (d) of this section, additional benefits payable as follows
4 and premiums for all additional benefits, shall be disre-
5 garded in ascertaining cash surrender values and nonfor-
6 feiture benefits required by this section, and no additional
7 benefits shall be required to be included in any paid-up
8 nonforfeiture benefits:

9 (1) in the event of death or dismemberment by
10 accident or accidental means;

11 (2) in the event of total and permanent disability;

12 (3) as reversionary annuity or deferred reversion-
13 ary annuity benefits;

14 (4) as term insurance benefits provided by a
15 rider or supplemental policy provision to which, if issued
16 as a separate policy, this section would not apply;

17 (5) as term insurance on the life of a child or
18 on the lives of children provided in a policy on the life
19 of a parent of the child, if the term insurance expires
20 before the child's age is 26, is uniform in amount after
21 the child's age is one, and has not become paid up by reason
22 of the death of a parent of the child;

23 (6) as other policy benefits additional to life
24 insurance and endowment benefits.

25 (m) This section shall not apply to any reinsurance,
26 group insurance, pure endowment, annuity or reversionary
27 annuity contract, or to a term policy of uniform amount,
28 or renewal thereof, of 15 years or less expiring before age
29 66 for which uniform premiums are payable during the entire

1 term of the policy, or to a term policy of decreasing amount
2 on which each adjusted premium, calculated as specified in
3 (f), (g), (h), (i) and (j) of this section is less than the
4 adjusted premiums calculated on a policy issued at the same
5 age and for the same initial amount of insurance for a term
6 defined as follows: For ages at issue 50 and under, the
7 term shall be 15 years; thereafter, the term shall decrease
8 one year for each year of age beyond 50.

9 (n) After the effective date of this title, an insurer
10 can file with the director a written notice of its election
11 to comply with the provisions of this section after a speci-
12 fied date before January 1, 1968, with respect to the
13 policies specified in the notice. After the filing of the
14 notice, then upon the specified date (which shall be the
15 operative date for the insurer with respect to the policies),
16 this section shall become operative with respect to the
17 policies specified in the notice thereafter issued by the
18 insurer. As to all of its policies and contracts with respect
19 to which an insurer makes no election, the operative date of
20 this section with respect to these policies and contracts
21 for the insurer is January 1, 1968.

22 Sec. 21.45.310. PROHIBITED POLICY PLANS. (a) No
23 insurer shall issue for delivery or deliver in this state
24 a life insurance policy or annuity contract issued under any
25 plan for the segregation of policyholders into mathematical
26 groups and providing benefits for a surviving policyholder
27 of a group arising out of the death of another policyholder
28 of that group or under any other similar plan.

29 (b) No insurer shall issue for delivery or deliver in

1 this state a life insurance policy or annuity contract pro-
2 viding benefits or values for surviving or continuing policy-
3 holders contingent upon the lapse or termination of the
4 policies of other policyholders, whether by death or other-
5 wise. This provision shall not prohibit the payment or al-
6 lowance of regular annual dividends of savings under partici-
7 pating forms of policies or contracts, or prohibit the annual
8 distribution to policyholders or beneficiaries of sums
9 representing in part gains to the insurer from lapses,
10 surrenders or mortality either in general or as resulting
11 from particular classifications of policies.

12 Sec. 21.45.320. INDUSTRIAL LIFE INSURANCE DEFINED. For
13 the purposes of this chapter "industrial life insurance" is
14 that form of life insurance written under policies of face
15 amount of \$1,000 or less bearing the words "industrial policy"
16 imprinted on the face as part of the descriptive matter, and
17 under which premiums are payable monthly or more often.

18 CHAPTER 48. GROUP LIFE INSURANCE.

19 Sec. 21.48.010. GROUP REQUIREMENTS FOR GROUP CONTRACTS.

20 (a) No life insurance policy shall be delivered in this
21 state insuring the lives of more than one individual unless
22 to one of the groups as provided for in secs. 20 - 60 of
23 this chapter, and unless in compliance with the other appli-
24 cable provisions of this chapter.

25 (b) The provisions of (a) of this section shall not
26 apply to life insurance policies

27 (1) insuring only individuals related by blood,
28 marriage or legal adoption;

29 (2) insuring only individuals having a common in-

1 terest through ownership of a business enterprise, or a
2 substantial legal interest or equity therein, and who are
3 actively engaged in the management thereof; or

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

6 Sec. 21.48.020. EMPLOYEE GROUPS. The lives of a group
7 of individuals may be insured under a policy issued to an
8 employer, or to the trustees of a fund established by an
9 employer, which employer or trustees shall be considered the
10 policyholder, to insure employees of the employer for the
11 benefit of persons other than the employer, subject to the
12 following requirements:

13 (1) the employees eligible for insurance under
14 the policy shall be all of the employees of the employer, or
15 all of any class or classes thereof determined by conditions
16 pertaining to their employment; the policy may provide that
17 the term "employees" shall include the employees of one or
18 more subsidiary corporations, and the employees, individual
19 proprietors, and partners of one or more affiliated corpora-
20 tions, proprietors or partnerships if the business of the
21 employer and of the affiliated corporations, proprietors or
22 partnerships is under common control; the policy may provide
23 that the term "employees" shall include the individual pro-
24 prietor or partners if the employer is an individual pro-
25 prietor or a partnership; the policy may provide that the
26 term "employees" shall include retired employees; no director
27 of a corporate employer shall be eligible for insurance under
28 the policy unless the person is otherwise eligible as a bona
29 fide employee of the corporation, by performing services

1 other than the usual duties of a director; no individual
2 proprietor or partner shall be eligible for insurance under
3 the policy unless he is actively engaged in and devotes a
4 substantial part of his time to the conduct of the business
5 of the proprietor or partnership;

6 (2) the premium for the policy shall be paid by
7 the policyholder, either wholly from the employer's funds
8 or funds contributed by him, or partly from these funds
9 and partly from funds contributed by the insured employees;
10 no policy may be issued on which the entire premium is to be
11 derived from funds contributed by the insured employees; a
12 policy on which part of the premium is to be derived from
13 funds contributed by the insured employees may be placed in
14 force only if at least 75 per cent of the then eligible
15 employees, excluding those whose evidence of individual
16 insurability is not satisfactory to the insurer, elect to
17 make the required contribution; a policy on which no part
18 of the premium is to be derived from funds contributed by
19 the insured employees must insure all eligible employees,
20 or all except those whose evidence of individual insurability
21 is not satisfactory to the insurer;

22 (3) the policy must cover at least 10 employees
23 at date of issue;

24 (4) the amounts of insurance under the policy must
25 be based upon some plan precluding individual selection
26 either by the employees or by the employer or trustees.

27 Sec. 21.48.030. LABOR UNION GROUPS. The lives of a
28 group of individuals may be insured under a policy issued to
29 a labor union, which shall be considered the policyholder, to

1 insure members of the union for the benefit of persons other
2 than the union or any of its officials, representatives or
3 agents, subject to the following requirements:

4 (1) the members eligible for insurance under the
5 policy shall be all of the members of the union, or all of
6 any class or classes thereof determined by conditions per-
7 taining to their employment, or to membership in the union,
8 or both;

9 (2) the premium for the policy shall be paid by
10 the policyholder, either wholly from the union's funds, or
11 partly from these funds and partly from funds contributed
12 by the insured members specifically for their insurance; no
13 policy may be issued on which the entire premium is to be
14 derived from funds contributed by the insured members speci-
15 fically for their insurance; a policy on which part of the
16 premium is to be derived from funds contributed by the
17 insured members specifically for their insurance may be
18 placed in force only if at least 75 per cent of the then
19 eligible members, excluding those whose evidence of indivi-
20 dual insurability is not satisfactory to the insurer, elect
21 to make the required contributions; a policy on which no
22 part of the premium is to be derived from funds contributed
23 by the insured members specifically for their insurance must
24 insure all eligible members, or all except those whose evi-
25 dence of individual insurability is not satisfactory to the
26 insurer;

27 (3) the policy must cover at least 25 members at
28 date of issue;

29 (4) the amounts of insurance under the policy must

1 be based upon some plan precluding individual selection
2 either by the members or by the union.

3 Sec. 21.48.040. TRUSTEE GROUPS. The lives of a group
4 of individuals may be insured under a policy issued to the
5 trustees of a fund established by two or more employers in
6 the same industry, or in related industries, or by one or
7 more labor unions, or by one or more employers and one or
8 more labor unions, which trustees shall be considered the
9 policyholder, to insure employees of the employers or members
10 of the unions for the benefit of persons other than the
11 employers or the union, subject to the following requirements:

12 (1) the persons eligible for insurance shall be
13 all of the employees of the employers or all of the members
14 of the unions, or all of any class or classes thereof deter-
15 mined by conditions pertaining to their employment, or to
16 membership in the unions, or to both; the policy may provide
17 that the term "employees" shall include retired employees,
18 and the individual proprietor or partners if an employer
19 is an individual proprietor or a partnership; no director
20 of a corporate employer shall be eligible for insurance
21 under the policy unless the person is otherwise eligible as
22 a bona fide employee of the corporation by performing
23 services other than usual duties of a director; no indivi-
24 dual proprietor or partner shall be eligible for insurance
25 under the policy unless he is actively engaged in and
26 devotes a substantial part of his time to the conduct of the
27 business of the proprietor or partnership; the policy may
28 provide that the term "employees" shall include the trustees
29 or their employees, or both, if their duties are principally

1 connected with the trusteeship;

2 (2) the premium for the policy shall be paid by
3 the trustees wholly from funds contributed by the employer or
4 employers of the insured persons, or by the union or unions,
5 or by both, or partly from these funds and partly from funds
6 contributed by the insured persons; no policy may be issued
7 on which the entire premium is to be derived from funds con-
8 tributed by the insured persons specifically for their insur-
9 ance; a policy on which part of the premium is to be derived
10 from funds contributed by the insured persons specifically
11 for their insurance may be placed in force only if at least
12 75 per cent of the then eligible persons, excluding those
13 whose evidence of individual insurability is not satisfactory
14 to the insurer, elect to make the required contributions; a
15 policy on which no part of the premium is to be derived
16 from funds contributed by the insured persons specifically
17 for their insurance must insure all eligible persons or all
18 except those whose evidence of individual insurability is
19 not satisfactory to the insurer;

20 (3) the policy must cover at date of issue at
21 least 25 persons, and not less than an average of five
22 persons per employer unit; and if the fund is established
23 by the members of an association of employers the policy
24 may be issued if:

25 (A) either (i) the participating employers
26 constitute at date of issue at least 60 per cent of
27 those employer members whose employees are not already
28 covered for group life insurance; or (ii) the total
29 number of persons covered at date of issue exceeds 200;

1 and

2 (B) the policy shall not require that, if
3 a participating employer discontinues membership in the
4 association, the insurance of his employees shall cease
5 solely by reason of the discontinuance;

6 (4) the amounts of insurance under the policy must
7 be based upon some plan precluding individual selection
8 either by the insured persons or by the policyholder,
9 employers, or unions.

10 Sec. 21.48.050. PUBLIC EMPLOYEE ASSOCIATIONS. (a) The
11 lives of a group of public employees may be insured under a
12 policy issued to the departmental head or to a trustee, or
13 issued to an association of public employees formed for
14 purposes other than obtaining insurance and having, when
15 the policy is placed in force, a membership in the classes
16 eligible for insurance of not less than 75 per cent of the
17 number of employees eligible for membership in the classes,
18 which department head or trustee or association shall be
19 considered the policyholder, to insure the employees for the
20 benefit of persons other than the policyholder or any of its
21 officials, subject to the following requirements:

22 (1) the persons eligible for insurance under the
23 policy shall be all of the employees of the department or
24 members of the association, or all of any class or classes
25 thereof determined by conditions pertaining to their employ-
26 ment, or to membership in the association, or both;

27 (2) the premium for the policy shall be paid by
28 the policyholder, in whole or in part either from salary
29 deductions authorized by, or charges collected from, the

1 insured employees or members specifically for the insurance,
2 or from the association's own funds, or from both; the
3 deductions from salary may be paid by the employer to the
4 association or directly to the insurer; no policy may be
5 placed in force unless and until at least 75 per cent of the
6 then eligible employees or association members, excluding
7 those whose evidence of individual insurability is not
8 satisfactory to the insurer, have elected to be covered and
9 have authorized their employer to make any required deductions
10 from salary;

11 (3) the rate of charges to the insured employees
12 or members specifically for the insurance, and the dues of
13 the association if they include the cost of insurance, shall
14 be determined according to each attained age or in not less
15 than four reasonably spaced attained age groups; in no event
16 shall the rate of the dues or charges be level for all
17 members regardless of attained age;

18 (4) the policy must cover at least 10 persons at
19 date of issue;

20 (5) the amounts of insurance under the policy
21 must be based upon some plan precluding individual selection
22 either by the employees or members or by the association;
23 the amounts shall in no event exceed \$5,000 of life insurance
24 in the case of an employee or member, and the amount of life
25 insurance shall not exceed \$500 in the case of retired
26 employees or members and persons over age 65.

27 (b) As used herein, "public employees" means employees
28 of the United States government, or of a state, or of a
29 political subdivision or instrumentality of any of them. A

1 policy issued to insure the employees of a public body may
2 provide that the term "employees" shall include elected or
3 appointed officials.

4 Sec. 21.48.060. DEBTOR GROUPS. The lives of a group
5 of individuals may be insured under a policy issued to a
6 creditor, who shall be considered the policyholder, to insure
7 the debtors of the creditor, subject to the following require-
8 ments:

9 (1) the debtors eligible for insurance under the
10 policy shall be all of the debtors of the creditor whose
11 indebtedness is repayable either (A) in installments, or
12 (B) in one sum at the end of a period not in excess of 18
13 months from the initial date of the debt, or all of any
14 class or classes thereof determined by conditions pertaining
15 to the indebtedness or the purchase giving rise to the
16 indebtedness; the policy may provide that the term "debtors"
17 shall include the debtors of one or more subsidiary corpora-
18 tions, and the debtors of one or more affiliated corporations,
19 proprietors or partnerships if the business of the policy-
20 holder and of the affiliated corporations, proprietors or
21 partnerships is under common control;

22 (2) the premium for the policy shall be paid by
23 the policyholder, either from the creditor's funds, or from
24 charges collected from the insured debtors, or from both;
25 a policy on which part or all of the premium is to be derived
26 from the collection from the insured debtors of identifiable
27 charges not required of uninsured debtors shall not include,
28 in the class or classes of debtors eligible for insurance,
29 debtors under obligations outstanding at its date of issue

1 without evidence of individual insurability unless at least
2 75 per cent of the then eligible debtors elect to pay the
3 required charges; a policy on which no part of the premium is
4 to be derived from the collection of the identifiable charges
5 must insure all eligible debtors, or all except those whose
6 evidence of individual insurability is not satisfactory to
7 the insurer;

8 (3) the policy may be issued only if the group of
9 eligible debtors is then receiving new entrants at the rate
10 of at least 100 persons yearly, or may reasonably be expected
11 to receive at least 100 new entrants during the first policy
12 year, and only if the policy reserves to the insurer the
13 right to require evidence of individual insurability if less
14 than 75 per cent of the new entrants become insured; the
15 policy may exclude from the classes eligible for insurance
16 classes of debtors determined by age;

17 (4) the amount of insurance on the life of a
18 debtor shall at no time exceed the amount owed by him to the
19 creditor, or \$20,000, whichever is less; where the indebted-
20 ness is repayable in one sum to the creditor, the insurance
21 on the life of a debtor shall in no instance be in effect
22 for a period in excess of 18 months, except that the insur-
23 ance may be continued for an additional period not exceeding
24 six months in the case of default, extension or recasting of
25 the loan;

26 (5) the insurance shall be payable to the policy-
27 holder; each payment shall reduce or extinguish the unpaid
28 indebtedness of the debtor to the extent of the payment.

29 Sec. 21.48.070. CREDIT UNION GROUP. The lives of a

1 group of individuals may be insured under a policy issued to
2 a credit union organized under the laws of the state or the
3 Federal Credit Union Act, which shall be considered the
4 policyholder, to insure eligible members for amounts of
5 insurance not in excess of the share balance of each member,
6 based upon some plan which will preclude individual selection,
7 for the benefit of someone other than the credit union or its
8 officials and subject to the following requirements:

9 (1) the members eligible for insurance under the
10 policy shall be all the members of the credit union who meet
11 standard physical requirement conditions of the insurer, or
12 all of any class or classes thereof determined by conditions
13 pertaining to their age, or to membership in the credit
14 union or both;

15 (2) the premiums for the policy shall be paid by
16 the policyholder, either wholly from the credit union's
17 funds, or partly from these funds and partly from funds
18 contributed by the insured members specifically for their
19 insurance; no policy may be issued on which the entire
20 premium is to be derived from funds contributed by the
21 insured members specifically for their insurance; a policy
22 on which part of the premium is to be derived from funds
23 contributed by the insured members specifically for their
24 insurance may be placed only if at least 75 per cent of the
25 then eligible members, excluding those whose evidence of
26 individual insurability is not satisfactory to the insured,
27 elect to make the required contribution; a policy on which
28 no part of the premium is to be derived from funds con-
29 tributed by the insured members specifically for their

1 insurance must insure all eligible members or all except
2 those whose evidence of individual insurability is not
3 satisfactory to the insurer;

4 (3) the policy must cover at least 25 members at
5 the date of issue.

6 Sec. 21.48.080. LIMIT AS TO AMOUNT. No policy of
7 group life insurance may be issued to an employer, or to a
8 labor union, or to the trustees or a fund established in
9 whole or in part by an employer or a labor union, which
10 provides term insurance on a person which, together with
11 any other term insurance under a group life insurance policy
12 or policies issued to the employers of the person or to a
13 labor union or labor unions of which the person is a member
14 or to the trustees of a fund or funds established in whole
15 or in part by the employer or employers or the labor union
16 or labor unions, exceeds \$20,000 unless 150 per cent of
17 the annual compensation of the person from his employer or
18 employers exceeds \$20,000, in which event all the term
19 insurance shall not exceed \$40,000 or 150 per cent of the
20 annual compensation, whichever is the lesser.

21 Sec. 21.48.090. DEPENDENTS' COVERAGE. A group life
22 policy issued under sec. 20 (employee groups), or sec. 30
23 (labor union groups) or sec. 40 (trustee groups) of this
24 chapter may be extended to insure the employees or members
25 against loss due to the death of their spouses and minor
26 children, or any class or classes thereof, subject to the
27 following requirements:

28 (1) the premium for the insurance shall be paid by
29 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 a 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 those 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 those 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 a 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 an employee or member by

1 reason of the employee's or member's termination of employ-
2 ment, termination of membership in the class or classes
3 eligible for coverage under the policy, or death, the spouse
4 shall be entitled to have issued by the insurer, without
5 evidence of insurability, an individual policy of life
6 insurance, without disability or other supplementary benefits,
7 providing application for the individual policy shall be
8 made, and the first premium paid to the insurer, within 31
9 days after the termination, subject to the requirements of
10 sec. 180(1), (2), and (3) of this chapter; if the group
11 policy terminates or is amended to terminate the insurance
12 of a class of employees or members and the employee or
13 member is entitled to have issued an individual policy
14 under sec. 190 of this chapter, the spouse shall also be
15 entitled to have issued by the insurer an individual policy,
16 subject to the conditions and limitations provided above;
17 if the spouse dies within the period during which he would
18 have been entitled to have an individual policy issued in
19 accordance with this provision, the amount of life insurance
20 which he would have been entitled to have issued under the
21 individual policy shall be payable as a claim under the
22 group policy, whether or not application for the individual
23 policy or the payment of the first premium therefor has been
24 made;

25 (4) notwithstanding sec. 170 of this chapter,
26 only one certificate need be issued for delivery to an insured
27 person if a statement concerning a dependent's coverage is
28 included in the certificate.

29 Sec. 21.48.100. PROVISIONS REQUIRED IN GROUP CONTRACTS.

1 No policy of group life insurance shall be delivered in this
2 state unless it contains in substance the provisions set out
3 in secs. 110 - 200 of this chapter or provisions which in
4 the opinion of the director are more favorable to the persons
5 insured, or at least as favorable to the persons insured and
6 more favorable to the policyholder; except that

7 (1) secs. 160 - 200 of this chapter, shall not
8 apply to policies issued to a creditor to insure debtors
9 of the creditor;

10 (2) the standard provisions required for indivi-
11 dual life insurance policies shall not apply to group life
12 insurance policies;

13 (3) if the group life insurance policy is on a
14 plan of insurance other than the term plan, it shall contain
15 a nonforfeiture provision or provisions which in the opinion
16 of the director is or are equitable to the insured persons
17 and to the policyholder, but nothing herein shall be con-
18 strued to require that group life insurance policies contain
19 the same nonforfeiture provisions as are required for indivi-
20 dual life insurance policies.

21 Sec. 21.48.110. GRACE PERIOD. The group life insurance
22 policy shall contain a provision that the policyholder is
23 entitled to a grace period of 31 days for the payment of a
24 premium due except the first, during which grace period the
25 death benefit coverage shall continue in force, unless the
26 policyholder shall have given the insurer written notice of
27 discontinuance in advance of the date of discontinuance and
28 in accordance with the terms of the policy. The policy may
29 provide that the policyholder shall be liable to the insurer

1 for payment of a pro rata premium for the time the policy
2 was in force during the grace period.

3 Sec. 21.48.120. INCONTESTABILITY. The group life
4 insurance policy shall contain a provision that the validity
5 of the policy shall not be contested, except for nonpayment
6 of premium, after it has been in force for two years from
7 its date of issue; and that no statement made by a person
8 insured under the policy relating to his insurability shall
9 be used in contesting the validity of the insurance with
10 respect to which the statement was made after the insurance
11 has been in force before the contest for a period of two
12 years during the person's lifetime or unless it is contained
13 in a written instrument signed by him.

14 Sec. 21.48.130. APPLICATION. The group life insurance
15 policy shall contain a provision that a copy of the applica-
16 tion, if any, of the policyholder shall be attached to the
17 policy when issued, that all statements made by the policy-
18 holder or by the persons insured shall be considered repre-
19 sentations and not warranties, and that no statement made by
20 a person insured shall be used in a contest unless a copy of
21 the instrument containing the statement is or has been fur-
22 nished to the person or his beneficiary.

23 Sec. 21.48.140. INSURABILITY. The group life insurance
24 policy shall contain a provision setting out the conditions,
25 if any, under which the insurer reserves the right to require
26 a person eligible for insurance to furnish evidence of indivi-
27 dual insurability satisfactory to the insurer as a condition
28 to part or all of his coverage.

29 Sec. 21.48.150. MISSTATEMENT OF AGE. The group life

1 insurance policy shall contain a provision specifying an
2 equitable adjustment of premiums or of benefits or of both
3 to be made in the event the age of a person insured has been
4 misstated, the provision to contain a clear statement of the
5 method of adjustment to be used.

6 Sec. 21.48.160. PAYMENT OF BENEFITS. The group life
7 insurance policy shall contain a provision that any sum
8 becoming due by reason of the death of the person insured
9 shall be payable to the beneficiary designated by the person
10 insured, subject to the provisions of the policy in the event
11 there is no designated beneficiary as to all or any part of
12 the sum living at the death of the person insured, and sub-
13 ject to any right reserved by the insurer in the policy and
14 set out in the certificate to pay at its option a part of
15 the sum not exceeding \$500. to any person appearing to the
16 insurer to be equitably entitled thereto by reason of having
17 incurred funeral or other expenses incident to the last
18 illness or death of the person insured.

19 Sec. 21.48.170. CERTIFICATE. The group life insurance
20 policy shall contain a provision that the insurer will issue
21 to the policyholder for delivery to each person insured an
22 individual certificate setting out a statement as to the
23 insurance protection to which he is entitled, to whom the
24 insurance benefits are payable, and the rights and conditions
25 set out in secs. 180, 190, and 200 of this chapter.

26 Sec. 21.48.180. CONVERSION ON TERMINATION OF ELIGIBILITY.
27 The group life insurance policy shall contain a provision that
28 if the insurance, or any portion of it, on a person covered
29 under the policy ceases because of termination of employment

1 or of membership in the class or classes eligible for
2 coverage under the policy, the person shall be entitled to
3 have issued to him by the insurer, without evidence of
4 insurability, an individual policy of life insurance without
5 disability or other supplementary benefits, provided appli-
6 cation for the individual policy shall be made, and the
7 first premium paid to the insurer, within 31 days after the
8 termination, and provided further that

9 (1) the individual policy shall, at the option of
10 the person, be on any one of the forms, except term insur-
11 ance, then customarily issued by the insurer at the age and
12 for the amount applied for;

13 (2) the individual policy shall be in an amount
14 not in excess of the amount of life insurance which ceases
15 because of the termination, less the amount of any life
16 insurance for which the person is or becomes eligible under
17 the same or any other group policy within 31 days after
18 the termination, provided that any amount of insurance which
19 matured on or before the date of the termination, as an
20 endowment payable to the person insured, whether in one sum
21 or in installments or in the form of annuity, shall not,
22 for the purpose of this provision, be included in the amount
23 which is considered to cease because of the termination;

24 (3) the premium on the individual policy shall
25 be at the insurer's then customary rate applicable to the
26 form and amount of the individual policy, to the class of
27 risk to which the person then belongs, and to his age
28 attained on the effective date of the individual policy.

29 Sec. 21.48.190. CONVERSION ON TERMINATION OF POLICY.

1 The group life insurance policy shall contain a provision
2 that if the group policy terminates or is amended to termin-
3 ate the insurance of any class of insured persons, every
4 person insured thereunder at the date of the termination
5 whose insurance terminates and who has been so insured for
6 at least five years before the termination date shall be
7 entitled to have issued to him by the insurer an individual
8 policy of life insurance, subject to the same conditions and
9 limitations as are provided in sec. 180 of this chapter,
10 except that the group policy may provide that the amount of
11 the individual policy shall not exceed the smaller of

12 (1) the amount of the person's life insurance
13 protection ceasing because of the termination or amendment
14 of the group policy, less the amount of any life insurance
15 for which he is or becomes eligible under any group policy
16 issued or reinstated by the same or another insurer within
17 31 days after the termination; and

18 (2) \$2,000.

19 Sec. 21.48.200. DEATH PENDING CONVERSION. The group
20 life insurance policy shall contain a provision that if a
21 person insured under the policy dies during the period within
22 which he would have been entitled to have an individual
23 policy issued to him in accordance with secs. 180 or 190
24 of this chapter and before the individual policy shall have
25 become effective, the amount of life insurance which he would
26 have been entitled to have issued to him under the individual
27 policy shall be payable as a claim under the group policy,
28 whether or not application for the individual policy or the
29 payment of the first premium therefor has been made.

1 Sec. 21.48.210. NOTICE AS TO CONVERSION RIGHT. If an
2 individual insured under a group life insurance policy here-
3 after delivered in this state becomes entitled under the
4 terms of the policy to have an individual policy of life
5 insurance issued to him without evidence of insurability,
6 subject to making of application and payment of the first
7 premium within the period specified in the policy, and if
8 the individual is not given notice of the existence of
9 the right at least 15 days before the expiration date of
10 the period, then, the individual shall have an additional
11 period within which to exercise the right, but nothing
12 herein contained shall be construed to continue an insurance
13 beyond the period provided in the policy. This additional
14 period shall expire 15 days after the individual is given
15 notice, but in no event shall the additional period extend
16 beyond 60 days after the expiration date of the period pro-
17 vided in the policy. Written notice presented to the indi-
18 vidual or mailed by the policyholder to the last known
19 address of the individual or mailed by the insurer to the
20 last known address of the individual as furnished by the
21 policyholder shall constitute notice for the purpose of
22 this section.

23 Sec. 21.48.220. EMPLOYEE LIFE INSURANCE DEFINED. "Em-
24 ployee life insurance" is that plan of life insurance, other
25 than salary savings life insurance or pension trust insurance
26 and annuities, under which individual policies are issued to
27 the employees of an employer and where the policies are
28 issued on the lives of not less than five employees at the
29 date of issue. Premiums for the policies shall be paid by

1 the employer or the trustee of a fund established by the
2 employer either wholly from the employer's funds, or funds
3 contributed by him, or partly from these funds and partly
4 from funds contributed by the insured employees.

5 Sec. 21.48.230. VIOLATIONS. Violations of this chapter
6 are subject to the penalties provided by AS 21.90.020.

7 CHAPTER 51. DISABILITY INSURANCE POLICIES.

8 Sec. 21.51.010. SCOPE OF CHAPTER. Nothing in this
9 chapter shall apply to or affect:

10 (1) a policy of liability or workmen's compensa-
11 tion insurance with or without supplementary expense coverage
12 therein;

13 (2) a group or blanket policy;

14 (3) life insurance, endowment or annuity contracts,
15 or contract supplemental thereto which contain only those
16 provisions relating to disability insurance which

17 (A) provide additional benefits in case of
18 death or dismemberment or loss of sight by accident or
19 accidental means; or

20 (B) operate to safeguard the contracts
21 against lapse, or to give a special surrender value or
22 special benefit or an annuity in the event that the
23 insured or annuitant becomes totally and permanently
24 disabled, as defined by the contract or supplemental
25 contract;

26 (4) reinsurance.

27 Sec. 21.51.020. SCOPE, FORMAT OF POLICY. No policy of
28 disability insurance shall be delivered or issued for delivery
29 to a person in this state unless it otherwise complies with

1 This title, and complies with the following:

2 (1) the entire money and other considerations
3 therefor shall be expressed therein;

4 (2) the time when the insurance takes effect and
5 terminates shall be expressed therein;

6 (3) it shall purport to insure only one person,
7 except that a policy may insure, originally or by subsequent
8 amendment, upon the application of an adult member of a
9 family, who shall be considered the policyholder, any two or
10 more eligible members of that family, including husband,
11 wife, dependent children or any children under a specified
12 age which shall not exceed 19 years and any other person
13 dependent upon the policyholder;

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

25 (5) the exceptions and reductions of indemnity
26 shall be set out in the policy and, other than those con-
27 tained in secs. 40 - 260 of this chapter, shall be printed,
28 at the insurer's option, either included with the benefit
29 provision to which they apply, or under an appropriate

1 caption such as "Exceptions", or "Exceptions and Reductions",
2 except that if an exception or reduction specifically
3 applies only to a particular benefit of the policy, a
4 statement of the exception or reduction shall be included
5 with the benefit provision to which it applies;

6 (6) each form, including riders and endorsements,
7 shall be identified by a form number in the lower left-hand
8 corner of the first page;

9 (7) the policy shall contain no provision pur-
10 porting to make a portion of the charter, rules, constitution
11 or bylaws of the insurer a part of the policy unless the
12 portion is set out in full in the policy, except in the case
13 of the incorporation of, or reference to, a statement of
14 rates or classification of risks, or short-rate table
15 filed with the director.

16 Sec. 21.51.030. REQUIRED PROVISIONS. (a) Except as
17 provided in (b) of this section, each policy delivered or
18 issued for delivery to a person in this state shall contain
19 the provisions specified in secs. 40 - 150 of this chapter,
20 in the words in which the same appear; except, that the
21 insurer may, at its option, substitute for one or more of
22 the provisions corresponding provisions of different wording
23 approved by the director which are in each instance not less
24 favorable in any respect to the insured or the beneficiary.
25 Each provision shall be preceded individually by the applica-
26 ble caption shown, or, at the option of the insurer, by the
27 appropriate individual or group captions or subcaptions as
28 the director may approve.

29 (b) If the provision is in whole or in part inappli-

1 cable to or inconsistent with the coverage provided by a
2 particular form of policy, the insurer, with the approval
3 of the director shall omit from the policy any inapplicable
4 provision or part of a provision and shall modify the incon-
5 sistent provision or part of a provision in a manner which
6 makes the provision as contained in the policy consistent
7 with the coverage provided by the policy.

8 Sec. 21.51.040. ENTIRE CONTRACT. There shall be a
9 provision as follows:

10 "Entire Contract; Changes: This policy, including the
11 endorsements and the attached papers, if any, constitutes
12 the entire contract of insurance. No change in this policy
13 shall be valid until approved by an executive officer of the
14 insurer and unless the approval is endorsed hereon or
15 attached hereto. No agent has authority to change this
16 policy or to waive any of its provisions."

17 Sec. 21.51.050. TIME LIMIT ON CERTAIN DEFENSES. There
18 shall be a provision as follows:

19 "Time Limit on Certain Defenses: (1) After three years
20 from the date of issue of this policy no misstatements,
21 except fraudulent misstatements, made by the applicant in
22 the application for the policy shall be used to void the
23 policy or to deny a claim for loss incurred or disability
24 (as defined in the policy) commencing after the expiration
25 of the three-year period."

26 (A) The foregoing policy provision shall not
27 be so construed as to affect any legal requirement for
28 avoidance of a policy or denial of a claim during the
29 initial three-year period, or to limit the application

1 of secs. 170 - 210 of this chapter in the event of
2 misstatement with respect to age or occupation or
3 other insurance.

4 (B) A policy which the insured has the
5 right to continue in force subject to its terms by
6 the timely payment of premium (i) until at least age
7 50 or (ii) in the case of a policy issued after age
8 44, for at least five years from its date of issue,
9 may contain in lieu of the foregoing the following
10 provision (from which the clause in parentheses may be
11 omitted at the insurer's option) under the caption
12 "Incontestable":

13 "After this policy has been in force for a period
14 of three years during the lifetime of the insured
15 (excluding any period during which the insured is
16 disabled), it shall become incontestable as to the
17 statements contained in the application."

18 "(2) No claim for loss incurred or disability
19 (as defined in the policy) commencing after three years
20 from the date of issue of this policy shall be reduced or
21 denied on the ground that a disease or physical condition
22 not excluded from coverage by name or specific description
23 effective on the date of loss had existed before the effective
24 date of coverage of this policy."

25 Sec. 21.51.060. GRACE PERIOD. (a) There shall be a
26 provision as follows:

27 "Grace Period: A grace period of (insert a number not
28 less than '7' for weekly premium policies, '10' for monthly
29 premium policies and '31' for all other policies) days will be

1 granted for the payment of each premium falling due after
2 the first premium, during which grace period the policy
3 shall continue in force."

4 (b) A policy in which the insurer reserves the right
5 to refuse renewal shall have, at the beginning of the above
6 provision,

7 "Unless not less than 30 days before the premium due
8 date the insurer has delivered to the insured or has mailed
9 to his last address as shown by the records of the insurer
10 written notice of its intention not to renew this policy
11 beyond the period for which the premium has been accepted."

12 Sec. 21.51.070. REINSTATEMENT. (a) There shall be a
13 provision as follows:

14 "Reinstatement: If a renewal premium is not paid
15 within the time granted the insured for payment, a subsequent
16 acceptance of premium by the insurer or by an agent author-
17 ized by the insurer to accept the premium, without requiring
18 in connection therewith an application for reinstatement and
19 issues a conditional receipt for the premium tendered, the
20 policy will be reinstated upon approval of the application
21 by the insurer or, lacking approval, upon the 45th day
22 following the date of the conditional receipt unless the
23 insurer has previously notified the insured in writing of
24 its disapproval of the application. The reinstated policy
25 shall cover only loss resulting from the accidental injury
26 which may be sustained after the date of reinstatement and
27 loss due to the sickness which may begin more than 10 days
28 after that date. In all other respects the insured and
29 insurer shall have the same rights thereunder as they had

1 under the policy immediately before the due date of the
2 defaulted premium, subject to any provisions endorsed
3 hereon or attached hereto in connection with the reinstate-
4 ment. A premium accepted in connection with a reinstatement
5 shall be applied to a period for which premium has not been
6 previously paid, but not to a period more than 60 days
7 before the date of reinstatement."

8 (b) The last sentence of the above provision may be
9 omitted from a policy which the insured has the right to
10 continue in force subject to its terms by the timely pay-
11 ment of premiums

12 (1) until at least age 50; or

13 (2) in the case of a policy issued after age 44,
14 for at least five years from its date of issue.

15 Sec. 21.51.080. NOTICE OF CLAIM. (a) There shall be
16 a provision as follows:

17 "Notice of Claim: Written notice of claim must be
18 given to the insurer within 20 days after the occurrence or
19 commencement of a loss covered by the policy, or as soon
20 thereafter as is reasonably possible. Notice given by or
21 on behalf of the insured or the beneficiary to the insurer
22 at (insert the location of the office which the insurer
23 designates for the purpose), or to an authorized agent of
24 the insurer, with information sufficient to identify the
25 insured, shall be considered notice to the insurer."

26 (b) In a policy providing a loss-of-time benefit which
27 may be payable for at least two years, an insurer may at its
28 option insert the following between the first and second
29 sentences of the above provision:

1 "Subject to the qualifications set out below, if the
2 insured suffers loss of time on account of disability for
3 which indemnity may be payable for at least two years, he
4 shall, at least once in every six months after having given
5 notice of the claim, give to the insurer notice of continuance
6 of the disability, except in the event of legal incapacity.
7 The period of six months following a filing of proof by the
8 insured or a payment by the insurer on account of the claim
9 or a denial of liability in whole or in part by the insurer
10 shall be excluded in applying this provision. Delay in the
11 giving of notice shall not impair the insured's right to
12 indemnity which would otherwise have accrued during the
13 period of six months preceding the date on which the notice
14 is actually given."

15 Sec. 21.51.090. CLAIM FORMS. There shall be a provi-
16 sion as follows:

17 "Claim Forms: The insurer, upon receipt of a notice of
18 claim, will furnish to the claimant forms which are usually
19 furnished by it for filing proofs of loss. If the forms are
20 not furnished within 15 days after the giving of notice the
21 claimant shall be considered to have complied with the
22 requirements of this policy as to proof of loss upon sub-
23 mitting, within the time fixed in the policy for filing
24 proofs of loss, written proof covering the occurrence, the
25 character and the extent of the loss for which claim is
26 made."

27 Sec. 21.51.100. PROOFS OF LOSS. There shall be a
28 provision as follows:

29 "Proofs of Loss: Written proof of loss must be furnished

1 to the insurer at its office in case of claim for loss
2 for which this policy provides periodic payment contingent
3 upon continuing loss within 90 days after the termination
4 of the period for which the insurer is liable and in case of
5 claim for any other loss within 90 days after the date of
6 that loss. Failure to furnish proof within the time required
7 shall not invalidate nor reduce a claim if it was not
8 reasonably possible to give proof within that time, provided
9 that the proof is furnished as soon as reasonably possible
10 and in no event, except in the absence of legal capacity,
11 later than one year from the time proof is otherwise required."

12 Sec. 21.51.110. TIME OF PAYMENT OF CLAIMS. There shall
13 be a provision as follows:

14 "Time of Payment of Claims: Indemnities payable under
15 this policy for a loss other than loss for which this policy
16 provides a periodic payment, will be paid immediately upon
17 receipt of due written proof of the loss. Subject to due
18 written proof of loss, all accrued indemnities for loss for
19 which this policy provides periodic payment will be paid
20 (insert period for payment which must not be less frequently
21 than monthly) and any balance remaining unpaid upon the
22 termination of liability will be paid immediately upon
23 receipt of due written proof."

24 Sec. 21.51.120. PAYMENT OF CLAIMS. (a) There shall
25 be a provision as follows:

26 "Payment of Claims: Indemnity for loss of life will be
27 payable in accordance with the beneficiary designation and
28 the provisions respecting the payment which may be prescribed
29 herein and effective at the time of payment. If no designa-

1 tion or provision is then effective, the indemnity shall be
2 payable to the estate of the insured. Any other accrued
3 indemnities unpaid at the insured's death may, at the option
4 of the insurer, be paid either to the beneficiary or to
5 the estate. All other indemnities will be payable to the
6 insured."

7 (b) The following provisions, or either of them, may
8 be included with the provision in (a) of this section at
9 the option of the insurer:

10 (1) "If an indemnity of this policy is payable
11 to the estate of the insured, or to an insured or beneficiary
12 who is a minor or otherwise not competent to give a valid
13 release, the insurer may pay the indemnity, up to an amount
14 not exceeding \$ (insert an amount which shall not exceed
15 \$1,000), to a relative by blood or connection by marriage
16 of the insured or beneficiary who is considered by the
17 insurer to be equitably entitled thereto. Payment made by
18 the insurer in good faith under this provision shall fully
19 discharge the insurer to the extent of the payment."

20 (2) "Subject to written direction of the insured
21 in the application or otherwise all or a portion of any
22 indemnities provided by this policy on account of hospital,
23 nursing, medical or surgical services may, at the insurer's
24 option and unless the insured requests otherwise in writing
25 not later than the time of filing proof of the loss, be
26 paid directly to the hospital or person rendering the
27 services; and it is not required that the service be rendered
28 by a particular hospital or person."

29 Sec. 21.51.130. PHYSICAL EXAMINATION, AUTOPSY. There

1 shall be a provision as follows:

2 "Physical Examinations and Autopsy: The insurer at
3 its own expense shall have the right and opportunity to
4 examine the person of the insured when and as often as it
5 may reasonably require during the pendency of a claim
6 hereunder and to make an autopsy in case of death where it
7 is not forbidden by law."

8 Sec. 21.51.140. LEGAL ACTIONS. There shall be a
9 provision as follows:

10 "Legal Actions: No action at law or in equity shall
11 be brought to recover on this policy before the expiration
12 of 60 days after written proof of loss has been furnished
13 in accordance with the requirements of this policy. No
14 action shall be brought after the expiration of three years
15 after the written proof of loss is required to be furnished."

16 Sec. 21.51.150. CHANGE OF BENEFICIARY. There shall be
17 a provision as follows:

18 "Change of Beneficiary: Unless the insured makes an
19 irrevocable designation of beneficiary, the right to change
20 a beneficiary is reserved to the insured and the consent of
21 the beneficiary or beneficiaries shall not be requisite to
22 surrender or assignment of this policy or to a change of
23 beneficiary or beneficiaries, or to any other changes in
24 this policy." (The first clause of this provision, relating
25 to the irrevocable designation of beneficiary, may be omitted
26 at the insurer's option.)

27 Sec. 21.51.160. OPTIONAL POLICY PROVISIONS. Except
28 as provided in sec. 30(b) of this chapter, no policy
29 delivered or issued for delivery to a person in this state

1 shall contain provisions respecting the matters set out in
2 secs. 170 - 260 of this chapter unless the provisions are in
3 the words in which the same appear in the applicable section,
4 except that the insurer may, at its option, use in lieu of
5 the provision a corresponding provision of different wording
6 approved by the director which is not less favorable in any
7 respect to the insured or the beneficiary. The provision
8 contained in the policy shall be preceded individually by
9 the appropriate caption or, at the option of the insurer,
10 by the appropriate individual or group captions or subcaptions
11 as the director may approve.

12 Sec. 21.51.170. CHANGE OF OCCUPATION. There may be a
13 provision as follows:

14 "Change of Occupation: If the insured is injured or
15 contracts sickness after having changed his occupation to
16 one classified by the insurer as more hazardous than that
17 stated in this policy or while doing for compensation any-
18 thing pertaining to an occupation so classified, the insurer
19 will pay only the portion of the indemnities provided in this
20 policy which the premium paid would have purchased at the
21 rates and within the limits fixed by the insurer for the more
22 hazardous occupation. If the insured changes his occupation
23 to one classified by the insurer as less hazardous than that
24 stated in this policy, the insurer, upon receipt of proof of
25 the change of occupation, will reduce the premium rate
26 accordingly, and will return the excess pro rata unearned
27 premium from the date of change of occupation or from the
28 policy anniversary date immediately preceding receipt of the
29 proof, whichever is the more recent. In applying this

1 provision, the classification of occupational risk and the
2 premium rates shall be those which have been last filed by
3 the insurer before the occurrence of the loss for which the
4 insurer is liable or before the date of proof of change in
5 occupation with the state official having supervision of
6 insurance in the state where the insured resided at the time
7 this policy was issued; but if the filing was not required,
8 then the classification of occupational risk and the premium
9 rates shall be those last made effective by the insurer in
10 the state before the occurrence of the loss or before the
11 date of proof of change in occupation."

12 Sec. 21.51.180. MISSTATEMENT OF AGE. There may be a
13 provision as follows:

14 "Misstatement of Age: If the age of the insured has
15 been misstated, all amounts payable under this policy shall
16 be that which the premium paid would have purchased at the
17 correct age."

18 Sec. 21.51.190. OTHER INSURANCE IN THIS INSURER. (a)
19 There may be a provision as follows:

20 "Other Insurance in this Insurer: If an accident or
21 sickness or accident and sickness policy or policies previously
22 issued by the insurer to the insured is in force concurrently
23 herewith, making the aggregate indemnity for (insert type
24 of coverage or coverages) in excess of \$ (insert maximum
25 limit of indemnity or indemnities) the excess insurance shall
26 be void and all premiums paid for the excess shall be returned
27 to the insured or to his estate."

28 (b) Or, in lieu thereof:

29 "Insurance effective at any one time on the insured

1 under a like policy or policies in this insurer is limited
2 to the one policy elected by the insured, his beneficiary
3 or his estate, as the case may be, and the insurer will
4 return all premiums paid for all other such policies."

5 Sec. 21.51.200. INSURANCE WITH OTHER INSURERS. (a)
6 There may be a provision as follows:

7 "Insurance with Other Insurers: If there is other valid
8 coverage, not with this insurer, providing benefits for the
9 same loss on a provision of service basis or on an expense
10 incurred basis and of which this insurer has not been given
11 written notice before the occurrence or commencement of loss,
12 the only liability under an expense incurred coverage of this
13 policy shall be for the proportion of the loss that the
14 amount that would otherwise have been payable hereunder plus
15 the total of the like amounts under all the other valid
16 coverages for the same loss of which this insurer had notice
17 bears to the total like amounts under all valid coverages
18 for the loss and for the return of the portion of the pre-
19 miums paid that exceed the pro rata portion for the amount so
20 determined. For the purpose of applying this provision when
21 other coverage is on a provision of service basis, the 'like
22 amount' of the other coverage shall be taken as the amount
23 which the services rendered would have cost in the absence
24 of the coverage."

25 (b) If the policy provision in (a) of this section is
26 included in a policy which also contains the policy provision
27 set out in sec. 210 of this chapter there shall be added to
28 the caption of the foregoing provision the phrase "--Expense
29 Incurred Benefits." The insurer may, at its option, include

1 in this provision a definition of "other valid coverage",
2 approved as to form by the director, which definition shall
3 be limited in subject matter to coverage provided by organiza-
4 tions subject to regulation by insurance law or by insurance
5 authorities of this or any other state of the United States
6 or a province of Canada, and by hospital or medical service
7 organizations, and to any other coverage the inclusion of
8 which may be approved by the director. In the absence of
9 this definition the term shall not include group insurance,
10 automobile medical payments insurance, or coverage provided
11 by hospital or medical service organizations or by union
12 welfare plans or employer or employee benefit organizations.
13 For the purpose of applying the foregoing policy provision
14 with respect to an insured, an amount of benefit provided
15 for the insured under a compulsory benefit statute (including
16 a workmen's compensation or employer's liability statute),
17 whether provided by a governmental agency or otherwise,
18 shall in all cases be considered to be "other valid coverage"
19 of which the insurer has had notice. In applying the fore-
20 going policy provision no third-party liability coverage
21 shall be included as "other valid coverage".

22 Sec. 21.51.210. INSURANCE WITH OTHER INSURERS. (a)

23 There may be a provision as follows:

24 "Insurance With Other Insurers: If there is other valid
25 coverage, not with this insurer, providing benefits for the
26 same loss on other than an expense incurred basis and of
27 which this insurer has not been given written notice before
28 the occurrence or commencement of loss, the only liability for
29 the benefits under this policy shall be for the proportion

1 of the indemnities otherwise provided hereunder for the loss
2 that the like indemnities of which the insurer has notice
3 (including the indemnities under this policy) bear to the
4 total amount of all like indemnities for the loss, and for the
5 return of the portion of the premium paid which exceeds the
6 pro rata portion for the indemnities thus determined."

7 (b) If the policy provision in (a) of this section is
8 included in a policy which also contains the policy provision
9 set out in sec. 200 of this chapter, there shall be added to
10 the caption of the foregoing provision the phrase "--Other
11 Benefits". The insurer may, at its option, include in this
12 provision a definition of "other valid coverage", approved
13 as to form by the director, which definition shall be limited
14 in subject matter to coverage provided by organizations sub-
15 ject to regulation by insurance law or by insurance authorities
16 of this or any other state of the United States or a province
17 of Canada, and to any other coverage the inclusion of which
18 may be approved by the director. In the absence of this
19 definition the term shall not include group insurance, or
20 benefits provided by union welfare plans or by employer or
21 employee benefit organizations. For the purpose of applying
22 the foregoing policy provision with respect to an insured,
23 an amount of benefit statute (including any workmen's compensa-
24 tion or employer's liability statute), whether provided by a
25 governmental agency or otherwise, shall in all cases be
26 considered to be "other valid coverage" of which the insurer
27 has had notice. In applying the foregoing policy provision
28 no third-party liability coverage shall be included as "other
29 valid coverage".

1 Sec. 21.51.220. RELATION OF EARNINGS TO INSURANCE. (a)

2 There may be a provision as follows:

3 "Relation of Earnings to Insurance: If the total monthly
4 amount of loss of time benefits promised for the same loss
5 under all valid loss of time coverage upon the insured,
6 whether payable on a weekly or monthly basis, shall exceed
7 the monthly earnings of the insured at the time disability
8 commenced or his average monthly earnings for the period of
9 two years immediately preceding a disability for which claim
10 is made, whichever is the greater, the insurer will be liable
11 only for the proportionate amount of the benefits under this
12 policy that the amount of the monthly earnings or the average
13 monthly earnings of the insured bears to the total amount of
14 monthly benefits for the same loss under all the coverage
15 upon the insured at the time disability commences and for
16 the return of the part of the premiums paid during the two
17 years which exceed the pro rata amount of the premiums for
18 the benefits actually paid hereunder; but this shall not
19 operate to reduce the total monthly amount of benefits pay-
20 able under all the coverage upon the insured below the sum
21 of \$200 or the sum of the monthly benefits specified in the
22 coverages, whichever is the lesser, or operate to reduce
23 benefits other than those payable for loss of time."

24 (b) The policy provision in (a) of this section may
25 be inserted only in a policy which the insured has the right
26 to continue in force subject to its terms by the timely pay-
27 ment of premiums (1) until at least age 50, or (2) in the
28 case of a policy issued after age 44, for at least five
29 years from its date of issue. The insurer may, at its option,

1 include in this provision a definition of "valid loss of
2 time coverage", approved as to form by the director, which
3 definition shall be limited in subject matter to coverage
4 provided by governmental agencies or by organizations sub-
5 ject to regulation by insurance law or by insurance authorities
6 of this or another state of the United States or a province
7 of Canada, or to any other coverage the inclusion of which
8 may be approved by the director or a combination of these
9 coverages. In the absence of this definition the term shall
10 not include coverage provided for the insured under a com-
11 pulsory benefit statute (including a workmen's compensation
12 or employer's liability statute), or benefits provided by
13 union welfare plans or by employer or employee benefit
14 organizations.

15 Sec. 21.51.230. UNPAID PREMIUMS. There may be a pro-
16 vision as follows:

17 "Unpaid Premiums: Upon the payment of a claim under
18 this policy, a premium then due and unpaid or covered by a
19 note or written order may be deducted from it."

20 Sec. 21.51.240. CONFORMITY WITH STATE STATUTES. There
21 may be a provision as follows:

22 "Conformity with State Statutes: Any provision of this
23 policy which, on its effective date is in conflict with the
24 statutes of the state in which the insured resides on that
25 date is amended to conform to the minimum requirements of
26 the statutes."

27 Sec. 21.51.250. ILLEGAL OCCUPATION. There may be a
28 provision as follows:

29 "Illegal Occupation: The insurer shall not be liable

1 for a loss to which a contributing cause was the insured's
2 commission of or attempt to commit a felony or to which a
3 contributing cause was the insured's being engaged in an
4 illegal occupation."

5 Sec. 21.51.260. INTOXICANTS AND NARCOTICS. There may
6 be a provision as follows:

7 "Intoxicants and Narcotics: The insurer shall not be
8 liable for a loss sustained or contracted in consequence of
9 the insured's being intoxicated or under the influence of a
10 narcotic unless administered on the advice of a physician."

11 Sec. 21.51.270. RENEWAL AT OPTION OF INSURER. Dis-
12 ability insurance policies, other than accident insurance
13 only policies, in which the insurer reserves the right to
14 refuse renewal on an individual basis, shall provide in
15 substance in a provision thereof or in an endorsement thereon
16 or rider attached thereto that subject to the right to
17 terminate the policy upon nonpayment of premium when due.
18 The right to refuse renewal may not be exercised to take
19 effect before the renewal date occurring on or after and
20 nearest each policy anniversary (or in the case of lapse and
21 reinstatement, at the renewal date occurring on or after and
22 nearest each anniversary of the last reinstatement), and
23 a refusal of renewal shall be without prejudice to any claim
24 originating while the policy is in force. The parenthetical
25 reference to lapse and reinstatement may be omitted at the
26 insurer's option.

27 Sec. 21.51.280. ORDER OF CERTAIN PROVISIONS. The pro-
28 visions which are the subject of secs. 70 - 300 of this
29 chapter, or any corresponding provisions which are used in

1 lieu thereof in accordance with these sections, shall be
2 printed in the consecutive order of the provisions in the
3 sections or, at the option of the insurer, the provision
4 may appear as a unit in any part of the policy, with other
5 provisions to which it may be logically related, provided
6 that the resulting policy shall not be in whole or in part
7 unintelligible, uncertain, ambiguous, abstruse, or likely
8 to mislead a person to whom the policy is offered, delivered
9 or issued.

10 Sec. 21.51.290. THIRD-PARTY OWNERSHIP. The word
11 "insured", as used in this chapter, shall not prevent a person
12 other than the insured with a proper insurable interest from
13 making application for and owning a policy covering the
14 insured or from being entitled under a policy to any indemni-
15 ties, benefits, and rights provided therein.

16 Sec. 21.51.300. REQUIREMENT OF OTHER JURISDICTIONS.
17 (a) A policy of a foreign or alien insurer, when delivered
18 or issued for delivery to a person in this state, may con-
19 tain any provision which is not less favorable to the insured
20 or the beneficiary than the provisions of this chapter and
21 which is prescribed or required by the law of the state or
22 country under which the insurer is organized.

23 (b) A policy of a domestic insurer may, when issued
24 for delivery in another state or country, contain any pro-
25 vision permitted or required by the laws of the other state
26 or country.

27 Sec. 21.51.310. CONFORMING TO STATUTE. (a) A policy
28 provision which is not subject to this chapter shall not
29 make a policy, or any portion of a policy, less favorable in

1 respect to the insured or the beneficiary than the provisions
2 of the policy which are subject to this chapter.

3 (b) A policy delivered or issued for delivery to a
4 person in this state in violation of this chapter shall be
5 held valid but shall be construed as provided in this chapter.
6 When a provision in a policy subject to this chapter is in
7 conflict with a provision of this chapter, the rights, duties,
8 and obligations of the insurer, the insured and the bene-
9 ficiary shall be governed by the provisions of this chapter.

10 Sec. 21.51.320. AGE LIMIT. If the policy contains a
11 provision establishing, as an age limit or otherwise, a
12 date after which the coverage provided by the policy will not
13 be effective, and if the date falls within a period for
14 which premium is accepted by the insurer or if the insurer
15 accepts a premium after the date, the coverage provided by
16 the policy will continue in force until the end of the period
17 for which premium has been accepted. If the age of the
18 insured has been misstated and if, according to the correct
19 age of the insured, the coverage provided by the policy would
20 not have become effective, or would have ceased before the
21 acceptance of the premium or premiums, then the liability of
22 the insurer shall be limited to the refund, upon request,
23 of all premiums paid for the period not covered by the policy.

24 Sec. 21.51.330. FRANCHISE DISABILITY INSURANCE LAW.

25 (a) Disability insurance on a franchise plan is hereby
26 declared to be that form of disability insurance issued to:

27 (1) five or more employees of a corporation,
28 copartnership, or individual employer or a governmental
29 corporation, agency or department thereof; or

1 (2) ten or more members, employees or employees
2 of members of a trade or professional association or of a
3 labor union or of any other association having had an active
4 existence for at least two years where the association or
5 union has a constitution or bylaws and is formed in good
6 faith for purposes other than that of obtaining insurance.

7 (b) If these persons, with or without their dependents,
8 are issued the same form of an individual policy varying
9 only as to amounts and kinds of coverage applied for by
10 the persons under an arrangement whereby the premiums on
11 the policies may be paid to the insurer periodically by the
12 employer, with or without payroll deductions, or by the
13 association for its members, or by some designated person
14 acting on behalf of the employer, association or union,
15 the term "employees" as used herein may be considered to
16 include the officers, managers and employees and retired
17 employees of the employer and the individual proprietor or
18 partners if the employer is an individual proprietor or
19 partnership.

20 Sec. 21.51.340. VIOLATIONS. Violations of this
21 chapter are subject to the penalties provided by AS 21.03.170.

22 CHAPTER 54. GROUP AND BLANKET DISABILITY INSURANCE.

23 Sec. 21.54.010. REQUIRED PROVISIONS OF GROUP POLICIES.
24 Each group disability insurance policy shall contain in sub-
25 stance the following provisions:

26 (1) a provision that, in the absence of fraud, all
27 statements made by applicants or the policyholder or by an
28 insured person shall be considered representations and not
29 warranties, and that no statement made for the purpose of

1 effecting insurance shall void the insurance or reduce
2 benefits unless contained in a written instrument signed by
3 the policyholder or the insured person, a copy of which has
4 been furnished to the policyholder or to the person or his
5 beneficiary;

6 (2) a provision that the insurer will furnish to
7 the policyholder for delivery to each employee or member of
8 the insured group, a statement in summary form of the essen-
9 tial features of the insurance coverage of the employee or
10 member and to whom benefits thereunder are payable; if
11 dependents are included in the coverage, only one certificate
12 need be issued for each family unit;

13 (3) a provision that to the group originally
14 insured may be added from time to time eligible new employees
15 or members or dependents, as the case may be, in accordance
16 with the terms of the policy.

17 Sec. 21.54.020. DIRECT PAYMENT OF HOSPITAL, MEDICAL
18 SERVICES. A group disability policy may on request by the
19 group policyholder provide that all or a portion of any
20 indemnities provided by the policy on account of hospital,
21 nursing, medical or surgical services may, at the insurer's
22 option, be paid directly to the hospital or person rendering
23 the services; but the policy may not require that the service
24 be rendered by a particular hospital or person. Payment so
25 made shall discharge the insurer's obligation with respect
26 to the amount of insurance so paid.

27 Sec. 21.54.030. REQUIRED PROVISIONS OF BLANKET POLICIES.
28 An insurer authorized to write disability insurance in this
29 state shall have the power to issue blanket disability

1 insurance. No blanket policy may be issued or delivered in
2 this state unless a copy of the form thereof has been filed
3 in accordance with AS 21.42.120. Every blanket policy shall
4 contain provisions which in the opinion of the director are
5 at least as favorable to the policyholder and the individual
6 insured as the following:

7 (1) a provision that the policy, including en-
8 dorsements and a copy of the application, if any, of the
9 policyholder and the persons insured shall constitute the
10 entire contract between the parties, and that any statement
11 made by the policyholder or by a person insured shall in
12 absence of fraud, be considered a representation and not a
13 warranty, and that no statements shall be used in defense
14 to a claim under the policy, unless contained in a written
15 application; the person, his beneficiary, or assignee, shall
16 have the right to make written request to the insurer for a
17 copy of the application and the insurer shall, within 15
18 days after the receipt of the request at its home office or
19 a branch office of the insurer, deliver or mail to the per-
20 son making the request a copy of the application;

21 (2) a provision that written notice of sickness
22 or of injury must be given to the insurer within 20 days
23 after the date when the sickness or injury occurred; failure
24 to give notice within that time shall not invalidate or
25 reduce a claim if it is shown not to have been reasonably
26 possible to give the notice and that notice was given as
27 soon as was reasonably possible;

28 (3) a provision that the insurer will furnish to
29 the policyholder the forms which are usually furnished by it

1 for filing proof of loss; if the forms are not furnished
2 before the expiration of 15 days after the giving of the
3 notice, the claimant shall be considered to have complied
4 with the requirements of the policy as to proof of loss upon
5 submitting within the time fixed in the policy for filing
6 proof of loss, written proof covering the occurrence,
7 character and extent of the loss for which claim is made;

8 (4) a provision that in the case of claim for loss
9 of time for disability, written proof of the loss must be
10 furnished to the insurer with 90 days after the beginning of
11 the period for which the insurer is liable, and that
12 subsequent written proofs of the continuance of the disability
13 must be furnished to the insurer at the intervals which the
14 insurer may reasonably require, and that in the case of
15 claim for any other loss, written proof of the loss must be
16 furnished to the insurer within 90 days after the date of
17 the loss; failure to furnish the proof within that time
18 shall not invalidate or reduce a claim if it is shown not
19 to have been reasonably possible to furnish the proof and
20 that the proof was furnished as soon as was reasonably
21 possible;

22 (5) a provision that all benefits payable under
23 the policy other than benefits for loss of time will be
24 payable immediately upon receipt of written proof of the
25 loss, and that, subject to proof of loss, all accrued
26 benefits payable under the policy for loss of time will be
27 paid not later than at the expiration of each period of 30
28 days during the continuance of the period for which the
29 insurer is liable, and that any balance remaining unpaid at

1 the termination of the period will be paid immediately upon
2 receipt of the proof;

3 (6) a provision that the insurer at its own
4 expense, shall have the right and opportunity to examine
5 the person of the insured when and so often as it may
6 reasonably require during the pendency of claim under the
7 policy and also the right and opportunity to make an autopsy
8 in case of death if it is not prohibited by law;

9 (7) a provision that no civil action shall be
10 brought to recover under the policy before the expiration of
11 60 days after written proof of loss has been furnished in
12 accordance with the requirements of the policy and that no
13 action shall be brought after the expiration of three years
14 after the time written proof of loss is required to be fur-
15 nished.

16 Sec. 21.54.040. APPLICATION AND CERTIFICATES NOT
17 REQUIRED. An individual application shall not be required
18 from a person covered under a blanket disability policy or
19 contract, nor shall it be necessary for the insurer to
20 furnish each person a certificate.

21 Sec. 21.54.050. INSURABLE INTEREST. All benefits
22 under a blanket disability policy shall be payable to the
23 person insured, or to his designated beneficiary or bene-
24 ficiaries, or to his estate; except, that if the person
25 insured is a minor or otherwise not competent to give a
26 valid release, the benefits may be made payable to his
27 parent, guardian, or other person actually supporting him;
28 or if the entire cost of the insurance has been borne by the
29 employer the benefits may be made payable to the employer.

1 Provided however, that the policy may provide that all or a
2 portion of any indemnities provided by the policy on account
3 of hospital, nursing, medical or surgical services may, at
4 the insurer's option and unless the insured requests other-
5 wise in writing not later than the time for filing proofs
6 of the loss, be paid directly to the hospital or person
7 rendering the services; but the policy may not require that
8 the service be rendered by a particular hospital or person.
9 Payment so made shall discharge the insurer's obligation
10 with respect to the amount of insurance paid.

11 Sec. 21.54.060. GROUP DISABILITY INSURANCE DEFINED.

12 Group disability insurance is that form of disability insur-
13 ance covering groups of persons as defined below, with or
14 without one or more members of their families or one or more
15 of their dependents, or covering one or more members of the
16 families or one or more dependents of the groups of persons
17 and issued upon the following basis:

18 (1) under a policy issued to an employer or
19 trustees of a fund established by an employer, who shall
20 be considered the policyholder, insuring employees of the
21 employer for the benefit of persons other than the employer;
22 the term "employees" as used herein shall include the
23 officers, managers, and employees of the employer, the
24 individual proprietor or partner if the employer is an
25 individual proprietor or partnership, the officers, managers,
26 and employees of subsidiary or affiliated corporations, the
27 individual proprietors, partners and employees of individuals
28 and firms, if the business of the employer and the individual
29 or firm is under common control through stock ownership,

1 contract, or otherwise; the term "employees" as used herein
2 may include retired employees; a policy issued to insure
3 employees of a public body may provide that the term "em-
4 ployees" shall include elected or appointed officials; the
5 policy may provide that the term "employees" shall include
6 the trustees or their employees, or both, if their duties
7 are principally connected with the trusteeship;

8 (2) under a policy issued to an association,
9 including a labor union, which has a constitution and bylaws
10 and which has been organized and is maintained in good faith
11 for purposes other than that of obtaining insurance, insuring
12 members, employees, or employees of members of the association
13 for the benefit of persons other than the association or its
14 officers or trustees; the term "employees" as used herein
15 may include retired employees;

16 (3) under a policy issued to the trustees of a
17 fund established by two or more employers in the same or
18 related industry or by one or more labor unions or by one or
19 more employers and one or more labor unions or by an associa-
20 tion as defined in (a)(2) of this section, which trustees
21 shall be considered the policyholder, to insure employees
22 of the employers or members of the unions or of the associa-
23 tion, or employees of members of the association, for the
24 benefit of persons other than the employers or the unions or
25 the association; the term "employees" as used herein may
26 include the officers, managers and employees of the employer,
27 and the individual proprietor or partners if the employer is
28 an individual proprietor or partnership; the term "employees"
29 as used herein may include retired employees; the policy may

1 provide that the term "employees" shall include the trustees
2 or their employees, or both, if their duties are principally
3 connected with the trusteeship;

4 (4) under a policy issued to a person or organiza-
5 tion to which a policy of group life insurance may be issued
6 or delivered in this state to insure a class or classes of
7 individuals that could be insured under the group life policy;

8 (5) under a policy issued to cover any other
9 substantially similar group which, in the discretion of the
10 director, may be subject to the issuance of a group dis-
11 ability policy or contract;

12 (6) a group disability policy which contains
13 provisions for the payment by the insurer of benefits for
14 expenses incurred on account of hospital, nursing, medical,
15 or surgical services for members of the family or dependents
16 of a person in the insured group may provide for the continua-
17 tion of the benefit provisions, or a part or parts thereof,
18 after the death of the person in the insured group.

19 Sec. 21.54.070. BLANKET DISABILITY INSURANCE DEFINED.
20 Blanket disability insurance is declared to be that form of
21 disability insurance covering groups of persons as enumerated
22 in one of the following subdivisions:

23 (1) under a policy or contract issued to a common
24 carrier or to an operator, owner or lessee of a means of
25 transportation, who or which shall be considered the policy-
26 holder, covering a group of persons who may become passengers
27 defined by reference to their travel status on the common
28 carrier or the means of transportation;

29 (2) under a policy or contract issued to an

1 employer, who shall be considered the policyholder, covering
2 a group of employees, dependents or guests, defined by
3 reference to specified hazards incident to an activity or
4 activities or operations of the policyholder;

5 (3) under a policy or contract issued to a college
6 school or other institution of learning, a school district or
7 districts, or school jurisdictional unit, or to the head,
8 principal or governing board of an educational unit, who
9 or which shall be considered the policyholder covering
10 students, teachers or employees;

11 (4) under a policy or contract issued to a
12 religious, charitable, recreational, educational, or civic
13 organization, or branch thereof, which shall be considered
14 the policyholder, covering a group of members or participants
15 defined by reference to specified hazards incident to an
16 activity or activities or operations sponsored or supervised
17 by the policyholder;

18 (5) under a policy or contract issued to a sports
19 team, camp or sponsor thereof, which shall be considered the
20 policyholder, covering members, campers, employees, officials
21 or supervisors;

22 (6) under a policy or contract issued to a volun-
23 teer fire department, first aid, civil defense, or other
24 volunteer organization, which shall be considered the policy-
25 holder, covering a group of members or participants defined
26 by reference to specified hazards incident to an activity
27 or activities or operations sponsored or supervised by the
28 policyholder;

29 (7) under a policy or contract issued to a

1 newspaper or other publisher, which shall be considered the
2 policyholder, covering its carriers;

3 (8) under a policy or contract issued to an
4 association, including a labor union, which has a constitu-
5 tion and bylaws and which has been organized and is maintained
6 in good faith for purposes other than that of obtaining
7 insurance, which shall be considered the policyholder,
8 covering a group of members or participants defined by
9 reference to specified hazards incident to an activity or
10 activities or operations sponsored or supervised by the
11 policyholder;

12 (9) under a policy or contract issued to cover
13 any other risk or class of risks which, in the discretion
14 of the director, may be properly eligible for blanket
15 accident and sickness insurance. The discretion of the
16 director may be exercised on an individual risk basis or
17 class or risks, or both.

18 CHAPTER 57. CREDIT LIFE AND DISABILITY INSURANCE.

19 Sec. 21.57.010. PURPOSE. The purpose of this chapter
20 is to promote the public welfare by regulating credit life
21 insurance and credit disability insurance. Nothing in this
22 chapter is intended to prohibit or discourage reasonable
23 competition. The provisions of this chapter shall be liber-
24 ally construed.

25 Sec. 21.57.020. SCOPE OF CHAPTER. All life insurance
26 and all disability insurance in connection with loans or
27 other credit transactions shall be subject to the provisions
28 of this chapter except insurance in connection with a loan
29 or other credit transaction of five years or more duration;

1 nor shall insurance be subject to the provisions of this
2 chapter if the issuance of the insurance is an isolated
3 transaction on the part of the insurer not related to an
4 agreement or a plan for insuring debtor of the creditor.

5 Sec. 21.57.030. FORMS OF CREDIT LIFE INSURANCE AND
6 CREDIT DISABILITY INSURANCE. Credit life insurance and
7 credit disability insurance shall be issued only in the
8 following forms;

9 (1) individual policies of life insurance issued
10 to debtors on the term plan;

11 (2) individual policies of disability insurance
12 issued to debtors on a term plan or disability provisions in
13 individual life policies to provide the coverage;

14 (3) group policies of life insurance issued to
15 creditors providing insurance upon the lives of debtors on
16 the term plan;

17 (4) group policies of disability insurance issued
18 to creditors on a term plan insuring debtors, or disability
19 provisions in group life policies to provide the coverage.

20 Sec. 21.57.040. AMOUNT OF CREDIT LIFE AND CREDIT
21 DISABILITY INSURANCE. (a) The initial amount of credit
22 life insurance shall not exceed the total amount repayable
23 under the contract of indebtedness and, if an indebtedness
24 is repayable in substantially equal installments, the
25 amount of insurance shall at no time exceed the scheduled
26 or actual amount of unpaid indebtedness, whichever is greater;
27 except that agricultural loans not exceeding one year may
28 be written up to the amount of the loan commitment on a
29 nondecreasing or level term plan.

1 (b) The total amount of periodic indemnity payable by
2 credit accident and health insurance in the event of dis-
3 ability, as defined in the policy, shall not exceed the
4 aggregate of the periodic scheduled unpaid installments of
5 the indebtedness; and the amount of each periodic indemnity
6 payment shall not exceed the original indebtedness divided
7 by the number of periodic installments.

8 Sec. 21.57.050. TERM OF CREDIT LIFE AND CREDIT DIS-
9 ABILITY INSURANCE. The term of credit life insurance or
10 credit disability insurance shall, subject to acceptance by
11 the insurer, commence on the date when the debtor becomes
12 obligated to the creditor; except that, if a group policy
13 provides coverage with respect to existing obligations, the
14 insurance on a debtor with respect to the indebtedness shall
15 commence on the effective date of the policy. If evidence
16 of insurability is required and the evidence is furnished
17 more than 30 days after the date the debtor becomes obligated
18 to the creditor, the term of the insurance may commence on
19 the date on which the insurance company determines the
20 evidence to be satisfactory, and in that event there shall
21 be an appropriate refund or adjustment of any charge to the
22 debtor for insurance. The term of the insurance shall not
23 extend more than 15 days beyond the scheduled maturity date
24 of the indebtedness except when extended without additional
25 cost to the debtor. If the indebtedness is discharged due
26 to renewal or refinancing before the scheduled maturity date,
27 the insurance in force shall be terminated before any new
28 insurance may be issued in connection with the renewed or
29 refinanced indebtedness. In all cases of termination before

1 scheduled maturity, a refund shall be paid or credited as
2 provided in sec. 90 of this chapter.

3 Sec. 21.57.060. PROVISIONS OF POLICIES AND CERTIFICATES
4 OF INSURANCE. (a) All credit life insurance and credit
5 disability insurance shall be evidenced by an individual
6 policy, or in the case of group insurance by a certificate
7 of insurance, which individual policy or group certificate
8 of insurance shall be delivered to the debtor.

9 (b) Each individual policy or group certificate of
10 credit life insurance, and credit disability insurance shall,
11 in addition to other requirements of law, set out the name
12 and home office address of the insurer, and the identity by
13 name or otherwise of the person or persons insured, the rate
14 of amount of payment, if any, by the debtor separately in
15 connection with credit life insurance and credit disability
16 insurance, a description of the amount, term and coverages
17 including any exceptions, limitations or restrictions, and
18 shall state that the benefits shall be paid to the creditor
19 to reduce or extinguish the unpaid indebtedness and, if the
20 amount of insurance exceeds the unpaid indebtedness, that
21 any excess shall be payable to a beneficiary, other than
22 the creditor, named by the debtor or to his estate.

23 Sec. 21.57.070. DELIVERY OF POLICY OR CERTIFICATE.

24 (a) The individual policy or group certificate of insurance
25 shall be delivered to the insured debtor at the time the
26 indebtedness is incurred except as hereinafter provided.

27 (b) If the individual policy or group certificate of
28 insurance is not delivered to the debtor at the time the
29 indebtedness is incurred, a copy of the application for the

1 policy or a notice of proposed insurance, signed by the
2 debtor and setting out the name and home office address of
3 the insurer, the name or names of the debtor, the amount of
4 payment by the debtor separately in connection with credit
5 life insurance and credit disability insurance coverage, and
6 a brief description of the coverage provided or to be pro-
7 vided, shall be delivered to the debtor at the time the
8 indebtedness is incurred. The copy of the application for
9 or notice of proposed insurance shall refer exclusively to
10 insurance coverage, and shall be separate and apart from the
11 loan, sale or other credit statement of account, instrument
12 or agreement unless the information required by this section
13 is prominently set out therein. Upon acceptance of the insur-
14 ance by the insurer and within 30 days of the date upon which
15 the indebtedness is incurred, the insurer shall cause the
16 individual policy or group certificate of insurance to be
17 delivered to the debtor. The application or notice of
18 proposed insurance shall state that, upon acceptance by the
19 insurer, the insurance shall become effective as provided in
20 sec. 50 of this chapter.

21 (c) If the insurer named in either the application or
22 notice of proposed insurance does not accept the risk, the
23 debtor shall receive a policy or certificate of insurance
24 setting out the name and home office address of the sub-
25 stituted insurer and the amount of the premium to be charged,
26 and if the amount of premium is less than that set out in
27 the notice of proposed insurance an appropriate refund shall
28 be made.

29 Sec. 21.57.080. FILING, APPROVAL AND WITHDRAWAL OF

1 FORMS. (a) All policies, certificates of insurance, notices
2 of proposed insurance, applications for insurance, endorse-
3 ments and riders delivered or issued for delivery in this
4 state and the schedules of premium rates pertaining thereto
5 shall be filed with the director.

6 (b) The director shall, within 30 days after the filing
7 of a policy, certificate of insurance, notice of proposed
8 insurance, application for insurance, endorsement or rider,
9 in addition to other requirements of law, disapprove the
10 form if the table of premium rates charged or to be charged
11 appears by reasonable assumptions to be excessive in relation
12 to benefits or if it contains provisions which are unjust,
13 unfair, inequitable, misleading, deceptive or encourage mis-
14 representation of the policy.

15 (c) If the director notifies the insurer that the form
16 is disapproved, it is unlawful thereafter for the insurer to
17 issue or use the form. In the notice, the director shall
18 specify the reason for his disapproval and state that a hear-
19 ing will be granted within 20 days after request in writing
20 by the insurer. No policy, certificate of insurance, notice
21 of proposed insurance, and no application, binder, endorse-
22 ment or rider, shall be issued or used until the expiration
23 of 30 days after it has been filed, unless the director gives
24 his prior written approval to it.

25 (d) The director may, at any time after a hearing, of
26 which not less than 20 days written notice was given to the
27 insurer, withdraw his approval of a form on any grounds
28 under (b) of this section. The written notice of the hearing
29 shall state the reason for the proposed withdrawal.

1 (e) It is not lawful for the insurer to issue the
2 forms or use them after the effective date of the withdrawal
3 of approval.

4 (f) If a group policy of credit life insurance or
5 credit disability insurance (1) has been delivered in this
6 state before the effective date of this title, or, (2) has
7 been or is delivered in another state before or after the
8 effective date of this title, the insurer shall be required
9 to file only the group certificate and notice of proposed
10 insurance delivered or issued for delivery in this state as
11 specified in secs. 60(b) and 70(b) of this chapter and the
12 forms shall be approved by the director if they conform with
13 the requirements specified in these subsections and if the
14 schedules of premium rates applicable to the insurance evi-
15 denced by the certificate or notice are not in excess of the
16 insurer's schedules of premium rates filed with the director;
17 provided however, the premium rate in effect on existing
18 group policies may be continued until the first policy anni-
19 versary date following the date this title becomes effective.

20 (g) An order or final determination of the director
21 under the provisions of this section shall be subject to
22 judicial review.

23 Sec. 21.57.090. PREMIUMS AND REFUNDS. (a) An insurer
24 may revise its schedules of premium rates from time to time,
25 and file the revised schedules with the director. No insurer
26 shall issue a credit life insurance policy or credit dis-
27 ability insurance policy for which the premium rate exceeds
28 that determined by the schedules of the insurer then on file
29 with the director.

1 (b) Each individual policy or group certificate shall
2 provide that if the insurance is terminated before the
3 scheduled maturity date of the indebtedness, any refund of
4 an amount paid by the debtor for insurance shall be paid or
5 credited promptly to the person entitled to it; provided
6 however, that the director shall prescribe a minimum refund
7 and no refund which would be less than the minimum need be
8 made. The formula to be used in computing refunds shall be
9 filed with and approved by the director.

10 (c) If a creditor requires a debtor to make a payment
11 for credit life insurance or credit disability insurance and
12 an individual policy or group certificate of insurance is not
13 issued, the creditor shall immediately give written notice to
14 the debtor and shall promptly make an appropriate credit to
15 the account.

16 (d) The amount charged to a debtor for credit life or
17 credit disability insurance shall not exceed the premium
18 charged by the insurer, as computed at the time the charge to
19 the debtor is determined.

20 Sec. 21.57.100. ISSUANCE OF POLICIES. All policies of
21 credit life insurance and credit disability insurance shall
22 be delivered or issued for delivery in this state only by an
23 insurer authorized to do an insurance business therein, and
24 shall be issued only through holders of licenses or author-
25 izations issued by the director.

26 Sec. 21.57.110. CLAIMS. (a) All claims shall be
27 promptly reported to the insurer or its designated claim
28 representative, and the insurer shall maintain adequate claim
29 files. All claims shall be settled as soon as possible and

1 in accordance with the terms of the insurance contract.

2 (b) All claims shall be paid either by draft drawn
3 upon the insurer or by check of the insurer to the order of
4 the claimant to whom payment of the claim is due under the
5 policy provisions, or upon direction of the claimant to one
6 specified.

7 (c) No plan or arrangement shall be used whereby a
8 person, firm or corporation other than the insurer or its
9 designated claim representative shall be authorized to
10 settle or adjust claims. The creditor shall not be desig-
11 nated as claim representative for the insurer in adjusting
12 claims; except, that a group policyholder may, by arrangement
13 with the group insurer, draw drafts or checks in payment of
14 claims due to the group policyholder subject to audit and
15 review by the insurer.

16 Sec. 21.57.120. EXISTING INSURANCE. When credit life
17 insurance or credit disability insurance is required as
18 additional security for an indebtedness, the debtor shall,
19 upon request to the creditor, have the option of furnishing
20 the required amount of insurance through existing policies
21 of insurance owned or controlled by him or of procuring and
22 furnishing the required coverage through an insurer author-
23 ized to transact an insurance business in this state.

24 Sec. 21.57.130. ENFORCEMENT. The director may, after
25 notice and hearing, issue rules and regulations he considers
26 appropriate for the supervision of this chapter. Whenever
27 the director finds that there has been a violation of this
28 chapter or rules or regulations issued under it, and after
29 written notice thereof and hearing given to the insurer

1 or other person authorized or licensed by the director, he
2 shall set out the details of his findings together with an
3 order for compliance by a specified date. The order shall
4 be binding on the insurer and other person authorized or
5 licensed by the director on the date specified unless sooner
6 withdrawn by the director or a stay has been ordered by a
7 court of competent jurisdiction.

8 Sec. 21.57.140. JUDICIAL REVIEW. A party to the
9 proceeding affected by an order of the director shall be
10 entitled to judicial review by following the procedure set
11 out in AS 21.06.240.

12 Sec. 21.57.150. PENALTIES. In addition to a penalty
13 provided by law, a person who violates an order of the
14 director after it has become final, and while the order is
15 in effect, shall upon proof to the satisfaction of the court,
16 forfeit and pay to the state a sum not to exceed \$250 which
17 may be recovered in a civil action, except that if the
18 violation is found to be wilful, the amount of the penalty
19 shall be a sum not to exceed \$1,000. The director, in his
20 discretion, may revoke or suspend the license or certificate
21 of authority of the person guilty of the violation. The
22 order for suspension or revocation shall be subject to
23 judicial review as provided in AS 21.06.240.

24 Sec. 21.57.160. DEFINITIONS. In this chapter,

25 (1) "credit life insurance" means insurance on
26 the life of a debtor under or in connection with a specific
27 loan or other credit transaction;

28 (2) "credit disability insurance" means insurance
29 on a debtor to provide indemnity for payments becoming due

1 on a specific loan or other credit transaction while the
2 debtor is disabled as defined in the policy;

3 (3) "creditor" means the lender of money or vendor
4 or lessor of goods, services, property, rights or privileges,
5 for which payment is arranged through a credit transaction,
6 or a successor to the right, title or interest of the lender,
7 vendor or lessor and an affiliate, associate or subsidiary
8 of any of them or a director, officer or employee of any of
9 them or any other person in any way associated with any of
10 them;

11 (4) "debtor" means a borrower of money or a
12 purchaser or lessee of goods, services, property, rights or
13 privileges for which payment is arranged through a credit
14 transaction;

15 (5) "indebtedness" means the total amount payable
16 by a debtor to a creditor in connection with a loan or other
17 credit transaction.

18 Sec. 21.57.170. SHORT TITLE. This chapter may be cited
19 as the Model Act for the Regulation of Credit Life Insurance
20 and Credit Disability Insurance.

21 CHAPTER 60. PROPERTY INSURANCE CONTRACTS.

22 Sec. 21.60.010. OVER-INSURANCE PROHIBITED. (a) Over-
23 insurance shall be considered to exist if property or an
24 insurable interest therein is insured by one or more insur-
25 ance contracts against the same hazard in an amount in excess
26 of the fair value of the property or of the interest, as
27 determined on the effective date of the insurance or the
28 renewal thereof.

29 (b) For the purposes of this section the term "fair

1 value" means the cost of replacement less depreciation
2 which is properly applicable to the subject insured.

3 (c) No person shall knowingly issue, place, procure,
4 or accept an insurance contract which would result in over-
5 insurance of the property or interest therein proposed to be
6 insured, except as provided in sec. 20 of this chapter.

7 (d) Each violation of this section shall subject the
8 violator to the penalties provided in AS 21.90.030.

9 Sec. 21.60.020. REPLACEMENT INSURANCE. By a contract
10 of insurance of property or of any insurable interest therein,
11 the insurer may in connection with a special provision or
12 endorsement made a part of the policy insure the cost of
13 repair or replacement of the property, if damaged or destroyed
14 by a hazard insured against, and without deduction of depre-
15 ciation, subject to reasonable rules and regulations which
16 may be made by the director.

17 CHAPTER 63. SURETY INSURANCE CONTRACTS.

18 Sec. 21.63.010. RIGHTS OF SURETY INSURER. A surety
19 insurer authorized as such under this title shall have the
20 power to become the surety on bonds and undertakings
21 required by law, subject to all the rights and liabilities
22 of private persons. This section shall not limit in any
23 way the powers, obligations and liabilities of the insurers
24 as provided for in other provisions of this title.

25 Sec. 21.63.020. MAY BE SOLE SURETY ON OFFICIAL BONDS.
26 Whenever a bond, undertaking, recognizance, or other obliga-
27 tion is by law, or the charter, ordinance, rules or regula-
28 tions of a municipality, board, body, organization or public
29 officer, required or permitted to be made, given, tendered

1 or filed, with surety or sureties, and whenever the perfor-
2 mance of an act, duty or obligation, or the refraining from
3 an act, is required or permitted to be guaranteed, the bond,
4 undertaking, obligation, recognizance or guaranty may be
5 executed by a surety insurer qualified to act as surety or
6 guarantor as authorized in this title. The execution by
7 the insurer of the bond, undertaking, obligation, recognizance
8 or guaranty shall be in all respects a full and complete
9 compliance with every requirement of the law, charter, ordi-
10 nance, rule or regulation that the bond, undertaking, obliga-
11 tion, recognizance or guaranty shall be executed by one
12 surety or by one or more sureties, or that the surety shall
13 be a resident, or householder, or freeholder, or either or
14 both, or possessed of any other qualifications; and all
15 courts, judges, heads of departments, boards, bodies,
16 municipalities, and public officers of every character shall
17 accept and treat accordingly the bond, undertaking, obliga-
18 tion, recognizance or guaranty when so executed by the
19 insurer, as conforming to and fully and completely complying
20 with every requirement of every law, charter, ordinance,
21 rule or regulation.

22 Sec. 21.63.030. RELEASE FROM LIABILITY ON OFFICIAL
23 BONDS. A surety insurer may be released from its liability
24 on a bond referred to in sec. 20 of this chapter upon the
25 same terms and conditions as are by law prescribed for the
26 release of individual sureties.

27 CHAPTER 66. TITLE INSURANCE COMPANIES.

28 Sec. 21.66.010. PAID IN CAPITAL REQUIRED. Every
29 domestic or foreign corporation organized either solely or

1 among other things for the purpose of insuring titles to
2 real property in this state and of insuring against loss by
3 reason of defective titles to or incumbrances on real pro-
4 perty, is subject to and shall comply with all the require-
5 ments of the laws of this state made applicable to insurance
6 companies generally and with the rules and regulations of
7 the director, excepting as hereinafter provided and insofar
8 as the laws, rules, or regulations may be inconsistent with
9 the other provisions in this chapter. Before it shall be
10 entitled to a certificate of authority to transact a title
11 insurance business in this state it shall have a paid-up
12 unimpaired cash capital equal to not less than \$100,000
13 in lawful money of the United States, \$50,000 of which shall
14 be deposited with the commissioner of revenue of the state
15 as a guaranty fund for the protection of the insured under
16 policies of title insurance issued by the company.

17 Sec. 21.66.020. DEPOSITS IN GUARANTY FUND. Within 30
18 days after the filing of each annual statement the corpora-
19 tion shall deposit with the commissioner of revenue a sum
20 equal to 10 per cent of the premiums received by it during
21 the preceding year covering property in this state, as
22 shown by the annual statement, until the accumulated deposits,
23 added to the sums originally deposited with the commissioner
24 of revenue, as provided herein, total \$100,000 but in no
25 event shall the corporation be required to deposit more
26 than \$10,000 in any one year.

27 Sec. 21.66.030. SECURITIES AUTHORIZED AS DEPOSITS. The
28 deposits required to be kept with the commissioner of revenue
29 as a guaranty fund may be made either in lawful money of the

1 United States or in one or more of the following classes of
2 securities:

3 (1) interest bearing obligations of the United
4 States or of those for the payment of the principal and
5 interest on which the faith of the United States is pledged;

6 (2) bonds of a state in the United States;

7 (3) bonds of a municipality in the United States
8 having a population of more than 50,000, or bonds of a
9 municipality, municipal corporation or civil subdivision in
10 this state having a population of more than 2,000, the market
11 value of which bonds, at all times while so deposited, shall
12 be not less than 90 per cent of par value;

13 (4) a deposit not in excess of \$10,000 in any one
14 bank organized and existing under the laws of this state in
15 a savings deposit account free of offsetting debts and claims
16 insured in full by the Federal Deposit Insurance Corporation
17 and entered in the name of the "commissioner of revenue of
18 the State of Alaska in trust for the holders of the obliga-
19 tions of the (depositing company) under AS 21.66.020";

20 (5) a deposit not in excess of \$10,000 in any one
21 issuing institution, in investment certificates or share
22 accounts of savings and loan associations organized and
23 existing under the laws of this state, or of the United States,
24 and holding membership in the Federal Home Loan Bank System;
25 the certificates and share accounts shall be free of offsetting
26 debts and claims and shall be issued in the name of the com-
27 missioner of revenue in the form indicated in (4) of this
28 section;

29 (6) with the written approval of the director

1 bonds or notes secured by trust deed or first mortgage upon
2 improved real property in this state not otherwise encumbered,
3 and having a value of at least twice the amount loaned thereon
4 or otherwise insured by an agency of the United States, which
5 shall be accompanied by a policy of title insurance of a
6 company qualified to insure title in this state insuring that
7 the mortgage or trust deed so deposited is a first lien on
8 the real property covered thereby.

9 Sec. 21.66.040. SPECIAL GUARANTY FUND. The securities
10 to be deposited as provided in this chapter shall be held
11 by the commissioner of revenue as a special guaranty fund
12 securing the faithful performance on the part of the company
13 of all its undertakings and liabilities upon its guaranteed
14 certificates of title, policies of title insurance, or other
15 guarantees of title to property and to the extent of any
16 outstanding liabilities thereon; but shall not be subject to
17 any other outstanding liabilities of the company while the
18 securities are held by the commissioner of revenue. They
19 shall be held subject to the following conditions:

20 (1) the commissioner of revenue shall deliver to
21 the company depositing the guaranty fund a receipt in full
22 for all securities deposited with him; the company may from
23 time to time withdraw securities or a part of them on de-
24 positing with the commissioner of revenue cash or other
25 authorized securities, to at all times maintain the value of
26 the guaranty fund deposit at not less than the amount required
27 by this chapter;

28 (2) all interest or dividends accruing on the
29 securities deposited with the commissioner of revenue under

1 the authority of this chapter shall belong to and at all
2 times be available to the company making the deposit, and
3 the commissioner of revenue shall permit the company, as
4 long as it shall continue solvent, to collect the interest
5 or dividends on the securities deposited; the commissioner
6 of revenue shall be the agent of both parties to receive,
7 receipt for and pay over the interest or dividends when the
8 same are paid to him by reason of the custody of the deposit,
9 and he is authorized to make the endorsements on the securi-
10 ties which the occasion and the due and orderly course of
11 business may require; the rights of the company to demand of
12 and receive from the commissioner of revenue the interest or
13 dividends, shall be subject, however, to the provisions of
14 (3) of this section;

15 (3) if, under liability on guaranteed certificate
16 of title, or policy of title insurance or other guaranty of
17 title to property, a civil judgment shall be entered in a
18 court of general jurisdiction in this state against a com-
19 pany which has made a deposit of securites with the com-
20 missioner of revenue subject to the provisions of this chapter
21 and the judgment shall have become final either by failure
22 to appeal, dismissal of appeal, or by affirmance on appeal,
23 or otherwise, and the judgment shall not be paid and satisfied
24 in full within 60 days after the judgment has become final,
25 then in every such case the judgment may be enforced against
26 the securities deposited with the commissioner of revenue
27 upon petition of the judgment creditor in the same cause
28 wherein judgment was obtained, setting out the facts aforesaid,
29 whereupon it shall be the duty of the court wherein said

1 judgment is entered to direct the issuance of a special
2 execution directed to the proper peace officer, enforcing
3 the executions, in the City of Juneau, Alaska, which execu-
4 tion shall be as near as may be in the usual form and shall
5 require on the part of the officer the sale of the securities
6 or as much thereof as may be necessary to the satisfaction
7 of the judgment; when application is made for the issuance
8 of the special execution herein provided for, and the court
9 allows the same, the order in which the special execution
10 is authorized shall direct that service of a copy of the
11 judgment and the petition shall be made within five days
12 thereafter upon the commissioner of revenue; all proceedings
13 relating to the enforcement of the writ of execution against
14 the securities shall conform as near as may be to the practice
15 in ordinary cases except as herein otherwise specially pro-
16 vided; proceedings under the execution shall be a sufficient
17 authority, where notices aforesaid have been served on the
18 commissioner of revenue, for the delivery by the commissioner
19 of revenue to the officer of the securities to be sold upon
20 the execution;

21 (4) except as herein provided, the commissioner
22 of revenue shall hold intact the securities deposited with
23 him and shall retain the same until such time as all liabili-
24 ties under any guaranteed certificate of title or policy of
25 title insurance, or other guaranty of title covering property
26 in this state, issued by the company having deposited the
27 securities, shall have legally terminated, or until such
28 time as all liabilities of said company under such guaranteed
29 certificates of title or policies of title insurance or

1 other guarantees of title shall have been assumed by some
2 other title insurance company authorized to transact business
3 in this state. It shall be the duty of the director to
4 advise the commissioner of revenue of the termination of all
5 liability of the title insurance company, after the director
6 shall have completed an examination into the affairs of the
7 company and determined that all liability against the guaranty
8 fund has been legally terminated or satisfactorily assumed
9 by some other title insurance company licensed to do a title
10 insurance business in this state; upon the advice of the
11 director, the commissioner of revenue shall be authorized
12 and it shall be his duty to immediately return the securities
13 to the said company and concurrently herewith the director
14 shall revoke the certificate of authority granted the com-
15 pany to do any title insurance business in the state;

16 (5) provided however, that if the aforesaid
17 guaranty fund is at any time impaired by reason of the pay-
18 ment of any judgment against the company depositing the funds
19 or for any reason whatsoever and remains so impaired for a
20 period of 30 days after written notice to the company, the
21 director is authorized and it shall be his duty to immediately
22 revoke the certificate of authority granted the company, and
23 to publish a notice of the revocation in a daily paper of
24 general circulation published in the city wherein the company
25 has its principal offices at least once a week for six
26 successive weeks, the expense of the publication to be
27 chargeable against the guaranty fund of the company.

28 Sec. 21.66.050. TITLE INSURANCE UNEARNED PREMIUM
29 RESERVE FUND. (a) Every title insurance company, either

1 foreign or domestic, operating in this state under the pro-
2 visions of this chapter, shall annually set apart, establish,
3 segregate and maintain at the end of each year into an
4 account to be known as Title Insurance Unearned Premium
5 Reserve Fund, a sum equal to three per cent of its gross
6 premiums on title insurance policies issued during the year
7 then ending covering property in this state. The reserve
8 fund shall be in addition to the deposit with the commissioner
9 of revenue. There shall be no other reserve requirements.
10 The reserve must be maintained separately and apart from the
11 capital of the company, and shall be invested in the securi-
12 ties which are authorized for investment by domestic insur-
13 ance companies under the laws of this state. Funds accumu-
14 lated under this provision shall never be used for the pay-
15 ment of an obligation other than those incurred in connection
16 with title insurance, and, in the event of the insolvency of
17 a company, the fund hereby provided shall be used to pay
18 losses and to purchase reinsurance to protect title insurance
19 policyholders even though there are no accrued title insur-
20 ance claims. The reserve fund shall be considered and shall
21 constitute unearned portions of the original premiums and
22 shall be charged as a reserve liability of the company in
23 determining its financial condition.

24 (b) The reserve funds shall be maintained in the
25 treasury of the insurer as additional security to holders of
26 title insurance policies issued by the insurer. When, on
27 account of losses or otherwise, the amount of the reserve
28 fund of an insurer is less than the amount required by this
29 chapter no further insurance policies shall be issued by

1 the insurer until the deficiency below the amount required
2 is restored. The net income and profits derived from the
3 fund shall be transferred to the general assets of the
4 company. The company shall also at all times keep a separate
5 record of the cash and securities of the reserve fund,
6 giving complete identification of the assets belonging to
7 the fund and showing full particulars as to withdrawals and
8 additions. After the expiration of 120 months from the
9 date of the first annual deposit in the unearned premium
10 reserve fund made by a corporation now or hereafter qualified,
11 that portion of the reserve fund established more than 120
12 months earlier shall be released and shall no longer consti-
13 tute a part of the reserve fund and may be used for a cor-
14 porate purpose.

15 Sec. 21.66.060. DIVIDENDS. The corporation may not
16 pay dividends except from net profits remaining on hand
17 after retaining unimpaired

18 (1) the subscribed capital stock;

19 (2) the amount required to be set aside as
20 unearned premium reserve fund;

21 (3) a sum sufficient to pay current liabilities
22 for operating expenses and taxes, and losses established or
23 in process of settlement, without impairment of the unearned
24 premium reserve fund.

25 Sec. 21.66.070. FILING SCHEDULE OF RATES AND POLICY
26 FORMS. Every title insurance corporation shall file with
27 the director its schedule of rates and its policy forms.
28 Rates shall be subject to regulation under the general
29 insurance laws of the state. No company shall in connection

1 with the writing or issuance of a policy of title insurance
2 deviate from the rate schedule or policy forms as filed,
3 either by making a reduction or increase in rates or altering
4 its policy form unless it had previously filed the new rate
5 or policy form, or by discriminating in favor of or against
6 its insured. No rebates or discounts shall be paid, allowed
7 or permitted to any person.

8 Sec. 21.66.080. ANNUAL STATEMENT. Every corporation,
9 before March 2 of each year, shall furnish the director a
10 sworn statement of assets and liabilities, and of all title
11 premiums received by it during the preceding calendar year,
12 setting out among other things that three per cent of all
13 gross premiums on title insurance policies issued by it
14 during the year covering property in this state have been
15 set aside and held by it in an account known as the Title
16 Insurance Unearned Premium Reserve Fund as provided in this
17 chapter. The statement shall also show in the form which
18 may be prescribed by the director all unpaid losses and
19 claims upon title insurance policies of which the corporation
20 has received due notice in writing from or on behalf of the
21 insured. With the filing of the statement the corporation
22 shall pay a filing fee of \$15 to be placed in the general
23 fund.

24 Sec. 21.66.090. APPLICATION FOR CERTIFICATE OF AUTHOR-
25 ITY. (a) Every company, before engaging in a title insur-
26 ance business in this state, shall apply to the director for
27 a certificate of authority to transact business. The company
28 shall submit with the application a statement sworn to by
29 the proper officers of the company showing its assets and

1 liabilities and that it has complied with the capital require-
2 ments and initial guarantee fund deposit prescribed by this
3 chapter.

4 (b) With the filing of the application the corporation
5 shall pay a fee of \$50 to be deposited in the general fund
6 and in addition shall pay all traveling expenses of the
7 director or his authorized representative and per diem of
8 \$21 a day incurred in examining the applicant's title plant
9 or plants.

10 Sec. 21.66.100. ISSUANCE OF CERTIFICATE OF AUTHORITY
11 BY DIRECTOR. If the director is satisfied that the appli-
12 cant has fully complied with the foregoing and the other
13 provisions of this chapter he shall issue a certificate of
14 authority. A company which has heretofore qualified in this
15 state as a trust company with title insurance powers under
16 the banking act and is in good standing under existing law
17 shall be entitled to a certificate of authority upon its
18 filing the application and furnishing the information required
19 in the preceding section.

20 Sec. 21.66.110. ANNUAL TAX ON TITLE INSURANCE PREMIUMS.
21 Annually each title insurance company shall pay before
22 April 1, a tax of three per cent of the amount of gross title
23 insurance premiums received by it including as premium income
24 received from guaranteed certificates of title and other
25 guarantees of title during the preceding calendar year
26 covering property in this state, as shown by its annual
27 statement to the director.

28 Sec. 21.66.120. EXAMINATION BY DIRECTOR. (a) The
29 director is authorized to examine the books, accounts, assets

1 and title plants of a company authorized to write title
2 insurance hereunder to satisfy himself that there has been
3 no impairment of capital and that the company has complied
4 with the provisions of this chapter.

5 (b) If the director finds that there is an impairment
6 of capital or that the company is not complying with the
7 provisions of this chapter, he shall give notice to the
8 company to correct its capital structure to remove the
9 impairment or to comply with the provisions of this chapter.
10 If within 30 days the company has failed to comply with the
11 notice or has refused to permit an examination, the director
12 may revoke the certificate of authority issued to the company
13 authorizing it to do business in this state until such time
14 as the company has fully complied with the orders of the
15 director and the provisions of this chapter.

16 Sec. 21.66.130. EXPENSES OF EXAMINATION. The director
17 shall collect from the company the reasonable expenses of the
18 director and the compensation and reasonable expenses of the
19 person or persons appointed to examine the company, and
20 failure or refusal to pay the expenses and compensation shall
21 constitute cause for revocation of the certificate of author-
22 ity issued to the company.

23 Sec. 21.66.140. FINE OR INJUNCTION FOR DOING BUSINESS
24 DURING SUSPENSION OF CERTIFICATE. (a) A corporation con-
25 tinuing to do title insurance business after revocation of
26 its certificate of authority to do business and while in
27 default under this chapter shall be liable in addition to
28 any other civil or criminal liability to a fine of \$50 for
29 each day of the default. The fine may be recovered by an

1 action to be instituted by the attorney general in the name
2 of the state. The corporation may be enjoined from doing
3 business until payment of the fine is fully made and notice
4 of payment given to the director.

5 (b) Upon payment of the fine to the state and full
6 compliance in all other respects with the laws of this state,
7 the certificate of authority shall be reinstated and the
8 corporation shall be permitted to resume its business.

9 Sec. 21.66.150. APPLICATION OF ACT. This chapter
10 relates only to the business of insuring or guaranteeing
11 titles to real property.

12 Sec. 21.66.160. PENALTIES. An officer, director,
13 agent or employee of a company who, before obtaining a
14 certificate of authority from the director or after a revo-
15 cation thereof by the director and while in default under
16 this chapter issues a policy of title insurance or certifi-
17 cate of title on property in this state, or who engages in
18 title insurance business in this state, is guilty of a
19 misdemeanor and is subject to a fine of not to exceed \$500
20 or imprisonment not to exceed six months or both.

21 CHAPTER 69. ORGANIZATION AND CORPORATE PROCEDURES.

22 Sec. 21.69.010. SCOPE OF CHAPTER. This chapter shall
23 apply only to domestic stock insurers and domestic mutual
24 insurers transacting, or proposing to transact, insurance
25 on the cash premium or legal reserve plan, except that
26 secs. 280 (membership in mutuals) and 460 (nonassessable
27 policies, mutual insurers) of this chapter shall also apply
28 to foreign and alien insurers.

29 Sec. 21.69.020. APPLICABILITY OF GENERAL CORPORATION

1 STATUTES. The applicable laws of this state as to domestic
2 corporations formed for profit shall apply to domestic
3 stock insurers and domestic mutual insurers, except where
4 in conflict with the express provisions of this title and
5 the reasonable implications of the provisions.

6 Sec. 21.69.030. INCORPORATION. (a) This section
7 applies to stock and mutual insurers hereafter incorporated
8 in this state.

9 (b) Five or more individuals, none of whom are less
10 than 21 years of age, may incorporate a stock insurer; 10
11 or more individuals may incorporate a mutual insurer. At
12 least a majority of the incorporators shall be citizens
13 of the United States. At least a majority of the incorpora-
14 tors shall be residents of this state.

15 (c) The incorporators shall execute articles of incor-
16 poration in triplicate and acknowledge their execution in
17 the same manner as provided by law for the acknowledgment
18 of deeds. The articles of incorporation shall state the
19 purpose for which the corporation is formed and shall show

20 (1) the name of the corporation; if a mutual,
21 the word "mutual" must be a part of the name; an alternative
22 name or names may be specified for use in jurisdictions
23 wherein conflict of name with that of another insurer or
24 organization might otherwise prevent the corporation from
25 being authorized to transact insurance therein;

26 (2) the duration of its existence, which may be
27 perpetual;

28 (3) the kinds of insurance, as defined in this
29 title, which the corporation is formed to transact;

1 (4) if a stock corporation, its authorized
2 capital stock, the number of shares of common stock into
3 which divided, the par value of each share, which par
4 value shall be at least \$1; shares without par value, or
5 other than one class of voting common stock, shall not be
6 authorized; the articles of incorporation may limit or deny
7 present or future stockholders pre-emptive or preferential
8 rights to acquire additional issues of the stock, or bonds,
9 debentures or other obligations convertible into stock, of
10 the corporation, subject to the laws of Alaska fixing the
11 required representation and proportion of outstanding
12 capital stock required to be represented and voted, for
13 specified action, at any and all corporate meetings, elec-
14 tions, votes or consent proceedings;

15 (5) if a stock corporation, the extent, if any,
16 to which shares of its stock are subject to assessment;

17 (6) if a stock corporation, the number of shares
18 subscribed, if any, by each incorporator;

19 (7) if a mutual corporation, the maximum contin-
20 gent liability of its members, other than as to nonassessable
21 policies, for payment of losses and expenses incurred; the
22 liability shall be stated in the articles of incorporation,
23 but shall not be less than one or more than six times the
24 premium for the member's policy at the annual premium rate
25 for a term of one year;

26 (8) the minimum, not less than five, and the
27 maximum, not more than 21, number of directors who shall
28 constitute the board of directors and conduct the affairs
29 of the corporation; also, the names, addresses and terms of

1 the members of the initial board of directors; the term of
2 office of initial directors shall be for not more than one
3 year after the date of incorporation;

4 (9) the judicial district or other political
5 subdivision within the judicial district, in which its
6 principal office or principal place of business is to be
7 located in this state;

8 (10) other provisions, not inconsistent with law,
9 considered appropriate by the incorporators;

10 (11) the name and residence address of each incor-
11 porator, and the citizenship of each incorporator who is not
12 a citizen of the United States.

13 Sec. 21.69.040. ARTICLES OF INCORPORATION. (a) The
14 incorporators of a proposed domestic insurer shall deliver
15 the triplicate originals of the articles of incorporation
16 to the director together with the filing fees specified in
17 AS 21.06.250.

18 (b) When the articles of incorporation have been ap-
19 proved, the director shall endorse his approval upon each
20 set of the articles; except, that if the director finds that
21 the proposed insurer would not be eligible for a certificate
22 of authority under AS 21.09.100 (management and affiliations),
23 he shall refuse to approve the articles of incorporation, and
24 shall return them to the proposed incorporators together with
25 a written statement of the reasons for the refusal. If
26 approved by him, the director shall then forward the articles
27 of incorporation with his approval endorsed thereon, to the
28 incorporators. The incorporators shall immediately file one
29 set of the articles of incorporation with the commissioner of

1 commerce, one set with the director bearing the certification
2 of the commissioner of commerce, and the remaining set of
3 articles shall be made a part of the corporation's record.

4 (c) If the director finds that the proposed articles
5 of incorporation do not comply with law, he shall refuse to
6 approve them, and shall return the triplicate sets to the
7 incorporators, together with a written statement of the
8 reasons for his refusal to approve.

9 (d) The corporation shall have legal existence upon
10 the issuance of the certificate of incorporation by the
11 commissioner of commerce and the completion of the filings
12 referred to in (b) of this section, but it shall not transact
13 business as an insurer until it has qualified for and received
14 from the director a certificate of authority as provided in
15 this title.

16 (e) A copy of the certificate of incorporation, certi-
17 fied by the commissioner of commerce, shall be admissible
18 in all the courts of this state as prima facie evidence of
19 incorporation.

20 Sec. 21.69.050. AMENDMENT OF ARTICLES OF INCORPORATION.

21 (a) A domestic stock insurer may amend its articles of
22 incorporation for any lawful purpose by written authorization
23 of the holders of a majority of the voting power of its out-
24 standing capital stock or by affirmative vote of a majority
25 voting at a lawful meeting of stockholders of which the
26 notice given to stockholders included due notice of the pro-
27 posal to amend.

28 (b) A domestic mutual insurer hereafter formed may amend
29 its articles of incorporation for any lawful purpose by affir-

1 mative vote of a majority of those of its members present or
2 represented by proxy at a lawful meeting of its members of
3 which the notice given members included notice of the
4 proposal to amend.

5 (c) Upon adoption of an amendment the insurer shall
6 make in triplicate under its corporate seal a certificate
7 (sometimes referred to as "articles of amendment") setting
8 out the amendment and the date and manner of the adoption
9 thereof, which certificate shall be executed by the insurer's
10 president or vice-president and secretary or assistant
11 secretary and acknowledged by them before an officer author-
12 ized by law to take acknowledgments of deeds. The insurer
13 shall deliver to the director the triplicate originals of
14 the certificate, together with the filing fee specified in
15 AS 21.06.250. If he finds that the certificate and amend-
16 ments comply with law, the director shall endorse his approval
17 upon each of the triplicate originals and return them to
18 the insurer. The insurer shall immediately file one set of
19 the endorsed articles of amendment with the commissioner of
20 commerce, one set with the director bearing the certification
21 of the commissioner of commerce, and retain the remaining set
22 in the corporate records. The amendment shall be effective
23 when the filings have been completed.

24 (d) If the director finds that the proposed amendment
25 or certificate does not comply with the law, he shall not
26 approve it, and shall return the triplicate certificate of
27 amendment to the insurer together with his written statement
28 of reasons for nonapproval. The filing fee shall not be
29 returnable.

1 (e) If an amendment of articles of incorporation would
2 reduce the authorized capital stock of a stock insurer below
3 the amount then outstanding, the director shall not approve
4 the amendment if he has reason to believe that the interests
5 of policyholders or creditors of the insurer would be mater-
6 ially prejudiced by the reduction. If a reduction of capital
7 stock is effectuated the insurer may require return of the
8 original certificates of stock held by each stockholder for
9 exchange for new certificates for the number of shares the
10 stockholder is then entitled in the proportion that the
11 reduced capital bears to the amount of capital stock out-
12 standing as of immediately before the effective date of the
13 reduction.

14 Sec. 21.69.060. SOLICITATION PERMIT. (a) No person
15 forming or proposing to form in this state an insurer, or
16 insurance holding corporation, or stock corporation to finance
17 an insurer or insurance production therefor, or corporation
18 to manage an insurer, or corporation to be attorney in fact
19 for a reciprocal insurer, or a syndicate for any of these
20 purposes, shall advertise, or solicit or receive any funds,
21 agreement, stock subscription, or membership on account
22 thereof unless he has applied for and has received from the
23 director a solicitation permit.

24 (b) A person violating this section shall be punishable
25 by a fine of not more than \$10,000, or by imprisonment for
26 not more than 10 years, or by both.

27 Sec. 21.69.070. APPLICATION FOR SOLICITATION PERMIT.
28 To apply for a solicitation permit the person shall

29 (1) file with the director a request showing

1 (A) name, type, and purpose of insurer,
2 corporation or syndicate proposed to be formed;

3 (B) names, addresses, and business records
4 of each person associated or to be associated in the
5 formation of the proposed insurer, corporation, or
6 syndicate;

7 (C) full disclosure of the terms of all
8 understandings and agreements existing or proposed
9 among persons so associated relative to the proposed
10 insurer, corporation, or syndicate, or its formation;

11 (D) the plan according to which solicitations
12 are to be made;

13 (E) additional information which the director
14 may reasonably require;

15 (2) file with the director

16 (A) original and copies in triplicate of
17 proposed articles of incorporation, or syndicate agree-
18 ment; or, if the proposed insurer is a reciprocal, ori-
19 ginal and duplicate of the proposed subscriber's agree-
20 ment and attorney in fact agreement;

21 (B) original and duplicate copy of proposed
22 bylaws;

23 (C) copy of security proposed to be issued
24 and copy of application or subscription agreement there-
25 for;

26 (D) copy of insurance contract proposed to be
27 offered and copy of application therefor;

28 (E) copy of prospectus, advertising, or
29 literature proposed to be used;

1 (F) copy of proposed form of escrow agreement
2 required;

3 (3) deposit with the director the fees required
4 by law to be paid for the application, for filing of the
5 articles of incorporation of an insurer, for filing the sub-
6 scribers' agreement and attorney in fact agreement if the
7 proposed insurer is a reciprocal, for the solicitation permit,
8 if granted, and for filing articles of incorporation with the
9 commissioner of commerce.

10 Sec. 21.69.080. PROCEDURE UPON APPLICATION. (a) The
11 director shall expeditiously examine the application for a
12 solicitation permit and make an investigation if considered
13 necessary. If the director finds that (1) the application
14 is complete; (2) the documents therewith filed are equitable
15 in terms and proper in form; and (3) the agreements made or
16 proposed are equitable to present and future shareholders,
17 subscribers, members or policyholders, he shall give notice
18 to the applicant that he will issue a solicitation permit,
19 stating the terms to be contained in it, upon the filing of
20 the bond required by sec. 140 of this chapter.

21 (b) If the director does not so find, or if he finds
22 that any of the persons named in the application as being
23 associated or to be associated in the formation of the insurer,
24 corporation or syndicate are untrustworthy, he shall give
25 notice to the applicant that the permit will not be granted,
26 stating the grounds therefor, and shall refund to the appli-
27 cant all sums deposited except the application fee.

28 Sec. 21.69.090. ISSUANCE OF PERMIT. Upon the filing
29 of the bond required by sec. 140 of this chapter after notice

1 by the director, the director shall

2 (1) file the articles of incorporation of the
3 proposed incorporated insurer or other corporation with the
4 commissioner of commerce;

5 (2) issue to the applicant a solicitation permit.

6 Sec. 21.69.100. DURATION OF PERMIT. Every solicitation
7 permit issued by the director shall

8 (1) be for a period of not over two years, subject
9 to the right of the director to grant a reasonable extension
10 for good cause;

11 (2) state the securities for which subscriptions
12 are to be solicited, the number, classes, par value, and
13 selling price thereof, or identify the insurance contract
14 for which applications and advance premiums or deposits are
15 to be solicited;

16 (3) limit the portion of funds received on account
17 of stock or syndicate subscriptions, if any are proposed to
18 be taken, which may be used for promotion and organization
19 expenses to an amount he considers adequate, but in no event
20 to exceed 15 per cent of the funds as and when actually
21 received;

22 (4) if to be a mutual or reciprocal insurer, limit
23 the portion of funds received on account of applications for
24 insurance which may be used for promotion or organization
25 expenses to a reasonable commission upon the funds, giving
26 consideration to the kind of insurance and policy involved
27 and to the costs incurred by insurers generally in the pro-
28 duction of similar business, and provide that no commission
29 shall be considered to be earned nor be paid until the insurer

1 has received its certificate of authority and the policies
2 applied for and upon which the commission is to be based,
3 have been actually issued and delivered;

4 (5) contain other information required by this
5 chapter or reasonable conditions relative to accounting and
6 reports or otherwise which the director considers necessary.

7 Sec. 21.69.110. PERMIT AS INDUCEMENT. The granting of
8 a solicitation permit is permissive only and shall not
9 constitute an endorsement by the director of any person or
10 thing related to the proposed insurer, corporation, or
11 syndicate and the existence of the permit shall not be
12 advertised or used as an inducement in a solicitation. The
13 substance of this section is bold faced type not less than
14 10 point shall be printed at the top of each solicitation
15 permit.

16 Sec. 21.69.120. SOLICITORS' LICENSES. Solicitation
17 for sale of securities to members of the public under a
18 solicitation permit shall be made only by individuals
19 licensed under the provisions of the securities act.

20 Sec. 21.69.130. MODIFICATION, REVOCATION OF PERMIT.

21 (a) The director may, for cause, modify a solicitation per-
22 mit, or may, after a hearing, revoke a solicitation permit
23 for violation of a provision of this title, or of the terms
24 of the permit, or of a proper order of the director, or for
25 misrepresentation.

26 (b) The director shall revoke a solicitation permit
27 if requested in writing by a majority of the syndicate members,
28 or by a majority of the incorporators and two-thirds of the
29 subscribers to stock or applicants for insurance in the

1 proposed incorporated insurer or corporation, or if he is
2 requested by a majority of the subscribers of a proposed
3 reciprocal insurer.

4 Sec. 21.69.140. BOND. (a) The director shall not
5 issue a solicitation permit until the person applying for
6 it files with him a corporate surety bond in the penalty of
7 \$10,000, in favor of the state and for the use and benefit
8 of the state and of subscribers and creditors of the proposed
9 organization.

10 (b) The bond shall be conditioned upon the payment of
11 costs incurred by the state in event of a legal proceedings
12 for liquidation or dissolution of the proposed organization
13 before completion of organization or if a certificate of
14 authority is not granted; and upon a full accounting for
15 funds received until the proposed insurer has been granted
16 its certificate of authority, or until the proposed corpora-
17 tion or syndicate has completed its organization as defined
18 in the solicitation permit.

19 (c) In lieu of filing the bond, the person may deposit
20 with the director \$10,000 in cash or in United States
21 government bonds at par value, to be held in trust upon the
22 same conditions as required for the bond.

23 (d) The director may waive the requirement for a bond
24 or deposit in lieu thereof if the permit provides that

25 (1) the proposed securities are to be distributed
26 solely and finally to those few persons who are the active
27 promoters intimate to the formation of the insurer, or other
28 corporation or syndicate; or

29 (2) the securities are to be issued in connection

1 with subsequent financing as provided in sec. 200 of this
2 chapter.

3 (e) A bond filed or deposit or remaining portion of a
4 bond held under this section shall be released and dis-
5 charged upon settlement or termination of all liabilities
6 against it.

7 Sec. 21.69.150. ESCROW OF FUNDS. (a) All funds re-
8 ceived under a solicitation permit shall be deposited and
9 held in escrow in a bond or trust company under an agreement
10 approved by the director. No part of the deposit shall be
11 withdrawn, except

12 (1) for the payment of promotion and organization
13 expenses as authorized by the solicitation permit;

14 (2) for the purpose of making a deposit with the
15 director required for the issuance of a certificate of
16 authority to an insurer;

17 (3) if the proposed organization is not to be an
18 insurer, upon completion of payments on stock or syndicate
19 subscriptions made under the solicitation permit and deposit
20 or appropriation of the funds to the purposes specified in
21 the solicitation permit; or

22 (4) for making refunds as provided in sec. 190
23 of this chapter.

24 (b) When the director has issued a certificate of
25 authority to an insurer the funds remaining in escrow for
26 its account shall be released to the insurer.

27 Sec. 21.69.160. LIABILITY OF ORGANIZERS. (a) The
28 incorporators of an insurer or other corporation, or the
29 persons proposing to form a reciprocal insurer, or a syndicate,

1 shall be jointly and severally liable for its debts or
2 liabilities until it has secured a certificate of authority,
3 if an insurer, or has completed its organization if a cor-
4 poration other than an insurer or a syndicate.

5 (b) Any portion of funds received on account of stock
6 or syndicate subscriptions which is allowed therefor under
7 the solicitation permit, may be applied concurrently toward
8 the payment of promotion and organization expense theretofore
9 incurred.

10 Sec. 21.69.170. PAYMENT FOR SUBSCRIPTIONS. (a) No
11 proposed stock insurer, corporation, or syndicate shall issue
12 a share of stock or participation agreement except for pay-
13 ment in cash or in securities eligible for investment of
14 funds of insurers. No shares or agreement shall be issued
15 until all subscriptions received under the solicitation per-
16 mit have been fully paid, or, if an insurer, until a certifi-
17 cate of authority has been issued to it.

18 (b) Every subscription contract to shares of stock
19 insurer or other corporation calling for payment in install-
20 ments, together with all amounts paid thereon may be forfeited
21 at the option of the corporation, upon failure to make good
22 a delinquency in any installment upon not less than 45 days
23 notice in writing, and every such contract shall so provide.

24 Sec. 21.69.180. INSURANCE APPLICATIONS. All applications
25 for insurance obtained in forming a mutual or reciprocal
26 insurer shall provide that

27 (1) issuance of the policy is contingent upon
28 completion of organization of the insurer and issuance to it
29 of a certificate of authority;

1 (2) the prepaid premium or deposit will be
2 refunded in full to the applicant if the organization is not
3 completed and certificate of authority issued before the
4 solicitation permit's date of expiration;

5 (3) the agreement for insurance is not effective
6 until a policy has been issued under it.

7 Sec. 21.69.190. FAILURE TO COMPLETE ORGANIZATION OR
8 TO QUALIFY. The director shall withdraw all funds held in
9 escrow and refund to subscribers or applicants all sums paid
10 in on stock or syndicate subscriptions, less that part of
11 the sums paid in on subscriptions as has been allowed and
12 used for promotion and organization expenses, and all sums
13 paid in on insurance applications, and shall dissolve the
14 proposed insurer, corporation or syndicate if

15 (1) the proposed insurer, corporation or syndicate
16 fails to complete its organization and obtain full payment
17 for subscriptions and applications, and, if an insurer, it
18 fails to secure its certificate of authority, all before
19 expiration of the solicitation permit; or

20 (2) the director revokes the solicitation permit.

21 Sec. 21.69.200. SUBSEQUENT FINANCING. (a) No domestic
22 insurer, or insurance holding corporation, or stock corpora-
23 tion for financing operations of a mutual insurer, or attorney
24 in fact corporation of a reciprocal insurer, after (1) it has
25 received a certificate of authority, if an insurer; or (2)
26 it has completed its initial organization and financing if
27 a corporation other than an insurer, shall solicit or receive
28 funds in exchange for a new issue of its corporate securities,
29 other than through a stock dividend, until it has applied to

1 the director for, and has been granted, a solicitation per-
2 mit.

3 (b) The director shall issue a permit unless he finds
4 that

5 (1) the funds proposed to be secured are exces-
6 sive in amount for the purpose intended;

7 (2) the proposed securities or the manner of
8 their distribution are inequitable; or

9 (3) the issuance of the securities would jeopardize
10 the interests of policyholders or the holders of other
11 securities of the insurer or corporation.

12 (c) A solicitation permit granted by the director shall
13 be for the duration, and shall contain the terms and be
14 issued upon the conditions which the director may reasonably
15 specify or require.

16 Sec. 21.69.210. PENALTY FOR EXHIBITING FALSE ACCOUNTS.
17 Every person who, with intent to deceive, knowingly exhibits
18 a false account, or document, or advertisement, relative to
19 the affairs of an insurer, or of a corporation or syndicate
20 of the kind enumerated in sec. 60 of this chapter, formed or
21 proposed to be formed, shall be punishable by imprisonment
22 for not more than five years, or by a fine of not more than
23 \$10,000 or by both.

24 Sec. 21.69.220. INITIAL QUALIFICATIONS OF DOMESTIC
25 MUTUALS. (a) When newly organized, a domestic mutual insurer
26 may be authorized to transact any one of the kinds of insur-
27 ance listed in the schedule contained in (b) of this section.

28 (b) When applying for an original certificate of author-
29 ity, the insurer must be otherwise qualified 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 the insurance coverages are to become effective, or, in lieu of the 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)	(B)	(C)	(D)
Kind of Insurance	Minimum No.	Minimum No.	Minimum
	of	of	Premium
	Applicants	Subjects	Collected
	Accepted	Covered	
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)	(F)	(G)	(H)
Minimum	Maximum	Minimum	Deposit
Amount of	Amount of	Surplus	of Surplus
Insurance	Insurance	Funds	in Lieu of
Each	Each	Deposited	(7)
Subject	Subject	(6)	

1		(5)		
2	\$1,000	\$ 2,500	\$ 50,000	\$100,000
3	\$ 10	\$ 25	\$ 50,000	\$100,000
4	(weekly	(weekly		
5	indem.)	indem.)		
6	\$1,000	\$ 3,000	\$100,000	\$200,000
7	\$1,000	\$10,000	\$150,000	\$200,000
8	\$1,000	\$10,000	\$200,000	\$300,000

9 (c) The following provisos are respectively applicable
10 to the schedule in (b) of this section and provisions as
11 indicated by like numerals appearing in the schedule:

12 (1) no group insurance or term policies for terms
13 of less than 10 years shall be included;

14 (2) no group, blanket or family plans of insurance
15 shall be included; in lieu of weekly indemnity a like premium
16 value in medical, surgical and hospital benefits may be pro-
17 vided; any accidental death or dismemberment benefit provided
18 shall not exceed \$2,500;

19 (3) only insurance of the owner's interest in real
20 property may be included;

21 (4) must include insurance of legal liability for
22 bodily injury and property damage, to which the maximum and
23 minimum insured amounts apply;

24 (5) the maximums provided for in this column (F)
25 are net of applicable reinsurance;

26 (6) the deposit of surplus in the amount specified
27 in columns (G) and (H) must thereafter be maintained unim-
28 paired; the deposit is subject to the provisions of ch. 24
29 of this title (administration of deposits).

1 Sec. 21.69.230. FORMATION OF MUTUAL INSURER. (a)

2 Before soliciting applications for insurance required under
3 sec. 220 of this chapter as qualification for the original
4 certificate of authority, the incorporators of the proposed
5 insurer shall file with the director a corporate surety bond
6 in the penalty of \$20,000, in favor of the state and for the
7 use and benefit of the state and of applicant members and
8 creditors of the corporation. The bond shall be conditioned
9 as follows:

10 (1) for the prompt return to applicant members of
11 all premiums collected in advance;

12 (2) for payment of all indebtedness of the corpora-
13 tion;

14 (3) for payment of costs incurred by the state in
15 event of legal proceedings for liquidation or dissolution of
16 the corporation, all in the event the corporation fails to
17 complete its organization and secure a certificate of author-
18 ity within one year from after the date of its certificate of
19 incorporation.

20 (b) In lieu of the bond, the incorporators may deposit
21 with the director \$20,000 in cash or United States government
22 bonds, negotiable and payable to the bearer, with a market
23 value at all times of not less than \$20,000, to be held in
24 trust upon the same conditions as required for the bond.

25 (c) The bond filed or deposit or remaining portion
26 thereof held under this section shall be released and dis-
27 charged upon settlement and termination of all liabilities
28 against it.

29 Sec. 21.69.240. APPLICATIONS FOR INSURANCE IN FORMATION

1 OF MUTUAL INSURER. (a) Upon receipt of the director's
2 approval of the bond or deposit as provided in sec. 230 of
3 this chapter, the directors and officers of the proposed
4 domestic mutual insurer may commence solicitation of the
5 requisite applications for insurance policies which they may
6 accept, and may receive deposits of premiums on them.

7 (b) All such applications shall be in writing signed
8 by the applicant, covering subjects of insurance resident,
9 located or to be performed in this state.

10 (c) The applications shall provide that

11 (1) issuance of the policy is contingent upon the
12 insurer qualifying for and receiving a certificate of author-
13 ity;

14 (2) no insurance is in effect unless and until the
15 certificate of authority has been issued;

16 (3) the prepaid premium or deposit, and membership
17 or policy fee, if any, shall be refunded in full to the appli-
18 cant if organization is not completed and the certificate of
19 authority is not issued and received by the insurer before a
20 specified reasonable date which date shall be not later than
21 one year after the date of the certificate of incorporation.

22 (d) All qualifying premiums collected shall be in cash.

23 (e) Solicitation for qualifying applicants for insur-
24 ance shall be by licensed agents of the corporation, and
25 the director shall, upon the corporation's application, issue
26 temporary agent's licenses expiring on the date specified
27 under (c)(3) of this section to individuals qualified as for
28 a resident agent's license except as to the taking or passing
29 of an examination. The director may suspend or revoke a

1 license for any of the causes and under the same procedures
2 as are applicable to suspension or revocation of licenses of
3 agents in general under ch. 27.

4 Sec. 21.69.250. FORMATION OF MUTUALS. (a) All sums
5 collected by a domestic mutual corporation as premiums or
6 fees on qualifying applications for insurance therein shall
7 be deposited in trust in a bank or trust company in this
8 state under a written trust agreement consistent with this
9 section and with sec. 240(c)(3) of this chapter. The cor-
10 poration shall file an executed copy of the trust agreement
11 with the director.

12 (b) Upon issuance to the corporation of a certificate
13 of authority as an insurer for the kind of insurance for
14 which the applications were solicited, all funds so held
15 in trust shall become the funds of the insurer, and the
16 insurer, shall thereafter in due course issue and deliver
17 its policies for which premiums had been paid and accepted.
18 The insurance provided by the policies shall be effective as
19 of the date of the certificate of authority or thereafter as
20 provided by the respective policies.

21 Sec. 21.69.260. FAILURE TO QUALIFY. If the proposed
22 domestic insurer fails to complete its organization and to
23 secure its original certificate of authority within one year
24 from and after the date of its certificate of incorporation,
25 its corporate powers shall cease, and the director shall
26 return or cause to be returned to the persons entitled thereto
27 all advance deposits or payments of premiums held in trust
28 under sec. 250 of this chapter.

29 Sec. 21.69.270. ADDITIONAL KINDS OF INSURANCE. A

1 domestic mutual insurer, after being authorized to transact
2 one kind of insurance, may be authorized by the director to
3 transact the additional kinds of insurance which are per-
4 mitted under AS 21.09.060, while otherwise in compliance
5 with this title and while maintaining unimpaired surplus
6 funds in an amount not less than the amount of paid-in
7 capital stock required of a domestic stock insurer transact-
8 ing like kinds of insurance, subject further to the addi-
9 tional expendable surplus requirements of AS 21.09.080
10 applicable to such a stock insurer.

11 Sec. 21.69.280. MEMBERSHIP IN MUTUALS. (a) Each
12 policyholder of a domestic mutual insurer, other than of a
13 reinsurance contract, is a member of the insurer with all
14 rights and obligations of the membership, and the policy
15 shall so specify.

16 (b) A person, government or governmental agency, state
17 or political subdivision thereof, public or private corpora-
18 tion, board, association, firm, estate, trustee or fiduciary
19 may be a member of a domestic, foreign, or alien mutual
20 insurer. An officer, stockholder, trustee or legal repre-
21 sentative of any such corporation, board, association or
22 estate may be recognized as acting for or on its behalf for
23 the purpose of the membership, and shall not be personally
24 liable upon a contract of insurance for acting in the repre-
25 sentative capacity.

26 (c) A domestic corporation may participate as a member
27 of a mutual insurer as an incidental purpose for which the
28 corporation is organized, and as much granted as the rights
29 and powers expressly conferred.

1 Sec. 21.69.290. BYLAWS OF MUTUAL. (a) A domestic
2 mutual insurer shall have bylaws for the governing of its
3 affairs. The initial board of directors of the insurer shall
4 adopt original bylaws, subject to the approval of the insurer's
5 members at the next succeeding meeting. The members
6 shall have power to make, modify and revoke bylaws.

7 (b) The bylaws shall provide:

8 (1) that each member is entitled to one vote upon
9 each matter coming to a vote at meetings of members; or to
10 more votes in accordance with a reasonable classification of
11 members as set out in the bylaws and based upon the amount of
12 insurance in force, number of policies held or upon the
13 amount of the premiums paid by the member, or upon other reasonable
14 factors; a member shall have the right to vote in
15 person or by his written proxy; no proxy shall be made irrevocable
16 or for longer than a reasonable period of time;

17 (2) for election of directors by the members; and
18 the number, qualifications, terms of office and powers of
19 directors;

20 (3) the time, notice, quorum, and conduct of annual
21 and special meetings of members and voting at meetings; the
22 bylaws may provide that the annual meeting shall be held at a
23 place, date and time to be set out in the policy and without
24 giving other notice of the meeting;

25 (4) the number, designation, election, terms and
26 powers and duties of the respective corporate officers;

27 (5) for deposit, custody, disbursement and accounting
28 as to corporate funds;

29 (6) for other reasonable provisions customary,

1 necessary or convenient for the management or regulation of
2 its corporate affairs.

3 (c) No provision in the bylaws for determining a quorum
4 of members at a meeting of less than a majority of all the
5 insurer's members shall be effective unless approved by the
6 director. This subsection shall not affect any other pro-
7 vision of law requiring a vote of a larger percentage of
8 members for a specified purpose.

9 (d) The insurer shall promptly file with the director
10 a copy, certified by the insurer's secretary, of its bylaws
11 and of every modification or addition. The director shall
12 disapprove a bylaw provision considered by him to be unlawful,
13 unreasonable, inadequate, unfair or detrimental to the proper
14 interests or protection of the insurer's members or any class
15 of them. The insurer shall not, after receiving written
16 notice of the disapproval and during the existence thereof,
17 effectuate a bylaw provision so disapproved.

18 Sec. 21.69.300. BYLAWS OF STOCK INSURER. A bylaw
19 adopted at a meeting of stockholders of a domestic insurer
20 shall not be modified or revoked except by the stockholders
21 at a subsequent meeting unless the bylaws as adopted or
22 amended by the stockholders grants authority to the board of
23 directors to revoke or modify bylaw provisions; but the board
24 of directors shall not revoke or modify a bylaw relating to
25 the qualifications, election, terms, or compensation of
26 directors, or to the calling or notice of meetings of stock-
27 holders. A revocation or modification of bylaws made by the
28 directors under this provision shall be presented at the next
29 following meeting of stockholders for the information of the

1 stockholders.

2 Sec. 21.69.310. MEETINGS OF STOCKHOLDERS OR MEMBERS.

3 (a) Meetings of stockholders or members of a domestic
4 insurer shall be held in the city or town of its principal
5 office or place of business in this state.

6 (b) No meeting of stockholders or members shall amend
7 the insurer's articles of incorporation unless the proposal
8 to amend was included in the notice of the meeting.

9 (c) Each insurer shall, during the first six months of
10 each calendar year, hold the annual meeting of its stock-
11 holders or members to fill vacancies existing or occurring
12 in the board of directors, receive and consider reports of
13 the insurer's officers as to its affairs, and transact other
14 business which may properly be brought before it. No less
15 than 20 days' notice shall be given of the meeting in the
16 manner provided in the bylaws, except where notice of the
17 annual meeting of a mutual insurer is contained in its policies.

18 (d) Special meetings of the stockholders or members may
19 be called at any time for any purpose by the board of directors
20 upon not less than 10 days' notice as provided in the bylaws.
21 The notice shall state the purpose of the meeting, and no
22 business shall be transacted at the meeting of which notice
23 was not given.

24 (e) If more than 15 months are allowed to elapse with-
25 out an annual stockholders' or members' meeting being held,
26 a stockholder or member may call a meeting to be held. At
27 any time, upon written request of a director, or of stock-
28 holders or members holding in the aggregate one-fifth of the
29 voting power of all stockholders or members, it shall be the

1 duty of the secretary to call a special meeting of stock-
2 holders or members to be held at the time the secretary may
3 fix, not less than 10 or more than 30 days after the receipt
4 of the request. If the secretary fails to issue the call,
5 the director, stockholders or members making the request may
6 do so.

7 (f) A stockholders' or members' meeting can be organized
8 for the transaction of business whenever a quorum is present.
9 Except as otherwise provided by law or the articles of incor-
10 poration,

11 (1) the presence, in person or by proxy, of the
12 holders of a majority of the voting power of all stockholders
13 or of all members shall constitute a quorum;

14 (2) the stockholders or members present at a
15 meeting can continue to do business until adjournment, not-
16 withstanding the withdrawal of enough stockholders or members
17 to leave less than a quorum;

18 (3) if a necessary officer fails to attend the
19 meeting, a stockholder or member present may be elected to
20 act temporarily in lieu of the absent officer;

21 (4) if a meeting cannot be organized because a
22 quorum has not attended, those present may adjourn the meeting
23 to a time they may determine, but in the case of a meeting
24 called for the election of a director the adjournment must be
25 to the next day and those who attend the second of the ad-
26 journed meetings, although less than a quorum as fixed in
27 this section or in the articles of incorporation, shall
28 nevertheless constitute a quorum for the purpose of electing
29 a director;

1 (5) an annual or special meeting of stockholders
2 or members may be adjourned to another date without new
3 notice being given.

4 Sec. 21.69.320. PROXIES. (a) Every proxy of a stock-
5 holder of an insurer, unless coupled with an interest, shall
6 be revocable at will and this provision cannot be waived.
7 The validity of every unrevoked proxy shall cease 11 months
8 after the date of its execution unless some other definite
9 period of validity is expressly provided therein, but in no
10 event shall a proxy, unless coupled with an interest, be
11 voted on after three years from the date of its execution.

12 (b) The revocation of a proxy shall not be effective
13 until notice has been given to the secretary of the insurer.

14 Sec. 21.69.330. CORRUPT PRACTICES. No person shall buy
15 or sell or barter a vote or proxy, relative to a meeting of
16 stockholders or members of an insurer, or engage in a corrupt
17 or dishonest practice in or relative to the conduct of a
18 meeting. Violation of this section shall be punishable as
19 provided in AS 21.90.030.

20 Sec. 21.69.340. DIRECTORS. (a) The affairs of every
21 domestic insurer shall be managed by the number of directors
22 fixed in the insurer's bylaws, which shall not be less than
23 five or more than 21 directors.

24 (b) Directors must be elected from and by the members
25 or stockholders of a domestic insurer, except as provided in
26 sec. 350 of this chapter, at the time and place, and for the
27 terms, not exceeding three years, as may be provided in the
28 insurer's bylaws.

29 (c) The term of a director shall extend until his suc-

1 cessor has been elected and has qualified.

2 Sec. 21.69.350. PARTICIPATION OF POLICYHOLDERS IN
3 ELECTION OF DIRECTORS. The bylaws of a domestic stock life
4 insurer may provide a plan for its policyholders to partici-
5 pate with stockholders in the election of its directors.

6 Sec. 21.69.360. BOND OF OFFICERS OF MUTUAL. (a) The
7 president, secretary, and treasurer of every mutual insurer
8 shall each file with the director and thereafter maintain in
9 force as long as he is an officer, a fidelity bond in the
10 sum of \$10,000 issued by an authorized corporate surety in
11 favor of the insurer. In lieu of individual bonds, all
12 these officers may be covered under a blanket bond for the
13 same respective amounts; the blanket bond shall be filed
14 with the director.

15 (b) The premium for the bond shall be payable by the
16 insurer.

17 (c) No bond shall be subject to cancellation except
18 upon written notice to both the insurer and the director,
19 delivered not less than 30 days in advance of the effective
20 date of the cancellation.

21 (d) The insurer shall provide for the bonding by
22 authorized corporate surety of all other officers in any way
23 responsible for the handling of the funds of the insurer.

24 (e) This section does not limit the amount of bonded
25 protection which the insurer may carry as to any officer.

26 Sec. 21.69.370. PROHIBITED PECUNIARY INTEREST OF
27 OFFICIALS. (a) An officer or director, or a member of a
28 committee or an employee of a domestic insurer who is charged
29 with the duty of investing or handling the insurer's funds

1 shall not deposit or invest the funds except in the insurer's
2 corporate name; shall not borrow the funds of the insurer;
3 shall not be pecuniarily interested in a loan, pledge of
4 deposit, security, investment, sale purchase, exchange,
5 reinsurance, or other similar transaction or property of the
6 insurer except as a stockholder or member; and shall not take
7 or receive to his own use a fee, brokerage, commission, gift,
8 or other consideration for or on account of a transaction
9 made by or on behalf of the insurer.

10 (b) No insurer shall guarantee a financial obligation
11 of any of its officer or directors.

12 (c) This section does not prohibit a director or
13 officer, or member of a committee or employee from becoming
14 a policyholder of the insurer and enjoying the usual rights
15 provided for its policyholders.

16 (d) The director may, by regulations from time to time,
17 define and permit additional exceptions to the prohibition
18 contained in (a) of this section solely to enable payment of
19 reasonable compensation to a director who is not otherwise
20 an officer or employee of the insurer, or to a corporation or
21 firm in which a director is interested, for necessary services
22 performed or sales or purchases made to or for the insurer in
23 the ordinary course of the insurer's business and in the usual
24 private professional or business capacity of the director or
25 the corporation or firm.

26 Sec. 21.69.380. MANAGEMENT AND EXCLUSIVE AGENCY CON-
27 TRACTS. (a) No domestic insurer shall make a contract
28 whereby a person is granted or is to enjoy in fact the manage-
29 ment of the insurer to the substantial exclusion of its board

1 of directors or to have the controlling or pre-emptive right
2 to produce substantially all insurance business for the
3 insurer, unless the contract is filed with and approved by
4 the director. The contract shall be considered approved
5 unless disapproved by the director within 20 days after date
6 of filing, subject to a reasonable extension of time which
7 the director may require by notice given within the 20 days.
8 A disapproval shall be delivered to the insurer in writing,
9 stating the grounds for it.

10 (b) The director shall disapprove a contract if he
11 finds that it

12 (1) subjects the insurer to excessive charges;

13 (2) is to extend for an unreasonable length of
14 time;

15 (3) does not contain fair and adequate standards
16 of performance; or

17 (4) contains other inequitable provision or pro-
18 visions which impair the proper interests of stockholders or
19 members of the insurer.

20 Sec. 21.69.390. HOME OFFICE AND RECORDS. (a) Every
21 domestic insurer shall have and maintain its principal place
22 of business and home office in this state, and shall keep
23 therein complete records of its assets, transactions, and
24 affairs in accordance with the methods and systems which are
25 customary or suitable as to the kind or kinds of insurance
26 transacted.

27 (b) Every domestic insurer shall have and maintain its
28 assets in this state, except as to

29 (1) real property and personal property appurtenant

1 to it lawfully owned by the insurer and located outside this
2 state; and

3 (2) property of the insurer which may be customary,
4 necessary, and convenient to enable and facilitate the oper-
5 ation of its branch offices and "regional home offices"
6 located outside this state as referred to in (d) of this
7 section.

8 (c) Removal of all or a material part of the records or
9 assets of a domestic insurer from this state except under
10 a plan of merger or consolidation approved by the director
11 under this title, or for reasonable purposes and periods of
12 time which may be approved by the director in writing in
13 advance of the removal, or concealment of the records or
14 assets or material part thereof from the director, is pro-
15 hibited. A person who removes or attempts to remove such
16 records or assets or such material part thereof from the home
17 office or other place of business or of safekeeping of the
18 insurer in this state with the intent to remove the same from
19 this state, or who conceals or attempts to conceal the same
20 from the director, in violation of this subsection, shall be
21 punishable by a fine of not more than \$10,000 or by imprison-
22 ment for not more than five years, or by both. Upon any
23 removal or attempted removal of such records or assets or
24 upon retention of such records or assets or material part
25 thereof outside this state, beyond the period therefor speci-
26 fied in the director's consent under which the records were
27 so removed thereat, or upon concealment of or attempt to con-
28 ceal records or assets in violation of this section, the
29 director may institute delinquency proceedings against the

1 insurer pursuant to the provisions of ch. 78 of this title.

2 (d) This section does not prohibit or prevent an insurer
3 from

4 (1) establishing and maintaining branch offices
5 or "regional home offices" in other states where necessary
6 or convenient to the transaction of its business and keeping
7 therein the detailed records and assets customary and neces-
8 sary for the servicing of its insurance in force and affairs
9 in the territory served by that office, as long as the records
10 and assets are made readily available at the office for ex-
11 amination by the director at his request;

12 (2) having, depositing or transmitting funds and
13 assets of the insurer in or to jurisdictions outside this
14 state as reasonably and customarily required in the regular
15 course of its business;

16 (3) making deposits under custodial arrangements
17 as provided by AS 21.24.040(c).

18 Sec. 21.69.400. VOUCHERS FOR EXPENDITURES. (a) No
19 insurer shall make a disbursement of \$100 or more, unless
20 evidenced by a voucher correctly describing the consideration
21 for the payment and supported by a check or receipt endorsed
22 or signed by or on behalf of the person receiving the money.

23 (b) If the disbursement is for services and reimburse-
24 ment, the voucher shall describe the services and expenditures.

25 (c) If the disbursement is in connection with any matter
26 pending before a legislature or public body or before a public
27 official, the voucher shall also correctly describe the nature
28 of the matter and of the insurer's interest in it.

29 (d) If a voucher cannot be obtained, the expenditure

1 referred to in (a) of this section shall be evidenced by an
2 affidavit in which is set out the character and object of
3 the expenditure and the reasons for not obtaining a voucher
4 for it.

5 Sec. 21.69.410. AGREEMENT NOT TO SELL PROPERTY PRO-
6 HIBITED. No insurer shall enter into an agreement to with-
7 hold from sale any of its property. Disposition of an
8 insurer's property shall be at all times within the control
9 of its board of directors.

10 Sec. 21.69.420. SOLICITATIONS IN OTHER STATES. (a) No
11 domestic insurer shall knowingly solicit insurance business
12 in a reciprocating state in which it is not then licensed
13 as an authorized insurer.

14 (b) This section does not prohibit advertising through
15 publication and radio, television and other broadcasts origi-
16 nating outside the reciprocating state, if the insurer is
17 licensed in a majority of the states in which the advertising
18 is disseminated, and if the advertising is not specifically
19 directed to residents of the reciprocating state.

20 (c) This section does not prohibit insurance, covering
21 persons or risks located in a reciprocating state, under
22 contract solicited and issued in states in which the insurer
23 is then licensed. This section does not prohibit insurance
24 effectuated by the insurer as an unauthorized insurer in
25 accordance with the laws of the reciprocating state.

26 (d) A "reciprocating" state, as used herein, is one
27 under the laws of which a similar prohibition is imposed upon
28 and enforced against insurers domiciled in that state.

29 (e) The director shall suspend or revoke the certificate

1 of authority of a domestic insurer found by him, after a
2 hearing, to have violated this section.

3 Sec. 21.69.430. CONTINGENT LIABILITY OF MUTUAL MEMBERS.

4 (a) Each member of a domestic mutual insurer shall, except
5 as otherwise hereinafter provided with respect to nonasses-
6 sable policies, have a contingent liability, pro rata and
7 not one for another, for the discharge of its obligations,
8 which contingent liability shall be expressed in the policy
9 and be in the maximum amount which is specified in the
10 insurer's articles of incorporation.

11 (b) Termination of the policy of the member shall not
12 relieve the member of contingent liability for his proportion,
13 if any, of the obligations of the insurer which accrued while
14 the policy was in force.

15 (c) Unrealized contingent liability of members does
16 not constitute an asset of the insurer in a determination of
17 its financial condition.

18 Sec. 21.69.440. LEVY OF CONTINGENT LIABILITY. (a) If
19 at any time the assets of a domestic mutual insurer are less
20 than its liabilities and the minimum amount of surplus
21 required to be maintained by it by this title for authority
22 to transact the kinds of insurance being transacted, and
23 the deficiency is not cured from other sources, its directors
24 shall levy an assessment only upon its members who held
25 policies providing for contingent liability at any time
26 within the 12 months preceding the date notice of the assess-
27 ment was mailed to them, and the members shall be liable to
28 the insurer for the amount assessed.

29 (b) The assessment shall be for the amount required to

1 cure the deficiency and to provide a reasonable amount of
2 working funds above the minimum amount of surplus, but the
3 working funds so provided shall not exceed five per cent of
4 the insurer's liabilities as of the date as on which the
5 amount of the deficiency was determined.

6 (c) In levying an assessment upon a policy providing
7 for contingent liability, the assessment shall be computed
8 on the basis of the premiums earned on the policy during the
9 period to which the assessment relates.

10 (d) No member shall have an offset against an assess-
11 ment for which he is liable, on account of a claim for
12 unearned premium or loss payable.

13 (e) As to life insurance, any part of the assessment
14 upon a member which remains unpaid following notice of
15 assessment, demand for payment, and lapse of a reasonable
16 waiting period as specified in the notice, may, if approved
17 by the director as being in the best interests of the insurer
18 and its members, be secured by placing a lien upon the cash
19 surrender values and accumulated dividends held by the
20 insurer to the credit of the member.

21 Sec. 21.69.450. ENFORCEMENT OF CONTINGENT LIABILITY.

22 (a) An assessment made by an insurer under secs. 440 or 540
23 of this chapter shall be considered to be prima facie correct.
24 The amount of the assessment to be paid by each member as
25 determined by the insurer shall be considered to be likewise
26 prima facie correct.

27 (b) The insurer shall notify each member of the amount
28 of the assessment to be paid by written notice mailed to the
29 address of the member last of record with the insurer.

1 Failure of the member to receive the notice so mailed, within
2 the time specified therein for the payment of the assessment
3 or at all, shall be no defense in an action to collect the
4 assessment.

5 (c) If a member fails to pay the assessment within the
6 period specified in the notice, which period shall not be
7 less than 20 days after mailing, the insurer may institute
8 suit to collect it.

9 Sec. 21.69.460. NONASSESSABLE POLICIES, MUTUAL INSURERS.

10 (a) When possessing surplus funds in an amount not less than
11 the paid-in capital stock required of a domestic stock
12 insurer transacting like kinds of insurance, a domestic mutual
13 insurer may, upon receipt of the director's order so author-
14 izing, extinguish the contingent liability of its members as
15 to all its policies in force and may omit provisions imposing
16 contingent liability in all its policies currently issued.

17 (b) A foreign or alien mutual insurer may issue non-
18 assessable policies to its members in this state under its
19 articles of incorporation and the laws of its domicile.

20 (c) No policy of a domestic mutual insurer which, under
21 the director's order, is without contingent liability and
22 thereby nonassessable by its terms shall be subject to assess-
23 ment for a debt or liability of the insurer.

24 Sec. 21.69.470. NONASSESSABLE POLICIES. The director
25 shall revoke the authority of a domestic mutual insurer to
26 issue policies without contingent liability if at any time
27 the insurer's assets are less than the sum of its liabilities
28 and the surplus required for the authority, or if the insurer,
29 by resolution of its board of directors approved by a majority

1 of its members, requests that the authority be revoked.
2 During the absence of the authority the insurer shall not
3 issue a policy without providing therein for the contingent
4 liability of the policyholder, or renew a policy which is
5 renewable at the option of the insurer without endorsing the
6 same to provide for the contingent liability.

7 Sec. 21.69.480. PARTICIPATING POLICIES. (a) If pro-
8 vided in its articles of incorporation, a domestic stock or
9 domestic mutual insurer may issue any or all of its policies
10 with or without participation in profits, savings or unab-
11 sorbed portions of premiums, may classify policies issued on
12 a participating and nonparticipating basis, and may determine
13 the right to participate and the extent of participation of
14 any class or classes of policies. The classification or
15 determination shall be reasonable, and shall not unfairly
16 discriminate as between policyholders within the same classi-
17 fications. A life insurer may issue both participating and
18 nonparticipating policies only if the right or absence of
19 right to participate is reasonably related to the premium
20 charged. The domestic insurer which, before the effective
21 date of this title, has been issuing all or part of its
22 policies on a participating basis without specific authoriza-
23 tion in its articles of incorporation, may continue to issue
24 the policies on a basis not inconsistent with this section.

25 (b) After the third policy year no dividend otherwise
26 earned shall be made contingent upon the payment of renewal
27 premium on the policy.

28 Sec. 21.69.490. DIVIDENDS TO STOCKHOLDERS. (a) A
29 domestic stock insurer shall not pay a cash dividend to

1 stockholders except out of that part of its available surplus
2 funds which is derived from realized net profits on its
3 business.

4 (b) A stock dividend may be paid out of any available
5 surplus funds in excess of the aggregate amount of surplus
6 loaned to the insurer under sec. 520 of this chapter.

7 (c) A dividend otherwise proper may be payable out of
8 the insurer's earned surplus even though its total surplus
9 is then less than the aggregate of its past contributed
10 surplus resulting from issuance of its capital stock at a
11 price in excess of the par value thereof.

12 Sec. 21.69.500. DIVIDENDS TO MUTUAL POLICYHOLDERS. (a)
13 The directors of a domestic mutual insurer may from time to
14 time apportion and pay or credit to its members dividends
15 only out of that part of its surplus funds which represents
16 net realized savings and net realized earnings in excess of
17 the surplus required by law to be maintained.

18 (b) A dividend otherwise proper may be payable out of
19 the savings and earnings even though the insurer's total
20 surplus is then less than the aggregate of its contributed
21 surplus.

22 Sec. 21.69.510. ILLEGAL DIVIDENDS. (a) A director of
23 a domestic stock or mutual insurer who votes for or concurs
24 in a declaration or payment of a dividend to stockholders or
25 members other than as authorized under secs. 490 or 510 of
26 this chapter shall, upon conviction, be guilty of a misde-
27 meanor and shall be jointly and severally liable, together
28 with other directors likewise voting for or concurring, for
29 any loss thereby sustained by the insurer.

1 (b) A stockholder receiving an illegal dividend shall
2 be liable in the amount of it to the insurer.

3 (c) The director may revoke or suspend the certificate
4 of authority of an insurer which has declared or paid an
5 illegal dividend.

6 Sec. 21.69.520. BORROWED SURPLUS. (a) A domestic
7 stock or mutual insurer may borrow money to defray the
8 expenses of its organization, provide it with surplus funds,
9 or for any purpose of its business, upon a written agreement
10 that the money is required to be repaid only out of the
11 insurer's surplus in excess of that stipulated in the agree-
12 ment. The agreement may provide for interest not exceeding
13 six per cent a year, which interest shall or shall not con-
14 stitute a liability of the insurer as to its funds other
15 than the excess of surplus, as stipulated in the agreement.
16 No commission or promotion expense shall be paid in connection
17 with the loan.

18 (b) Money so borrowed, together with the interest there-
19 on if so stipulated in the agreement, shall not form a part
20 of the insurer's legal liabilities except as to its surplus
21 in excess of the amount thereof stipulated in the agreement,
22 or be the basis of any setoff; but until repaid financial
23 statements filed or published by the insurer shall show as a
24 footnote the amount then unpaid together with any interest
25 accrued but unpaid.

26 (c) The loan to a mutual insurer shall be subject to
27 the director's approval. The insurer shall, in advance of
28 the loan, file with the director a statement of the purpose
29 of the loan and a copy of the proposed loan agreement. The

1 loan and agreement shall be considered approved unless within
2 15 days after the date of the filing the insurer is notified
3 of the director's disapproval and the reasons for it. The
4 director shall disapprove a proposed loan or agreement if
5 he finds the loan is unnecessary or excessive for the purpose
6 intended, or that the terms of the loan agreement are not
7 fair and equitable to the parties, and other similar lenders,
8 if any, to the insurer, or that the information filed by the
9 insurer is inadequate.

10 (d) This section shall not apply to loans obtained by
11 the insurer in ordinary course of business from banks and
12 other financial institutions, or to loans secured by pledge
13 or mortgage of assets.

14 Sec. 21.69.530. IMPAIRMENT OF CAPITAL OR ASSETS. (a)
15 If a stock insurer's capital (as represented by the aggregate
16 par value of its outstanding capital stock) becomes impaired,
17 or the assets of a mutual insurer are less than its liabilities
18 and the minimum amount of surplus required to be maintained
19 by it under secs. 220 or 270 of this chapter for authority
20 to transact the kinds of insurance being transacted, the
21 director shall at once determine the amount of deficiency
22 and serve notice upon the insurer to make good the deficiency
23 within 60 days after service of the notice.

24 (b) The deficiency may be made good in cash or in
25 assets eligible under ch. 21 of this title for the investment
26 of the insurer's funds; or if a stock insurer, by reduction
27 of the insurer's capital to an amount not below the minimum
28 required for the kinds of insurance thereafter to be trans-
29 acted; or if a mutual insurer, by amendment of its certificate

1 of authority to cover only the kind or kinds of insurance
2 thereafter for which the insurer has sufficient surplus under
3 this title.

4 (c) If the deficiency is not made good and proof filed
5 with the director within the 60-day period, the insurer shall
6 be considered insolvent and the director shall institute
7 delinquency proceedings against it under ch. 78 of this
8 title; except that if the deficiency exists because of
9 increased loss reserves required by the director, or because
10 of disallowance by the director of certain assets or reduc-
11 tion of the value at which carried in the insurer's accounts,
12 the director may, in his discretion and upon application and
13 good cause shown, extend for not more than an additional 60
14 days the period within which the deficiency may be made good
15 and the proof filed.

16 Sec. 21.69.540. ASSESSMENT OF STOCKHOLDERS OR MEMBERS.

17 (a) An insurer receiving the director's notice mentioned in
18 sec. 530(a) of this chapter

19 (1) if a stock insurer, by resolution of its
20 board of directors and subject to any limitations upon assess-
21 ment contained in its articles of incorporation, may assess
22 its stockholders for amounts necessary to cure the deficiency
23 and provide the insurer with a reasonable amount of surplus
24 in addition; if a stockholder fails to pay a lawful assess-
25 ment after notice given to him in person or by advertisement
26 in the time and manner approved by the director, the insurer
27 may require the return of the original certificate of stock
28 held by the stockholder, and in cancellation and in lieu
29 thereof issue a new certificate for the number of shares the

1 stockholder may then be entitled to, upon the basis of the
2 stockholder's proportionate interest in the amount of the
3 insurer's capital stock as determined by the director to
4 be remaining at the time of determination of amount of
5 impairment under sec. 530 of this chapter, after deducting
6 from the proportionate interest the amount of the unpaid
7 assessment; the insurer may pay for or reissue fractional
8 shares under this subsection;

9 (2) if a mutual insurer, shall levy an assessment
10 upon members as provided for under sec. 440 of this chapter;

11 (b) Neither this section nor sec. 530 of this chapter
12 shall be considered to prohibit the insurer from curing the
13 deficiency through any lawful means other than those referred
14 to in those sections.

15 Sec. 21.69.550. DIRECTORS' LIABILITY FOR LOSSES DURING
16 DEFICIENCY. The directors of the insurer shall be indivi-
17 dually liable as to losses incurred under policies issued by
18 the insurer after expiration of the period provided in sec.
19 530 of this chapter for curing a deficiency of the insurer's
20 capital stock or surplus and before the deficiency is cured.

21 Sec. 21.69.560. STOCK TRANSFER DURING IMPAIRMENT OF
22 CAPITAL. A transfer of the stock of a domestic insurer
23 made during the existence of an impairment of the insurer's
24 capital does not release the stockholder making the transfer
25 from liability as a stockholder of the insurer which accrued
26 before the transfer.

27 Sec. 21.69.570. MUTUALIZATION OF STOCK INSURERS. (a)
28 A stock insurer other than a title insurer may become a
29 mutual insurer under the plan and procedure which may be

1 approved by the director after a hearing.

2 (b) The director shall not approve a plan, procedure
3 or mutualization unless.

4 (1) it is equitable to stockholders and policy-
5 holders;

6 (2) it is subject to approval by the holders of
7 not less than three-fourths of the insurer's outstanding
8 capital stock having voting rights and by not less than two-
9 thirds of the insurer's policyholders who vote on the plan
10 in person, by proxy or by mail under the notice and proce-
11 dure which may be approved by the director;

12 (3) if a life insurer, the right to vote thereon
13 is limited to holders of policies other than term or group
14 policies, and whose policies have been in force for more
15 than one year;

16 (4) mutualization will result in retirement of
17 shares of the insurer's capital stock at a price not in
18 excess of the fair market value as determined by competent
19 disinterested appraisers;

20 (5) the plan provides for the purchase of the
21 shares of a nonconsenting stockholder in the same manner
22 and subject to the same applicable conditions as provided by
23 the general corporation law of the state, as to rights of
24 nonconsenting stockholders, with respect to consolidation
25 or merger of private corporations;

26 (6) the plan provides for definite conditions to
27 be fulfilled by a designated early date upon which the
28 mutualization will be considered effective;

29 (7) the mutualization leaves the insurer with

1 surplus funds reasonably adequate for the security of its
2 policyholders and to enable it to continue successfully in
3 business in the state in which it is then authorized to
4 transact insurance, and for the kinds of insurance included
5 in its certificates of authority in those states.

6 (c) This section shall not apply to mutualization
7 ordered by a court to rehabilitate or reorganize an insurer
8 under ch. 78.

9 Sec. 21.69.580. CONVERTING MUTUAL INSURER. (a) A
10 mutual insurer shall not be converted to a stock insurer.

11 Sec. 21.69.590. MERGERS AND CONSOLIDATIONS OF STOCK
12 INSURERS. (a) A domestic stock insurer may merge or con-
13 solidate with one or more domestic or foreign stock insurers
14 authorized to transact insurance in this state, by complying
15 with the applicable provisions of the statutes of this state
16 governing the merger or consolidation of stock corporations
17 formed for profit, but subject to (b) and (c) of this
18 section.

19 (b) No merger or consolidation shall be effectuated
20 unless the plan and agreement for it have been filed with
21 the director and approved in writing by him after a hearing.
22 The director shall give approval within a reasonable time
23 after the filing unless he finds the plan or agreement

24 (1) is contrary to law;

25 (2) inequitable to the stockholders of a domestic
26 insurer involved; or

27 (3) would substantially reduce the security of and
28 service to be rendered to policyholders of the domestic insurer
29 in this state or elsewhere.

1 (c) No director, officer, agent or employee of an in-
2 surer party to the merger or consolidation shall receive a
3 fee, commission, compensation or other valuable consideration
4 whatsoever for in any manner aiding, promoting or assisting
5 therein except as set out in the plan or agreement.

6 (d) If the director does not approve the plan or agree-
7 ment he shall so notify the insurer in writing specifying his
8 reasons.

9 (e) If a domestic insurer involved in the proposed
10 merger or consolidation is authorized to transact insurance
11 also in other states, the director may request the insurance
12 commissioner, director of insurance, superintendent of insur-
13 ance or other similar public insurance supervisory official
14 of the two other states in which the insurer has in force the
15 larger amounts of insurance, to participate in the hearing
16 provided for under (b) of this section, with full right to
17 examine all witnesses and evidence and to offer to the director
18 the pertinent information and suggestions they consider proper.

19 (f) A plan or proposal through which a stock insurer
20 proposes to acquire a controlling stock interest in another
21 stock insurer through an exchange of stock of the first
22 insurer, issued by the insurer for the purpose, for the con-
23 trolling stock of the second insurer, is considered to be a
24 plan or proposal of merger of the second insurer into the
25 first insurer for the purposes of this section and is subject
26 to the applicable provisions hereof.

27 Sec. 21.69.600. MERGERS AND CONSOLIDATIONS, MUTUAL
28 INSURERS. (a) A domestic mutual insurer shall not merge or
29 consolidate with a stock insurer.

1 (b) A domestic mutual insurer may merge or consolidate
2 with another mutual insurer under the applicable procedures
3 prescribed by the statutes of this state applying to corpora-
4 tions formed for profit, except as hereinbelow provided.

5 (c) The plan and agreement for merger or consolidation
6 shall be submitted to and approved by at least two-thirds of
7 the members of each mutual insurer involved and voting in
8 person or by proxy at a meeting called for the purpose pur-
9 suant to reasonable notice and procedures which have been
10 approved by the director. If a life insurer, the right to
11 vote may be limited to members whose policies are other than
12 term and group policies and have been in effect for more than
13 one year.

14 (d) No merger or consolidation shall be effectuated
15 unless the plan and agreement for it have been filed with
16 the director and approved by him in writing after a hearing.
17 The director shall give the approval within a reasonable time
18 after the filing unless he finds that plan or agreement

19 (1) is inequitable to the policyholders of a
20 domestic insurer involved; or

21 (2) would substantially reduce the security of
22 and service to be rendered to policyholders of the domestic
23 insurer in this state and elsewhere.

24 (e) If the director does not approve the plan or agree-
25 ment he shall notify the insurers in writing specifying his
26 reasons.

27 (f) Sec. 590(e) of this chapter shall also apply to
28 mergers and consolidations of mutual insurers.

29 Sec. 21.69.610. BULK REINSURANCE, STOCK INSURERS. (a)

1 A domestic stock insurer may reinsure all or substantially
2 all of its insurance in force or a major class thereof, with
3 another insurer by an agreement of bulk reinsurance; but no
4 agreement shall become effective unless filed with the
5 director and approved by him in writing after a hearing.

6 (b) The director shall approve the agreement within
7 a reasonable time after the filing unless he finds that it
8 is inequitable to the stockholders of the domestic insurer
9 or would substantially reduce the protection or service to
10 its policyholders. If the director does not approve the
11 agreement he shall notify the insurer in writing specifying
12 his reasons.

13 Sec. 21.69.620. BULK REINSURANCE, MUTUAL INSURERS.

14 (a) A domestic mutual insurer may reinsure all or substan-
15 tially all its business in force, or all or substantially
16 all of a major class thereof, with another insurer, stock
17 or mutual, by an agreement of bulk reinsurance after compli-
18 ance with this section. No agreement shall become effective
19 unless filed with the director and approved by him in writing
20 after a hearing.

21 (b) The director shall approve the agreement within a
22 reasonable time after filing if he finds it to be fair and
23 equitable to each domestic insurer involved, and that the
24 reinsurance, if effectuated, would not substantially reduce
25 the protection or service to its policyholders. If the
26 director does not approve, he shall notify each insurer in-
27 volved in writing specifying his reasons.

28 (c) The plan and agreement for the reinsurance must
29 be approved by a vote of not less than two-thirds of each

1 domestic mutual insurer's members voting thereon at meetings
2 of members called for the purpose, pursuant to such reasonable
3 notice and procedure as the director may approve. If a life
4 insurer, the right to vote may be limited to members whose
5 policies are other than term or group policies, and have been
6 in effect for more than one year.

7 (d) If for reinsurance in a stock insurer of all or
8 substantially all of the insurance in force of a mutual
9 insurer, the agreement must provide for payment in cash to
10 each member of the insurer entitled thereto of his equity,
11 if any, in the business reinsured as determined under a fair
12 formula approved by the director, as based upon the reserves,
13 assets (whether or not "admitted" assets) and surplus, if
14 any, of the mutual insurer to be taken over by the stock
15 insurer.

16 (e) No director, officer, agent or employee of an
17 insurer party to the reinsurance, or any other person, shall
18 receive a fee, commission or other valuable consideration
19 whatsoever for in any manner aiding, promoting, or assisting
20 therein except as set out in the reinsurance agreement.

21 Sec. 21.69.630. MUTUAL MEMBER'S SHARE OF ASSETS ON
22 LIQUIDATION. (a) Upon the liquidation of a domestic mutual
23 insurer, its assets remaining after discharge of its indebted-
24 ness, policy obligations, repayment of contributed or borrowed
25 surplus, if any, and expenses of administration, shall be
26 distributed to existing persons who were its members at any
27 time within 36 months immediately preceding the date the
28 liquidation was authorized or ordered, or date of last
29 termination of the insurer's certificate of authority, which-

1 ever date is the earlier.

2 (b) The distributive share of each member shall be in
3 the proportion that the aggregate premiums earned by the
4 insurer on the policies of the member during the combined
5 periods of his membership bear to the aggregate of all pre-
6 miums earned on the policies of all the members. The insurer
7 may, and if a life insurer shall, make a reasonable classifi-
8 cation of its policies held by the members, and a formula
9 based upon the classification, for determining the equitable
10 distributive share of each member. The classification and
11 formula shall be subject to the approval of the director.

12 Sec. 21.69.640. EXTINGUISHMENT OF UNUSED CORPORATE
13 CHARTERS. (a) The corporate charter of a corporation formed
14 under the laws of this state more than three years before
15 the effective date of this title for the purpose of becoming
16 an insurer, which corporation, within the three-year period,
17 has not actively engaged in business as a domestic insurer
18 under a certificate of authority issued to it by the director
19 under laws then in force, is extinguished and nullified.

20 (b) The corporate charter of any other corporation
21 formed under the laws of this state for the purpose of
22 becoming an insurer, and which corporation during any period
23 of 36 consecutive months after the effective date of this
24 title is not actively engaged in business as a domestic
25 insurer under a certificate of authority issued to it by
26 the director under law currently in force, is automatically
27 extinguished and nullified at the expiration of the 36-month
28 period.

29 (c) The period during which the corporation referred

1 to in (b) of this section is the subject of delinquency
2 proceedings under ch. 78 of this title shall not be counted
3 as part of the 36-month period.

4 (d) Upon merger or consolidation of a domestic insurer
5 with another insurer under this chapter, the corporate
6 charter of the merged or consolidated domestic insurer shall
7 automatically be extinguished and nullified.

8 Sec. 21.69.650. NATIONAL EMERGENCY PROVISIONS. The
9 legislature declares that it is desirable for the general
10 welfare and in particular for the welfare of insurance bene-
11 ficiaries, policyholders, injured claimants and others that
12 the business of domestic insurers be continued notwithstanding
13 the event of a national emergency. The specific purpose of
14 sec. 650 - 690 of this chapter is to facilitate the continued
15 operation of domestic insurers in the event that a national
16 emergency is caused by an attack on the United States or by
17 a nuclear, atomic or other disaster which makes it impossible
18 or impracticable for an insurer to conduct its business in
19 strict accord with applicable provisions of law, its bylaws,
20 or its charter.

21 Sec. 21.69.660. ADOPTION OF EMERGENCY BYLAWS. The
22 board of directors of a domestic insurer may at any time
23 adopt emergency bylaws, subject to repeal or change by action
24 of those having power to adopt regular bylaws for the insurer,
25 which shall be operative during a national emergency and
26 which may, notwithstanding any different provisions of the
27 regular bylaws, or of the applicable statutes, or of the
28 insurer's charter, make any provision that may be reasonably
29 necessary for the operation of the insurer during the period

of the emergency.

Sec. 21.69.670. PROVISIONS IN LIEU OF EMERGENCY BYLAWS. In the event that the board of directors of a domestic insurer has not adopted emergency bylaws, the following provisions shall become effective upon the occurrence of a national emergency:

(1) three directors constitute a quorum for the transaction of business at all meetings of the board.

(2) A vacancy in the board may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director.

(3) If there are no surviving directors, but at least three vice presidents of the insurer survive, the three vice presidents with the longest term of service shall be the directors and shall possess all of the powers of the previous board of directors and the powers which are granted herein or by subsequently enacted legislation. By a majority vote the emergency board of directors may elect other directors. If there are not at least three surviving vice presidents, the director of insurance or designated person exercising the powers of director of insurance shall appoint three persons as directors who shall possess all of the powers of the previous board of directors and the powers which are granted herein or by subsequently enacted legislation, and these persons by majority vote may elect other directors.

Sec. 21.69.680. SUCCESSION OF CORPORATE OFFICERS DURING NATIONAL EMERGENCY. At any time the board of directors of a domestic insurer may, by resolution, provide that in the event of a national emergency and in the event of the death or

1 incapacity of the president, the secretary or the treasurer
2 of the insurer the officers, or any of them, shall be suc-
3 ceeded in the office by the person named or described in a
4 succession list adopted by the board of directors. The list
5 may be on the basis of named persons or position titles,
6 shall establish the order of priority, and may prescribe
7 the conditions under which the powers of the office shall
8 be exercised.

9 Sec. 21.69.690. RELOCATION OF HOME OFFICE DURING
10 NATIONAL EMERGENCY. At any time the board of directors of
11 a domestic insurer may, by resolution, provide that in the
12 event of a national emergency the home office or principal
13 place of business of the insurer shall be at the location
14 named or described in the resolution. The resolution may
15 provide for alternate locations and establish an order of
16 preference.

17 Sec. 21.69.700. STOCK INSURER DEFINED. A domestic
18 "stock" insurer is an incorporated insurer with capital
19 divided into shares and owned by its stockholders.

20 Sec. 21.69.710. MUTUAL INSURER DEFINED. A domestic
21 "mutual" insurer is an incorporated insurer without capital
22 stock, and the governing body of which is elected by the
23 policyholders.

24 CHAPTER 72. BENEVOLENT ASSOCIATIONS.

25 Sec. 21.72.010. SCOPE OF CHAPTER. (a) This chapter
26 applies only to benevolent associations.

27 (b) No provisions of this title shall apply to an
28 association unless contained or referred to in this chapter.

29 Sec. 21.72.020. NEW BENEVOLENT ASSOCIATIONS PROHIBITED.

1 (a) No benevolent association shall transact or be authorized
2 to transact business in this state unless it lawfully had
3 authority to transact business as an association immediately
4 before the effective date of this title.

5 (b) No new benevolent association shall hereafter be
6 organized or formed in this state after the effective date of
7 this title.

8 (c) No association formed or existing under the laws of
9 any other state or jurisdiction shall be authorized to trans-
10 act business in this state after the effective date of this
11 title.

12 Sec. 21.72.030. AMENDMENTS FILED WITH DIRECTOR. Each
13 benevolent association shall promptly file with the director
14 a copy, certified to by its president and secretary, of each
15 of the following:

16 (1) if incorporated, any amendment of articles of
17 incorporation or of bylaws;

18 (2) if not incorporated, any amendment of articles
19 of association, of agreement or of rules or agreements with
20 its members;

21 (3) any modification of its form of membership
22 contracts.

23 Sec. 21.72.040. OFFICERS. (a) Each benevolent associa-
24 tion shall be in the charge of its officers, and shall not
25 have more than five officers.

26 (b) The treasurer and any other officer having charge
27 of any funds of a benevolent association shall each be bonded
28 in the amount of \$5,000, executed to the state of Alaska,
29 joint and several, for the use and benefit of the members or

1 beneficiaries of the association. Each bond shall be on file
2 in the principal office and address of the association and a
3 certified copy must be filed with the director.

4 Sec. 21.72.050. AGENTS LICENSE. Agents for a benevo-
5 lent association may be appointed in accordance with ch. 27
6 of this title, and shall be subject to the applicable pro-
7 visions of that chapter, except as provided in sec. 60 of
8 this chapter. No agent may be appointed if there are less
9 than three officers in charge of the association.

10 Sec. 21.72.060. OFFICERS AS AGENTS. No more than five
11 officers of a benevolent association may act for the associa-
12 tion without obtaining a license as an agent. The officers
13 shall be subject to the jurisdiction of the director in the
14 same manner as though they were licensed as agents under
15 ch. 27 of this title.

16 Sec. 21.72.070. RECEIPTS FOR PAYMENT TO ASSOCIATION.
17 Every benevolent association shall issue a receipt or other
18 evidence of payment to each person making a payment of any
19 kind to the association.

20 Sec. 21.72.080. MINIMUM MEMBERSHIP. Each benevolent
21 association shall have at all times not less than 200 members
22 in good standing.

23 Sec. 21.72.090. EXPENSES. (a) The total expenses of
24 a benevolent association during a calendar year shall not
25 exceed the larger of the following:

26 (1) 10 per cent of the total amount received
27 during the year, whether as assessments, dues, donations or
28 by whatever name called, except fees collected for new member-
29 ships; or

1 (2) \$15 per death loss incurred during the year.

2 (b) The association may, instead of providing for
3 expenses as in (a) of this section, assess each of its members
4 for expenses at an amount not to exceed \$3 a calendar year,
5 except that the assessment shall not exceed \$4 a year if a
6 membership certificate includes within its protection a
7 family group consisting of two or more persons. The proceeds
8 of the assessments shall be placed in an expense fund out of
9 which all of the expenses of the association for the year
10 shall be paid. The association shall show the condition of
11 the expense fund in its annual statement.

12 (c) The association shall state in its annual statement
13 whether the expenses to be shown in its next annual state-
14 ment will be determined as in (a) of this section, or whether
15 the members will be assessed for the same as in (b) of this
16 section. No association shall use both methods, or a combina-
17 tion of both methods.

18 Sec. 21.72.100. PAYMENTS OF DEATH CLAIMS. (a) Each
19 completed proof of claim for death of a member of a benevolent
20 association shall be assigned a number by the association in
21 consecutive order of receipt for each calendar year.

22 (b) Payment in full on final settlement of death bene-
23 fits shall be made by the association to the legal heir or
24 heirs, or the designated beneficiary or beneficiaries, with-
25 in 20 days after the expiration date stated in the associa-
26 tion's notice referred to in sec. 110(a)(3) of this chapter.

27 Sec. 21.72.110. ASSESSMENT FOR DEATH BENEFIT. (a)
28 Within 30 days after a benevolent association receives a
29 completed proof of claim for death of a member, it must mail

1 to each of its members in good standing an assessment notice
2 stating:

3 (1) the name, date and place of death of the
4 deceased member;

5 (2) the number of the proof of death claim assign-
6 ed by the association;

7 (3) the amount of the assessment and the expiration
8 date of the assessment payment;

9 (4) the number of members in good standing to whom
10 notices are being sent, as computed from the last completed
11 assessment.

12 (b) At the time of mailing the assessment notice re-
13 quired by (a) of this section, the association shall send a
14 duplicate copy to the director for filing, together with
15 information as to the mailing of the notice to members.

16 Sec. 21.72.120. ANNUAL STATEMENT. (a) In addition to
17 compliance with AS 21.09.020, the annual statement of a
18 benevolent association shall exhibit the following items and
19 facts:

20 (1) the name and business address of the associa-
21 tion;

22 (2) the names and addresses of the officers of the
23 association;

24 (3) the number of membership contracts in force
25 at the commencement of the year and the number of memberships
26 in good standing at the close of the year for which the state-
27 ment is made; this provision is also applicable to each sub-
28 group or class, if any, of the association;

29 (4) the number of death losses claimed; the number

1 and total amount of death losses paid; the number of death
2 claims compromised, denied or resisted and reasons therefor;

3 (5) the number of assessments in the association
4 and in each subgroup or class, if any; the amount collected
5 in each assessment; income to the benevolent association
6 from all other sources; and all other fees, assessments,
7 donations, of any kind or nature, except new membership fees
8 from new members;

9 (6) the expenses actually incurred during the year;
10 debts unpaid at the commencement of the year; debts and obli-
11 gations of any kind (not including death losses actually paid)
12 incurred during the year; debts unpaid at the close of the
13 year; a breakdown of expenses to show the amount paid in sal-
14 aries or commissions, office expense and other expenses, in
15 those cases where members of the benevolent association are
16 assessed for operating expenses of the association;

17 (7) whether the association has complied with
18 all of the provisions of sec. 90 and 100 of this chapter;

19 (8) the information required by sec. 90 of this
20 chapter.

21 (b) Two officers of the association shall attest under
22 oath to the truth of the facts contained in the annual state-
23 ment. At least one of the officers must have charge of
24 making up the statement.

25 (c) A copy of the annual statement certified by the
26 director must be filed before the first day of April each
27 year by the association in the office of the magistrate in
28 the judicial district in which the business office of the
29 association is located.

1 Sec. 21.72.130. BENEVOLENT ASSOCIATION DEFINED. (a)

2 A corporation, association or society, or by whatever name
3 called, which issues any certificate, policy, membership
4 agreement, or makes a promise or agreement with its members,
5 whereby, upon decease of a member, money or other benefit,
6 charity, aid or relief is to be paid, provided or rendered
7 by the corporation, association or society to his legal
8 representatives, or to the beneficiary designated by him,
9 which money, benefit, charity, aid or relief is derived from
10 voluntary donations, or from admission fees, dues or assess-
11 ments, or any of them collected or to be collected from the
12 members, or members of a class therein, or interest or accre-
13 tions, or accumulations; and if the money or other benefit,
14 charity, aid or relief, so realized, is applied to or accumu-
15 lated for the uses and purposes herein specified, and/or the
16 uses of the corporation, association or society, and/or the
17 expenses of management and prosecution of its business, shall
18 be considered to be a benevolent association for the purposes
19 of this chapter.

20 (b) The definition of benevolent association in (a) of
21 this section is not applicable to

22 (1) burial or death benefits, annuities, endowments
23 or any other benefit payments of a legal reserve life or
24 disability insurer, or of a labor union, railroad brotherhood,
25 or lodge having as a primary business the improvement of
26 working conditions;

27 (2) a ladies auxiliaries to a labor union, rail-
28 road brotherhood or lodge referred to in (b)(1) of this
29 section; or

1 (3) the benevolent plans within fraternal orders
2 if limited to members and if the plan is not the principal
3 object for the formation or continuance of the fraternal
4 order.

5 Sec. 21.72.140. MEMBER DEFINED. A "member" or "member
6 in good standing" is an individual who must contribute to
7 a benevolent association upon notice of assessment.

8 Sec. 21.72.150. MEMBERSHIP CONTRACT. (a) A "membership
9 contract" is a certificate, policy, membership agreement, by
10 whatever name called, or a promise or agreement, of a bene-
11 volent association with any or all of its members, whereby
12 money or other benefit, charity, aid or relief is to be paid,
13 provided or rendered by the association upon the decease of
14 a member to his legal representatives, or to the beneficiary
15 or beneficiaries designated by him.

16 (b) There shall be one contributing member for each
17 membership contract, but a membership contract may cover more
18 than one individual.

19 Sec. 21.72.160. OFFICER DEFINED. "Officer" is any of
20 the individuals having supervision and control of a benevolent
21 association, and engaging in the management and the prosecu-
22 tion of the business thereof, whether designated as officers,
23 trustees, comptrollers, managers or by whatever name called.

24 Sec. 21.72.170. OTHER PROVISIONS APPLICABLE. In addi-
25 tion to the provisions contained in the chapter, other chapters
26 and provisions of this title shall apply to benevolent associa-
27 tions, to the extent applicable, as follows:

28 (1) AS 21.03 (scope of code);

29 (2) As 21.06 (the director of insurance);

1 (3) the following sections of AS 21.09 (authoriza-
2 tion of insurers and general requirements);

3 (A) AS 21.09.010 (certificate of authority
4 required),

5 (B) AS 21.09.050 (name of insurer),

6 (C) AS 21.09.100 (management and affiliations),

7 (D) AS 21.09.130 (continuance, expiration,
8 reinstatement and amendment of certificate of authority),

9 (E) AS 21.09.140 (mandatory revocation,
10 suspension of certificate of authority),

11 (F) AS 21.09.150 (suspension or revocation
12 for violations and special grounds),

13 (G) AS 21.09.160 (notice of suspension or
14 revocation -- effect upon agent's authority),

15 (H) AS 21.09.170 (duration of suspension --
16 insurer's obligations -- reinstatement),

17 (I) AS 21.09.180 (director attorney for
18 service of process),

19 (J) AS 21.09.190 (serving process -- time to
20 plead);

21 (4) The following provisions of AS 21.18 (assets
22 and liabilities):

23 (A) AS 21.18.010 (allowable assets),

24 (B) AS 21.18.030 (assets not allowed);

25 (5) AS 21.21.320 (prohibited investments);

26 (6) AS 21.36 (trade practices and frauds);

27 (7) AS 21.42 (the insurance contract);

28 (8) The following sections of AS 21.69 (organiza-
29 tion and corporate procedures of domestic stock and mutual

1 insurers):

2 (A) AS 21.69.370 (prohibited pecuniary
3 interest of officials),

4 (B) AS 21.69.390 (home office and records --
5 penalty for unlawful removal of records),

6 (C) AS 21.69.400 (vouchers for expenditures),

7 (D) AS 21.69.630 (mutual member's share of
8 assets on liquidation),

9 (E) AS 21.69.640 (extinguishment of unused
10 corporate charters);

11 (9) AS 21.78 (rehabilitations and liquidations).

12 CHAPTER 75. RECIPROCAL INSURERS.

13 Sec. 21.75.010. SCOPE OF CHAPTER. (a) All authorized
14 reciprocal insurers shall be governed by those sections of
15 this chapter not expressly made applicable to domestic recip-
16 rocals.

17 (b) Existing authorized reciprocal insurers shall after
18 the effective date of this title comply with the provisions
19 of this chapter, and shall make amendments to their subscribers'
20 agreement, power of attorney, policies and other documents
21 and accounts and perform other acts which may be required for
22 compliance.

23 Sec. 21.75.020. INSURING POWERS OF RECIPROCAL. (a)
24 A reciprocal insurer may, upon qualifying as provided for
25 by this title, transact any kind or kinds of insurance defined
26 by this title, other than life or title insurances.

27 (b) The insurer may purchase reinsurance, and may grant
28 reinsurance as to any kind of insurance it is authorized to
29 transact.

1 Sec. 21.75.030. NAME, SUITS. A reciprocal insurer
2 shall

3 (1) have and use a business name; the name shall
4 include the word "reciprocal" or "interinsurer" or "inter-
5 insurance" or "exchange" or "underwriters" or "underwriting"
6 or "association";

7 (2) sue and be sued in its own name.

8 Sec. 21.75.040. ATTORNEY. (a) In this chapter "attor-
9 ney" refers to the attorney-in-fact of a reciprocal insurer.
10 The attorney may be an individual, firm or corporation.

11 (b) The attorney of a foreign or alien reciprocal
12 insurer, which insurer is authorized to transact insurance
13 in this state, shall not, by virtue of discharge of its
14 duties as the attorney with respect to the insurer's trans-
15 actions in this state, be considered to be doing business in
16 this state within the meaning of any laws of this state
17 applying to foreign firms or corporations.

18 Sec. 21.75.050. SURPLUS FUNDS REQUIRED. (a) A domestic
19 reciprocal insurer hereunder formed, if it has otherwise
20 complied with the applicable provisions of this title, may
21 be authorized to transact insurance if it has and maintains
22 surplus funds as follows:

23 (1) to transact property insurance, surplus funds
24 of not less than \$200,000;

25 (2) to transact casualty insurance, (other than
26 workmen's compensation) surplus funds of not less than
27 \$200,000.

28 (b) In addition to surplus required to be maintained
29 under (a) of this section, the insurer shall have, when first

1 authorized, expendable surplus in the amount required of a
2 like foreign reciprocal insurer under AS 21.09.070.

3 (c) A domestic reciprocal insurer may be authorized to
4 transact additional kinds of insurance if it has otherwise
5 complied with the provisions of this title and possesses and
6 maintains surplus funds in an amount equal to the minimum
7 capital stock required of a stock insurer for authority to
8 transact a like combination of kinds of insurance.

9 Sec. 21.75.060. ORGANIZATION OF RECIPROCAL INSURER.

10 (a) Twenty-five or more persons domiciled in this state may
11 organize a domestic reciprocal insurer and make application
12 to the director for a certificate of authority to transact
13 insurance.

14 (b) The proposed attorney shall fulfill the requirements
15 of and shall execute and file with the director when applying
16 for a certificate of authority, a declaration setting out

17 (1) the name of the insurer;

18 (2) the location of the insurer's principal office,
19 which shall be the same as that of the attorney and shall be
20 maintained in this state;

21 (3) the kinds of insurance proposed to be trans-
22 acted;

23 (4) the names and addresses of the original sub-
24 scribers;

25 (5) the designation and appointment of the proposed
26 attorney and a copy of the power of attorney;

27 (6) the names and addresses of the officers and
28 directors of the attorney, if a corporation, or its members,
29 if a firm;

1 (7) the powers of the subscribers' advisory
2 committee; and the names and terms of office of the members;

3 (8) that all money paid to the reciprocal (insurer)
4 shall, after deducting any sum payable to the attorney, be
5 held in the name of the insurer and for the purposes speci-
6 fied in the subscribers' agreement;

7 (9) a copy of the subscribers' agreement;

8 (10) a statement that each of the original sub-
9 scribers has in good faith applied for insurance of a kind
10 proposed to be transacted, and that the insurer has received
11 from each subscriber the full premium or premium deposit
12 required for the policy applied for, for a term of not less
13 than six months at an adequate rate theretofore filed with
14 and approved by the director;

15 (11) a statement of the financial condition of the
16 insurer, a schedule of its assets, and a statement that the
17 surplus as required by sec. 50 of this chapter is on hand;

18 (12) a copy of each policy, endorsement, and
19 application form it then proposes to issue or use.

20 (c) The declaration shall be acknowledged by the
21 attorney in the manner required for the acknowledgment of
22 deeds.

23 Sec. 21.75.070. CERTIFICATE OF AUTHORITY. (a) The
24 certificate of authority of a reciprocal insurer shall be
25 issued to its attorney in the name of the insurer.

26 (b) The director may refuse, suspend or revoke the
27 certificate of authority, in addition to other grounds, for
28 failure of the attorney to comply with a provision of this
29 title.

1 Sec. 21.75.080. POWER OF ATTORNEY. (a) The rights
2 and powers of the attorney of a reciprocal insurer shall be
3 as provided in the power of attorney given it by the sub-
4 sscribers.

5 (b) The power of attorney must set out

6 (1) The powers of the attorney;

7 (2) that the attorney is empowered to accept
8 service of process on behalf of the insurer in actions
9 against the insurer upon contracts exchanged;

10 (3) the general services to be performed by the
11 attorney;

12 (4) the maximum amount to be deducted from advance
13 premiums or deposits to be paid to the attorney and the gen-
14 eral items of expense in addition to losses, to be paid by
15 the insurer;

16 (5) except as to nonassessable policies, a
17 provision for a contingent several liability of each sub-
18 scriber in a specified amount which amount shall be not
19 less than one or more than ten times the premium or premium
20 deposit stated in the policy.

21 (c) The power of attorney may

22 (1) provide for the right of substitution of
23 the attorney and revocation of the power of attorney and
24 rights thereunder;

25 (2) impose restrictions upon the exercise of the
26 power which are agreed upon by the subscribers;

27 (3) provide for the exercise of any right reserved
28 to the subscribers directly or through their advisory com-
29 mittee;

1 (4) contain other lawful provisions considered
2 advisable.

3 (d) The terms of a power of attorney or agreement
4 collateral thereto shall be reasonable and equitable, and
5 no power or agreement shall be used or be effective as to
6 a domestic reciprocal insurer until approved by the director.

7 Sec. 21.75.090. MODIFICATIONS. Modifications of the
8 terms of the subscribers' agreement or of the power of
9 attorney of a domestic reciprocal insurer shall be made
10 jointly by the attorney and the subscribers' advisory com-
11 mittee. No modification shall be effective retroactively,
12 or apply to an insurance contract issued before the modifica-
13 tion.

14 Sec. 21.75.100. ATTORNEY'S BOND. (a) Concurrently
15 with the filing of the declaration provided in sec. 60 of
16 this chapter, the attorney of a domestic reciprocal insurer
17 shall file with the director a bond in favor of this state
18 for the benefit of all persons damaged as a result of breach
19 by the attorney of the conditions of his bond as set out in
20 (b) of this section. The bond shall be executed by the
21 attorney and by an authorized corporate surety, and shall be
22 subject to the director's approval.

23 (b) The bond shall be in the penal sum of \$25,000,
24 aggregate in form, conditioned that the attorney will faith-
25 fully account for all money and other property of the insurer
26 coming into his hands, and that he will not withdraw or
27 appropriate to his own use from the funds of the insurer,
28 money or property to which he is not entitled under the power
29 of attorney.

1 (c) The bond shall provide that it is not subject to
2 cancellation unless 30 days' advance notice in writing of
3 cancellation is given both the attorney and the director.

4 Sec. 21.75.110. ACTION ON BOND. Action on the attorney's
5 bond or to recover against a deposit made in lieu thereof may
6 be brought at any time by one or more subscribers suffering
7 loss through a violation of its conditions, or by a receiver
8 or liquidator of the insurer. Amounts recovered on the bond
9 shall be deposited in and become part of the insurer's funds.
10 The total aggregate liability of the surety shall be limited
11 to the amount of the penalty of the bond.

12 Sec. 21.75.120. SERVICE OF PROCESS. (a) Legal process
13 shall be served upon a domestic reciprocal insurer by serving
14 the insurer's attorney at his principal offices or by serving
15 the director as the insurer's process agent under AS 21.09.180
16 and 21.09.190.

17 (b) A judgment based upon legal process so served
18 shall be binding upon each of the insurer's subscribers as
19 their respective interests may appear but in an amount not
20 exceeding their respective contingent liabilities, if any,
21 the same as though personal service of process was had upon
22 each subscriber.

23 Sec. 21.75.130. ANNUAL STATEMENT. (a) The annual
24 statement of a reciprocal insurer shall be made by its attor-
25 ney and filed with the director, as provided in AS 21.09.200.

26 (b) The statement shall be supplemented by information
27 which may be required by the director relative to the affairs
28 and transactions of the attorney insofar as they relate to
29 the reciprocal insurer.

1 Sec. 21.75.140. CONTRIBUTIONS TO INSURER. The attorney
2 or other parties may advance to a domestic reciprocal insurer
3 upon reasonable terms the funds it may require from time to
4 time in its operations. Sums advanced shall not be treated
5 as a liability of the insurer, and, except upon liquidation
6 of the insurer, shall not be withdrawn or repaid except out
7 of the insurer's realized earned surplus in excess of its
8 minimum required surplus. No withdrawal or repayment shall
9 be made without the advance approval of the director. This
10 section does not apply to bank loans or to loans for which
11 security is given.

12 Sec. 21.75.150. FINANCIAL CONDITION. In determining
13 the financial condition of a reciprocal insurer the director
14 shall apply the following rules:

15 (1) he shall charge as liabilities the same
16 reserves as are required of incorporated insurers issuing
17 nonassessable policies on a reserve basis;

18 (2) the surplus deposits of subscribers shall be
19 allowed as assets, except that premium deposits delinquent
20 for 90 days shall first be charged against the surplus deposit;

21 (3) the surplus deposits of subscribers shall
22 not be charged as a liability;

23 (4) all premium deposits delinquent less than 90
24 days shall be allowed as assets;

25 (5) an assessment levied upon subscribers, and
26 not collected, shall not be allowed as an asset;

27 (6) the contingent liability of subscribers shall
28 not be allowed as an asset;

29 (7) the computation of reserves shall be based

1 upon premium deposits other than membership fees and without
2 deductions for expenses and the compensation of the attorney.

3 Sec. 21.75.160. WHO MAY BE SUBSCRIBERS. Individuals,
4 partnerships, and corporations of this state may make appli-
5 cation, enter into agreement for and hold policies or con-
6 tracts in or with and be a subscriber of a domestic, foreign,
7 or alien reciprocal insurer. A corporation now or hereafter
8 organized under the laws of this state shall, in addition to
9 the rights, powers, and franchises specified in its articles
10 of incorporation, have full power and authority as a sub-
11 scriber to exchange insurance contracts through the reciprocal
12 insurer. The right to exchange the contracts is hereby
13 declared to be incidental to the purposes for which the
14 corporations are organized and to be as fully granted as the
15 rights and powers expressly conferred upon the corporations.
16 Government or governmental agencies, state or political sub-
17 divisions, boards, associations, estates, trustees or fidu-
18 ciaries are authorized to exchange nonassessable reciprocal
19 interinsurance contracts with each other and with individuals,
20 partnerships and corporations to the same extent that indivi-
21 duals, partnerships and corporations are herein authorized to
22 exchange reciprocal interinsurance contracts. An officer,
23 representative, trustee, receiver, or legal representative
24 of a subscriber shall be recognized as acting for or on its
25 behalf for the purpose of the contract but shall be personally
26 liable upon the contract by reason of acting in the represen-
27 tative capacity.

28 Sec. 21.75.170. SUBSCRIBERS' ADVISORY COMMITTEE. (a)

29 The advisory committee of a domestic reciprocal insurer

1 exercising the subscribers' rights shall be selected under
2 rules which the subscribers adopt.

3 (b) Not less than two-thirds of the committee shall be
4 subscribers other than the attorney, or any person employed
5 by, representing, or having a financial interest in the
6 attorney.

7 (c) The committee shall

8 (1) supervise the finances of the insurer;

9 (2) supervise the insurer's operations to such
10 extent as to assure conformity with the subscribers' agree-
11 ment and power of attorney;

12 (3) procure the audit of the accounts and records
13 of the insurer and of the attorney at the expense of the
14 insurer;

15 (4) have additional powers and functions which
16 may be conferred by the subscribers' agreement.

17 Sec. 21.75.180. SUBSCRIBERS' LIABILITY. (a) The
18 liability of each subscriber, other than as to a nonassess-
19 able policy, for the obligations of the reciprocal insurer
20 shall be an individual, several and proportionate liability,
21 and not joint.

22 (b) Except as to a nonassessable policy each subscriber
23 shall have a contingent assessment liability, in the amount
24 provided for in the power of attorney or in the subscribers'
25 agreement, for payment of actual losses and expenses incurred
26 while his policy was in force. The contingent liability may
27 be at the rate of not less than one or more than ten times
28 the premium deposit stated in the policy, and the maximum
29 aggregate thereof shall be computed in the manner set out

1 in sec. 190 of this chapter.

2 (c) Each assessable policy issued by the insurer shall
3 contain a statement of the contingent liability.

4 Sec. 21.75.190. SUBSCRIBERS' LIABILITY ON JUDGMENT.

5 (a) No action shall lie against a subscriber upon any
6 obligation claimed against the insurer until a final judgment
7 has been obtained against the insurer and remains unsatisfied
8 for thirty days.

9 (b) The judgment shall be binding upon each subscriber
10 only in the proportion which his interest may appear and in
11 an amount not exceeding his contingent liability, if any.

12 Sec. 21.75.200. ASSESSMENTS. (a) Assessments may
13 from time to time be levied upon subscribers of a domestic
14 reciprocal insurer liable therefor under the terms of their
15 policies by the attorney upon approval in advance by the
16 subscribers' advisory committee and the director; or by the
17 director in liquidation of the insurer.

18 (b) Each subscriber's share of a deficiency for which
19 an assessment is made, but not exceeding in any event his
20 aggregate contingent liability as stated in accordance with
21 sec. 180 of this chapter, shall be computed by applying to
22 the premium earned on the subscriber's policy or policies
23 during the period to be covered by the assessment, the ratio
24 of the total deficiency to the total premiums earned during
25 the period upon all policies subject to the assessment.

26 (c) In computing the earned premiums for the purposes
27 of this section, the gross premium received by the insurer
28 for the policy shall be used as a base, deducting therefrom
29 solely charges not recurring upon the renewal or extension

1 of the policy.

2 (d) No subscriber shall have an offset against an
3 assessment for which he is liable, on account of a claim
4 for unearned premium or losses payable.

5 Sec. 21.75.210. TIME LIMIT FOR ASSESSMENTS. Every
6 subscriber of a domestic reciprocal insurer having contingent
7 liability shall be liable for, and shall pay his share of any
8 assessment, as computed and limited in accordance with this
9 chapter, if

10 (1) while his policy is in force or within one
11 year after its termination, he is notified by either the
12 attorney or the director of his intentions to levy the assess-
13 ment, or

14 (2) an order to show cause why a receiver, conserva-
15 tor, rehabilitator or liquidator of the insurer should not
16 be appointed is issued while his policy is in force or within
17 one year after its termination.

18 Sec. 21.75.220. AGGREGATE LIABILITY. No one policy or
19 subscriber as to the policy, shall be assessed or charged
20 with an aggregate of contingent liability as to obligations
21 incurred by a domestic reciprocal insurer in any one calendar
22 year, in excess of the amount provided for in the power of
23 attorney or in the subscribers' agreement, computed solely
24 upon premium earned on the policy during that year.

25 Sec. 21.75.230. NONASSESSABLE POLICIES. (a) If a
26 reciprocal insurer has a surplus of assets over all liabili-
27 ties at least equal to the minimum capital stock required of a
28 domestic stock insurer authorized to transact like kinds of
29 insurance, upon application of the attorney and as approved

1 by the subscribers' advisory committee the director shall
2 issue his certificate authorizing the insurer to extinguish
3 the contingent liability of subscribers under its policies
4 then in force in this state, and to omit provisions imposing
5 contingent liability in all policies delivered or issued
6 for delivery in this state for so long as all the surplus
7 remains unimpaired.

8 (b) Upon impairment of the surplus, the director shall
9 immediately revoke the certificate. The revocation shall not
10 render subject to contingent liability a policy then in force
11 and for the remainder of the period for which the premium has
12 theretofore been paid; but after the revocation no policy
13 shall be issued or renewed without providing for contingent
14 assessment liability of the subscriber.

15 (c) The director shall not authorize a domestic reci-
16 procal insurer to extinguish the contingent liability of any
17 of its subscribers or in any of its policies to be issued,
18 unless it qualifies to and does extinguish the liability
19 of all its subscribers and in all the policies for all kinds
20 of insurance transacted by it. Except, that if required by
21 the laws of another state in which the insurer is transacting
22 insurance as an authorized insurer, the insurer may issue
23 policies providing for the contingent liability of those
24 subscribers which may acquire the policies in that state,
25 and need not extinguish the contingent liability applicable
26 to policies theretofore in force in that state.

27 Sec. 21.75.240. DISTRIBUTION OF SAVINGS. A reciprocal
28 insurer may from time to time return to its subscribers any
29 unused premiums, savings or credits accruing to their accounts.

1 The distribution shall not unfairly discriminate between
2 classes of risks, or policies, or between subscribers, but
3 this shall not prevent retrospective rating, nor distribution
4 on a retrospective plan, or distribution varying as to
5 classes of subscribers based on the experience of the sub-
6 scribers.

7 Sec. 21.75.250. SUBSCRIBERS' SHARE IN ASSETS. Upon the
8 liquidation of a domestic reciprocal insurer, its assets
9 remaining after discharge of its indebtedness and policy
10 obligations, the return of any contributions of the attorney
11 or other persons to its surplus made as provided in sec. 140
12 of this chapter, and the return of any unused premium, savings,
13 or credits then standing on subscribers' account, shall be
14 distributed to its subscribers who were such within the 12
15 months before the last termination of its certificate of
16 authority, according to a reasonable formula which the
17 director may approve.

18 Sec. 21.75.260. MERGER OR CONVERSION. (a) A domestic
19 reciprocal insurer, upon affirmative vote of not less than
20 two-thirds of its subscribers who vote on the merger after
21 due notice and the approval of the director of the terms
22 therefor, may merge with another reciprocal insurer or be
23 converted to a stock or mutual insurer.

24 (b) The stock or mutual insurer shall be subject to
25 the same capital or surplus requirements and shall have the
26 same rights as a like domestic insurer transacting like kinds
27 of insurance.

28 (c) The director shall not approve a plan for a merger
29 or conversion which is inequitable to subscribers, or which,

1 if for conversion to a stock insurer, does not give each
2 subscriber preferential right to acquire stock of the
3 proposed insurer proportionate to his interest in the reci-
4 procal insurer as determined in accordance with sec. 250 of
5 this chapter and a reasonable length of time within which
6 to exercise the right.

7 Sec. 21.75.270. IMPAIRED RECIPROCAL. (a) If the
8 assets of a reciprocal insurer are at any time insufficient
9 to discharge its liabilities, other than a liability on
10 account of funds contributed by the attorney or others, and
11 to maintain the required surplus, its attorney shall immedi-
12 ately make up the deficiency or levy an assessment upon the
13 subscribers for the amount needed to make up the deficiency;
14 but subject to the limitation set out in the power of attorney
15 or policy.

16 (b) If the attorney fails to make up the deficiency
17 or to make the assessment within 30 days after the director
18 orders him to do so, or if the deficiency is not fully made
19 up within 60 days after the date the assessment was made,
20 the insurer shall be considered insolvent and shall be pro-
21 ceeded against as authorized by this title.

22 (c) If liquidation of an insurer is ordered, an assess-
23 ment shall be levied upon the subscriber for an amount, sub-
24 ject to limits as provided by this chapter, which the director
25 determines to be necessary to discharge all liabilities of
26 the insurer, exclusive of any funds contributed by the
27 attorney or other persons, but including the reasonable cost
28 of the liquidation.

29 Sec. 21.75.280. RECIPROCAL INSURANCE DEFINED. "Recipro-

1 cal insurance" is that resulting from an interexchange among
2 persons, known as "subscribers", of reciprocal agreements of
3 indemnity, the interexchange being effectuated through an
4 "attorney-in-fact" common to all such persons.

5 Sec. 21.75.290. RECIPROCAL INSURER DEFINED. A "re-
6 ciprocal insurer" means an unincorporated aggregation of
7 subscribers operating individually and collectively through
8 an attorney-in-fact to provide reciprocal insurance among
9 themselves.

10 CHAPTER 78. REHABILITATION AND LIQUIDATION.

11 Sec. 21.78.010. JURISDICTION OF DELINQUENCY PROCEEDINGS.

12 (a) The court is vested with exclusive original jurisdiction
13 of delinquency proceedings under this chapter, and is author-
14 ized to make all necessary and proper orders to carry out the
15 purposes of this chapter.

16 (b) The venue of delinquency proceedings against a
17 domestic insurer shall be in the judicial district of the
18 insurer's principal place of business. The venue of the
19 proceedings against foreign and alien insurers shall be in
20 the First Judicial District in Juneau.

21 (c) Delinquency proceedings under this chapter shall
22 constitute the sole and exclusive method of liquidating,
23 rehabilitating, reorganizing or conserving an insurer, and
24 no court shall entertain a petition for the commencement of
25 the proceedings unless it has been filed in the name of the
26 state on the relation of the director.

27 (d) An appeal shall lie to the supreme court from an
28 order granting or refusing rehabilitation, liquidation, or
29 conservation, and from every other order in delinquency

1 proceedings having the character of a final order as to the
2 particular portion of the proceedings embraced therein.

3 Sec. 21.78.020. COMMENCEMENT OF DELINQUENCY PROCEEDINGS.

4 The director shall commence the proceedings by application
5 to the court for an order directing the insurer to show cause
6 why the director should not have the relief prayed for. On
7 the return of the order to show cause, and after a full
8 hearing, the court shall either deny the application or
9 grant the application, together with other relief which the
10 nature of the case and the interest of the policyholders,
11 creditors, stockholders, members, subscribers or the public
12 may require.

13 Sec. 21.78.030. INJUNCTIONS. (a) Upon application
14 by the director for an order to show cause, or at any time
15 thereafter, the court may without notice issue an injunction
16 restraining the insurer, its officers, directors, stockholders,
17 members, subscribers, agents and all other persons from the
18 transaction of its business or the waste or disposition of its
19 property until the further order of the court.

20 (b) The court may at any time during a proceeding under
21 this chapter issue injunctions or orders which may be consid-
22 ered necessary to prevent interference with the director or
23 the proceeding, or waste of the assets of the insurer, or
24 the commencement or prosecution of any actions, or the
25 obtaining of preferences, judgments, attachments or other
26 liens, or the making of any levy against the insurer or
27 against its assets or any part thereof.

28 (c) Notwithstanding any other provision of law, no bond
29 shall be required of the director as a prerequisite for the

1 issuance of an injunction or restraining order under this
2 section.

3 Sec. 21.78.040. GROUNDS FOR REHABILITATION. The
4 director may apply to the court for an order appointing him
5 as receiver of and directing him to rehabilitate a domestic
6 insurer upon one or more of the following grounds. That
7 the insurer:

8 (1) is impaired or insolvent;

9 (2) has refused to submit any of its books, records,
10 accounts or affairs to reasonable examination by the director;

11 (3) has concealed or removed records or assets or
12 otherwise violated AS 21.69.390;

13 (4) has failed to comply with an order of the
14 director to make good an impairment of capital or surplus or
15 both;

16 (5) has transferred or attempted to transfer
17 substantially its entire property or business, or has entered
18 into a transaction the effect of which is to merge sub-
19 stantially its entire property or business in that of any
20 other insurer without having first obtained the written
21 approval of the director;

22 (6) is found, after examination, to be in such
23 condition that its further transaction of business will be
24 hazardous to its policyholders, or to its creditors, or to
25 its members, subscribers, or stockholders, or to the public;

26 (7) has an officer, director, or manager who has
27 refused to be examined under oath, concerning its affairs,
28 for which purpose the director is authorized to conduct and
29 to enforce by all appropriate and available means an examina-

1 tion under oath in any other state or territory of the
2 United States, in which the officer, director or manager
3 may then presently be, to the full extent permitted by the
4 laws of the other state or territory, this special authoriza-
5 tion considered;

6 (8) has been or is the subject of an application
7 for the appointment of a receiver, trustee, custodian or
8 sequestrator of the insurer or its property otherwise than
9 under the provisions of this title, but only if the appoint-
10 ment has been made or is imminent and its effect is or would
11 be to oust the courts of this state of jurisdiction hereunder;

12 (9) has consented to such an order through a
13 majority of its directors, stockholders, members or sub-
14 scribers; or

15 (10) has failed to pay a final judgment rendered
16 against it in this state upon any insurance contract issued
17 or assumed by it, within 30 days after the judgment became
18 final or within 30 days after the time for taking an appeal
19 has expired, or within 30 days after dismissal of an appeal
20 before final termination, whichever date is the later.

21 Sec. 21.78.050. GROUNDS FOR LIQUIDATION. The director
22 may apply to the court for an order appointing him as
23 receiver (if his appointment as receiver is not then in
24 effect) and directing him to liquidate the business of a
25 domestic insurer or of the United States branch of an alien
26 insurer having trusteed assets in this state, regardless of
27 whether or not there has been a prior order directing him to
28 rehabilitate the insurer, upon any of the grounds specified
29 in sec. 40 of this chapter, or if the insurer

1 (1) has ceased transacting business for a period
2 of one year, or

3 (2) is an insolvent insurer and has commenced
4 voluntary liquidation or dissolution, or attempts to commence
5 or prosecute an action or proceeding to liquidate its busi-
6 ness or affairs, or to dissolve its corporate charter, or
7 to procure the appointment of a receiver, trustee, custodian
8 or sequestrator under any law except this title.

9 Sec. 21.78.060. GROUNDS FOR CONSERVATION. The director
10 may apply to the court for an order appointing him as receiver
11 or ancillary receiver, and directing him to conserve the assets
12 in this state, of a foreign insurer upon any of the following
13 grounds:

14 (1) upon any of the grounds specified in secs. 40
15 or 50 of this chapter; or

16 (2) upon the ground that its property has been
17 sequestrated in its domiciliary sovereignty or in any other
18 sovereignty.

19 Sec. 21.78.070. GROUNDS FOR CONVERSATION. The director
20 may apply to the court for an order appointing him as receiver
21 or ancillary receiver, and directing him to conserve the
22 assets within this state, of an alien insurer upon any of the
23 following grounds:

24 (1) upon any of the grounds specified in secs. 40
25 or 50 of this chapter;

26 (2) upon the ground that the insurer has failed to
27 comply, within the time designated by the director, with an
28 order made by him to make good an impairment of its trusteed
29 funds; or

1 (3) upon the ground that the property of the
2 insurer has been sequestrated in its domiciliary sovereignty
3 or elsewhere.

4 Sec. 21.78.080. GROUNDS FOR ANCILLARY LIQUIDATION. The
5 director may apply to the court for an order appointing him
6 as ancillary receiver of and directing him to liquidate the
7 business of a foreign insurer having assets, business or
8 claims in this state upon the appointment in the domiciliary
9 state of the insurer of a receiver, liquidator, conservator,
10 rehabilitator or other officer by whatever name called for
11 the purpose of liquidating the business of the insurer.

12 Sec. 21.78.090. ORDER OF REHABILITATION. (a) An order
13 to rehabilitate a domestic insurer shall require the director
14 to take immediate possession of the property of the insurer
15 and to conduct its business, and to take steps toward removal
16 of the causes and conditions which have made rehabilitation
17 necessary as the court may direct.

18 (b) If at any time the director considers that further
19 efforts to rehabilitate the insurer would be useless, he may
20 apply to the court for an order of liquidation.

21 (c) The director, or an interested person upon due
22 notice to the director, at any time may apply to the court
23 for an order terminating the rehabilitation proceedings and
24 permitting the insurer to resume possession of its property
25 and the conduct of its business, but the order shall not be
26 made or entered except when, after a hearing, the court has
27 determined that the purposes of the proceeding have been
28 fully accomplished.

29 Sec. 21.78.100. ORDER OF LIQUIDATION, DOMESTIC INSURERS.

1 (a) An order to liquidate the business of a domestic insurer
2 shall require the director to take immediate possession of
3 the property of the insurer, to liquidate its business, to
4 deal with the insurer's property and business in his own
5 name as director of insurance or in the name of the insurer,
6 as the court may direct, and to give notice to all creditors
7 who may have claims against the insurer to present the claims.

8 (b) The director may apply for and secure an order
9 dissolving the corporate existence of a domestic insurer upon
10 his application for an order of liquidation of the insurer
11 or at any time after the order has been granted.

12 Sec. 21.78.110. ORDER OF LIQUIDATION, ALIEN INSURERS.
13 An order to liquidate the business of a United States branch
14 of an alien insurer having trusteed assets in this state
15 shall be in the same terms as those prescribed for domestic
16 insurers, except that the assets of the business of the
17 United States branch shall be the only assets included therein.

18 Sec. 21.78.120. ORDER OF CONSERVATION OR ANCILLARY
19 LIQUIDATION OF FOREIGN OR ALIEN INSURERS. (a) An order to
20 conserve the assets of a foreign or alien insurer shall
21 require the director to take immediate possession of the
22 property of the insurer in this state and to conserve it,
23 subject to the further direction of the court.

24 (b) An order to liquidate the assets in this state of
25 a foreign insurer shall require the director to take immediate
26 possession of the property of the insurer in this state and
27 to liquidate it subject to the orders of the court and with
28 due regard to the rights and powers of the domiciliary
29 receiver, as provided in this chapter.

1 Sec. 21.78.130. CONDUCT OF DELINQUENCY PROCEEDINGS
2 AGAINST DOMESTIC AND ALIEN INSURERS. (a) When under this
3 chapter a receiver is to be appointed in delinquency pro-
4 ceeding for a domestic or alien insurer, the court shall
5 appoint the director as the receiver. The court shall order
6 the director immediately to take possession of the assets of
7 the insurer and to administer the assets under orders of
8 the court.

9 (b) As a domiciliary receiver, the director shall be
10 vested by operation of law with the title to all of the
11 property, contracts and rights of action, and all of the
12 books and records of the insurer, wherever located, as of
13 the date of entry of the order directing him to rehabilitate
14 or liquidate a domestic insurer or to liquidate the United
15 States branch of an alien insurer domiciled in this state,
16 and he shall have the right to recover the same and reduce
17 the same to possession; except that ancillary receivers in
18 reciprocal states shall have, as to assets located in their
19 respective states, the rights and powers which are herein
20 prescribed for ancillary receivers appointed in this state
21 as to assets located in this state.

22 (c) The filing or recording of the order directing
23 possession to be taken, or a certified copy thereof, in any
24 office where instruments affecting title to property are
25 required to be filed or recorded shall impart the same
26 notice as would be imparted by a deed, bill of sale, or
27 other evidence of title duly filed or recorded.

28 (d) The director as domiciliary receiver shall be
29 responsible for the proper administration of all assets coming

1 into his possession or control. The court may at any time
2 require a bond from him or his deputies if considered
3 desirable for the protection of the assets.

4 (e) Upon taking possession of the assets of an insurer,
5 the domiciliary receiver shall, subject to the direction of
6 the court, immediately proceed to conduct the business of the
7 insurer or to take steps authorized by this chapter for the
8 purpose of rehabilitating, liquidating or conserving the
9 affairs or assets of the insurer.

10 (f) In connection with delinquency proceedings, the
11 director may appoint one or more special deputies to act
12 for him and he may employ counsel, clerks and assistants
13 which he considers necessary. The compensation of the special
14 deputies, counsel, clerks or assistants and all expenses of
15 taking possession of the insurer and of conducting the pro-
16 ceedings shall be fixed by the receiver, subject to the
17 approval of the court, and shall be paid out of the funds or
18 assets of the insurer. Within the limits of duties imposed
19 upon them, special deputies shall possess all the powers
20 given to, and in the exercise of those powers shall be
21 subject to, all of the duties imposed upon the receiver with
22 respect to the proceedings.

23 Sec. 21.78.140. CONDUCT OF DELINQUENCY PROCEEDINGS
24 AGAINST FOREIGN INSURERS. (a) When under this chapter
25 an ancillary receiver is to be appointed in delinquency
26 proceedings for an insurer not domiciled in this state, the
27 court shall appoint the director as ancillary receiver. The
28 director shall file a petition requesting the appointment on
29 the grounds set out in sec. 80 of this chapter,

1 (1) if he finds that there are sufficient assets
2 of the insurer located in this state to justify the appoint-
3 ment of an ancillary receiver; or

4 (2) if 10 or more persons resident in this state
5 having claims against the insurer file a petition with the
6 director requesting the appointment of the ancillary re-
7 ceiver.

8 (b) The domiciliary receiver for the purpose of
9 liquidating an insurer domiciled in a reciprocal state shall
10 be vested by operation of law with the title to all of the
11 property, contracts and rights of action, and all of the
12 books and records of the insurer located in this state, and
13 he shall have the immediate right to recover balances due
14 from local agents and to obtain possession of any books and
15 records of the insurer found in this state. He shall also
16 be entitled to recover the other assets of the insurer
17 located in this state, except that upon the appointment of an
18 ancillary receiver in this state, the ancillary receiver
19 shall during the ancillary receivership proceedings have the
20 sole right to recover the other assets. The ancillary
21 receiver shall, as soon as practicable, liquidate from their
22 respective securities those special deposit claims and
23 secured claims which are proved and allowed in the ancillary
24 proceedings in this state, and shall pay the necessary
25 expenses of the proceedings. He shall promptly transfer all
26 remaining assets to the domiciliary receiver. Subject to
27 the foregoing provisions, the ancillary receiver and his
28 deputies shall have the same powers and be subject to the
29 same duties with respect to the administration of the assets

1 as a receiver of an insurer domiciled in this state.

2 (c) The domiciliary receiver of an insurer domiciled
3 in a reciprocal state may sue in this state to recover any
4 assets of the insurer to which he may be entitled under
5 the laws of this state.

6 Sec. 21.78.150. CLAIMS OF NONRESIDENTS AGAINST DOMESTIC
7 INSURERS. (a) In a delinquency proceeding begun in this
8 state against a domestic insurer, claimants residing in
9 reciprocal states may file claims either with the ancillary
10 receivers, if any, in their respective states, or with the
11 domiciliary receiver. The claims must be filed on or before
12 the last date fixed for the filing of claims in the domicil-
13 iary delinquency proceedings.

14 (b) Controverted claims belonging to claimants residing
15 in reciprocal states may either:

16 (1) be proved in this state; or

17 (2) if ancillary proceedings have been commenced
18 in the reciprocal states, may be proved in those proceedings;
19 in the event a claimant elects to prove his claim in ancillary
20 proceedings, if notice of the claim and opportunity to appeal
21 and be heard is afforded the domiciliary receiver of this
22 state, as provided in sec. 160 of this chapter with respect
23 to ancillary proceedings in this state, the final allowance
24 of the claim by the courts in the ancillary state shall be
25 accepted in this state as conclusive as to its amount and
26 shall also be accepted as conclusive as to its priority, if
27 any, against special deposits or other security located in
28 the ancillary state.

29 Sec. 21.78.160. CLAIMS AGAINST FOREIGN INSURERS. (a)

1 in a delinquency proceeding in a reciprocal state against an
2 insurer domiciled in that state, claimants against the
3 insurer who reside in this state may file claims either
4 with the ancillary receiver, if any, appointed in this state,
5 or with the domiciliary receiver. The claims must be filed
6 on or before the last date fixed for the filing of claims
7 in the domiciliary delinquency proceedings.

8 (b) Controverted claims belonging to claimants residing
9 in this state may either:

10 (1) be proved in the domiciliary state as provided
11 by the law of that state; or

12 (2) if ancillary proceedings have been commenced
13 in this state, be proved in those proceedings; in the event
14 that a claimant elects to prove his claim in this state, he
15 shall file his claim with the ancillary receiver and shall
16 give notice in writing to the receiver in the domiciliary
17 state, either by registered mail or by personal service at
18 least 40 days before the date set for hearing; the notice
19 shall contain a concise statement of the amount of the claim,
20 the facts on which the claim is based, and the priorities
21 asserted, if any; if the domiciliary receiver within 30 days
22 after the giving of notice gives notice in writing to the
23 ancillary receiver and to the claimant, either by registered
24 mail or by personal service, of his intention to contest the
25 claim, he shall be entitled to appear or to be represented
26 in any proceeding in this state involving adjudication of the
27 claim; the final allowance of the claim by the courts of
28 this state shall be accepted as conclusive as to its amount
29 and shall also be accepted as conclusive as to its priority,

1 if any, against special deposits or other security located
2 in this state.

3 Sec. 21.78.170. FORM OF CLAIM. (a) All claims
4 against an insurer against which delinquency proceedings
5 have been begun shall set out in reasonable detail the
6 amount of the claim, or the basis upon which the amount can
7 be ascertained, the facts upon which the claim is based,
8 and the priorities asserted, if any. The claims shall be
9 verified by the affidavit of the claimant, or someone author-
10 ized to act on his behalf and having knowledge of the facts,
11 and shall be supported by documents which may be material
12 thereto.

13 (b) All claims filed in this state shall be filed with
14 the receiver, whether domiciliary or ancillary, in this state,
15 on or before the last date of filing as specified in this
16 chapter.

17 (c) Within 10 days of the receipt of a claim, or
18 within such further period as the court may for good cause
19 shown fix, the receiver shall report the claim to the court,
20 specifying in the report his recommendation with respect to
21 the action to be taken. Upon receipt of the report, the
22 court shall fix a time for hearing the claim and shall
23 direct that the claimant or the receiver, as the court shall
24 specify, shall give notice which the court shall determine
25 to the persons who appear to the court to be interested
26 therein. All notices shall specify the time and place of
27 the hearing and shall concisely state the amount and nature
28 of the claim, the priorities asserted, if any, and the recom-
29 mendation of the receiver with reference thereto.

1 (d) At the hearing, all persons interested shall be
2 entitled to appear and the court shall enter an order allow-
3 ing, allowing in part, or disallowing the claim. The order
4 shall be an appealable order.

5 Sec. 21.78.180. PRIORITY OF CERTAIN CLAIMS. (a) In
6 a delinquency proceeding against an insurer domiciled in
7 this state, claims owing to residents of ancillary states
8 shall be preferred claims if like claims are preferred
9 under the laws of this state. Claims owing to residents or
10 nonresidents shall be given equal priority of payment from
11 general assets regardless of where the assets are located.

12 (b) In a delinquency proceeding against an insurer
13 domiciled in a reciprocal state, claims owing to residents
14 of this state shall be preferred if like claims are preferred
15 by the laws of that state.

16 (c) The owners of special deposit claims against an
17 insurer for which a receiver is appointed in this or any
18 other state shall be given priority against their several
19 special deposits in accordance with the provisions of the
20 statutes governing the creation and maintenance of the deposits
21 If there is a deficiency in a deposit so that the claims
22 secured by it are not fully discharged from it, the claimants
23 may share in the general assets, but the sharing shall be
24 deferred until general creditors and also claimants against
25 other special deposits who have received smaller percentages
26 from their respective special deposits, have been paid per-
27 centages of their claims equal to the percentage paid from
28 the special deposit.

29 (d) The owner of a secured claim against an insurer for

1 which a receiver has been appointed in this or any other
2 state may surrender his security and file his claim as a
3 general creditor, or the claim may be discharged by resort
4 to the security, in which case the deficiency, if any, shall
5 be treated as a claim against the general assets of the insurer
6 on the same basis as claims of unsecured creditors. If the
7 amount of the deficiency has been adjudicated in ancillary
8 proceedings as provided in this chapter, or if it has been
9 adjudicated by a court of competent jurisdiction in proceed-
10 ings in which the domiciliary receiver has had notice and
11 opportunity to be heard, the amounts shall be conclusive;
12 otherwise the amount shall be determined in delinquency pro-
13 ceeding in the domiciliary state.

14 Sec. 21.78.190. ATTACHMENT AND GARNISHMENT OF ASSETS.
15 During the pendency of delinquency proceedings in this or any
16 reciprocal state, no action or proceeding in the nature of an
17 attachment, garnishment or execution shall be commenced or
18 maintained in the courts of this state against the delinquent
19 insurer or its assets. A lien obtained for any such action
20 or proceeding within four months before the commencement of
21 any such delinquency proceeding or at any time thereafter
22 shall be void as against any rights arising in the delinquency
23 proceeding.

24 Sec. 21.78.200. UNIFORM INSURERS LIQUIDATION ACT. Sec.
25 330(2) - (13), together with secs. 20, 30, and 130 - 190 of
26 this chapter constitute and may be referred to as the Uniform
27 Insurers Liquidation Act.

28 (b) The Uniform Insurers Liquidation Act shall be
29 interpreted and construed to effectuate its general purpose

1 to make uniform the law of those states that enact it. To
2 the extent that its provisions when applicable conflict with
3 other provisions of this chapter, the provisions of the
4 Uniform Insurers Liquidation Act shall control.

5 Sec. 21.78.210. DEPOSIT OF MONEY COLLECTED. The money
6 collected by the director in a proceeding under this chapter
7 shall be from time to time deposited in one or more state or
8 national banks, savings banks, and in the case of the insol-
9 vency or voluntary liquidation of a depository which is an
10 institution organized and supervised under the laws of this
11 state, the deposits shall be entitled to priority of payment
12 on an equality with any other priority given by the banking
13 laws of this state. The director may in his discretion
14 deposit the money or any part of it in a national bank or as
15 a trust fund.

16 Sec. 21.78.220. EXEMPTION FROM FEES. The director
17 shall not be required to pay a fee to a public officer in
18 this state for filing, recording, issuing a transcript or
19 certificate or authenticating a paper or instrument per-
20 taining to the exercise by the director of any of the powers
21 or duties conferred upon him under this chapter, whether or
22 not the paper or instrument is executed by the director or
23 his deputies, employees or attorneys of record and whether
24 or not it is connected with the commencement of an action or
25 proceeding by or against the director, or with the subsequent
26 conduct of the action or proceeding.

27 Sec. 21.78.230. BORROWING ON PLEDGE OF ASSETS. For the
28 purpose of facilitating the rehabilitation, liquidation, con-
29 servation or dissolution of an insurer under this chapter,

1 the director may, subject to the approval of the court,
2 borrow money and execute, acknowledge and deliver notes or
3 other evidences of indebtedness therefor and secure the
4 repayment of the same by the mortgage, pledge, assignment,
5 transfer in trust, or hypothecation of any or all of the
6 property, whether real, person or mixed, of the insurer,
7 and the director subject to the approval of the court shall
8 have power to take any and all other action necessary and
9 proper to consummate the loan and to provide for the repayment
10 thereof. The director shall be under no obligation personally
11 or in his official capacity to repay a loan made under this
12 section.

13 Sec. 21.78.240. DATE RIGHTS FIXED ON LIQUIDATION. The
14 rights and liabilities of the insurer and of its creditors,
15 policyholders, stockholders, members, subscribers and all
16 other persons interested in its estate shall, unless other-
17 wise directed by the court, be fixed as of the date on which
18 the order directing the liquidation of the insurer is filed
19 in the office of the clerk of the court which made the order,
20 subject to the provisions of this chapter with respect to the
21 rights of claimants holding contingent claims.

22 Sec. 21.78.250. VOIDABLE TRANSFERS. (a) A transfer
23 of, or lien upon, the property of an insurer which is made or
24 created within four months before the granting of an order to
25 show cause under this chapter with the intent of giving to
26 creditor a preference or of enabling him to obtain a greater
27 percentage of his debt than another creditor of the same
28 class and which is accepted by the creditor having reasonable
29 cause to believe that the preference will occur, shall be

1 voidable.

2 (b) Every director, officer, employee, stockholder,
3 member, subscriber and any other person acting on behalf of
4 the insurer who is concerned in any act or deed and every
5 person receiving thereby any property of the insurer or the
6 benefit thereof shall be personally liable therefor and shall
7 be bound to account to the director.

8 (c) The director as receiver in a proceeding under
9 this chapter may avoid a transfer of or lien upon the pro-
10 perty of an insurer which a creditor, stockholder, subscriber
11 or member of the insurer might have avoided and may recover
12 the property transferred unless the person was a bona fide
13 holder for value before the date of the entering of an order
14 to show cause under this chapter. The property or its value
15 may be recovered from anyone who has received it except a bona
16 fide holder for value as herein specified.

17 Sec. 21.78.260. PRIORITY OF CLAIMS FOR COMPENSATION.

18 (a) Compensation actually owing to employees other than
19 officers of an insurer, for services rendered within three
20 months before the commencement of a proceeding against the
21 insurer under this chapter, but not exceeding \$500 for each
22 employee, shall be paid before the payment of any other debt
23 or claim, and in the discretion of the director may be paid as
24 soon as practicable after the proceeding has been commenced;
25 except that at all times the director shall reserve the funds
26 which will in his opinion be sufficient for the expenses of
27 administration.

28 (b) The priority shall be in lieu of any other similar
29 priority which may be authorized by law as to wages or com-

1 pensation of the employees.

2 Sec. 21.78.270. OFFSETS. (a) In all cases of mutual
3 debts or mutual credits between the insurer and another person
4 in connection with an action or proceeding under this chapter,
5 the credits and debts shall be set off and the balance only
6 shall be allowed or paid, except as provided in (b) of this
7 section.

8 (b) No offset shall be allowed in favor of a person if

9 (1) the obligation of the insurer to the person
10 would not at the date of the entry of a liquidation order or
11 otherwise, as provided in sec. 240 of this chapter, entitle
12 him to share as a claimant in the assets of the insurer;

13 (2) the obligation of the insurer to the person
14 was purchased by or transferred to the person with a view of
15 its being used as an offset; or

16 (3) the obligation of the person is to pay an
17 assessment levied against the members of a mutual insurer, or
18 against the subscribers of a reciprocal insurer, or is to pay
19 a balance upon the subscription to the capital stock of a
20 stock insurer.

21 Sec. 21.78.280. ALLOWANCE OF CERTAIN CLAIMS. (a) No
22 contingent and unliquidated claim shall share in a distribu-
23 tion of the assets of an insurer which has been adjudicated
24 to be insolvent by an order made under this chapter, except
25 that the claim shall be considered, if properly presented,
26 and may be allowed to share if

27 (1) the claim becomes absolute against the insurer
28 on or before the last day for filing claims against the assets
29 of the insurer; or

1 (2) there is a surplus and the liquidation is
2 thereafter conducted upon the basis that the insurer is sol-
3 vent.

4 (b) If an insurer has been adjudicated to be insolvent
5 any person who has a cause of action against an insured of
6 the insurer under a liability insurance policy issued by the
7 insurer shall have the right to file a claim in the liquida-
8 tion proceeding, regardless of the fact that the claim may be
9 contingent, and the claim may be allowed

10 (1) if it may be reasonably inferred from the
11 proof presented upon the claim that the person would be able
12 to obtain a judgment upon the cause of action against the
13 insured;

14 (2) if the person furnishes suitable proof, unless
15 the court for good cause shown otherwise directs, that no
16 further valid claim against the insurer arising out of his
17 cause of action other than those already presented can be
18 made; and

19 (3) if the total liability of the insurer to all
20 claimants arising out of the same act of its insured is no
21 greater than its maximum liability would be were it not in
22 liquidation.

23 (c) No judgment against the insured taken after the
24 date of entry of the liquidation order shall be considered
25 in the liquidation proceedings as evidence of liability, or
26 of the amount of damages, and no judgment against an insured
27 taken by default, or by collusion before the entry of the
28 liquidation order shall be considered as conclusive evidence
29 in the liquidation proceedings, either of the liability of

1 the insured to the person upon the cause of action or of
2 the amount of damages to which the person is therein entitled.

3 (d) No claim of a secured claimant shall be allowed
4 at a sum greater than the difference between the value of
5 the claim without security and the value of the security
6 itself as of the date of the entry of the order of liquidation
7 or such other date set by the court for determining rights
8 and liabilities as provided in sec. 240 of this chapter unless
9 the claimant surrenders his security to the director, in
10 which event the claim shall be allowed in the full amount for
11 which it is valued.

12 Sec. 21.78.290. TIME TO FILE CLAIMS. (a) If upon the
13 entry of an order of liquidation under this chapter or at
14 any time thereafter during liquidation proceedings the
15 insurer shall not be clearly solvent, the court shall, upon
16 hearing after notice it considers proper, make and enter an
17 order adjudging the insurer to be insolvent.

18 (b) After the entry of the order of insolvency, regard-
19 less of any prior notice that may have been given to creditors,
20 the director shall notify all persons who may have claims
21 against the insurer to file the claims with him, at a place
22 and within the time specified in the notice, or that the
23 claims shall be forever barred. The time specified in the
24 notice shall be as fixed by the court for filing of claims
25 and shall be not less than six months after the entry of the
26 order of insolvency. The notice shall be given in the manner
27 and for the reasonable period of time that may be ordered by
28 the court.

29 Sec. 21.78.300. REPORT AND PETITION FOR ASSESSMENT.

1 Within three years after the date of the entry of an order
2 of rehabilitation or liquidation of a domestic mutual insurer
3 or a domestic reciprocal insurer, the director may make and
4 file his report and petition to the court setting out

5 (1) the reasonable value of the assets of the
6 insurer;

7 (2) the liabilities of the insurer to the extent
8 thus far ascertained by the director;

9 (3) the aggregate amount of the assessment, if
10 any, which the director considers reasonably necessary to
11 pay all claims, the costs and expenses of the collection of
12 the assessments and the costs and expenses of the delinquency
13 proceedings in full;

14 (4) any other information relative to the affairs
15 or property of the insurer that the director considers material.

16 Sec. 21.78.310. ORDER AND LEVY OF ASSESSMENT. (a) Upon
17 the filing and reading of the report and petition provided
18 for in sec. 300 of this chapter, the court, ex parte, may
19 order the director to assess all members or subscribers of
20 the insurer who may be subject to the assessment, in the
21 aggregate amount the court finds reasonably necessary to pay
22 all valid claims as may be timely filed and proved in the
23 delinquency proceedings, together with the costs and expenses
24 of levying and collecting assessments and the costs and
25 expenses of the delinquency proceedings in full. The order
26 shall require the director to assess each member or subscriber
27 for his proportion of the aggregate assessment, according to
28 the reasonable classification of the members or subscribers
29 and formula which may be made by the director and approved

1 by the court.

2 (b) The court may order additional assessments upon
3 the filing and reading of any amendment or supplement to
4 the report and petition referred to in (a) of this section,
5 if the amendment or supplement is filed within three years
6 after the date of the entry of the order of rehabilitation
7 or liquidation.

8 (c) After the entry of the order to levy and assess
9 members or subscribers of an insurer referred to in (a) or
10 (b) of this section, the director shall levy and assess
11 members or subscribers in accordance with the order.

12 (d) The total of all assessments against a member or
13 subscriber with respect to any policy, whether levied under
14 this chapter or under any other provision of this title,
15 shall be for no greater amount than that specified in the
16 policy or policies of the member or subscriber and as limited
17 under this title, except as to a policy which was issued at
18 a rate of premium below the minimum rate lawfully permitted
19 for the risk insured, in which event the assessment against
20 the policyholder shall be upon the basis of the minimum rate
21 for the risk.

22 (e) No assessment shall be levied against a member or
23 subscriber with respect to any nonassessable policy issued
24 in accordance with this title, when insurer has a nonrevoked
25 authority to issue nonassessable policies.

26 Sec. 21.78.320. ASSESSMENT PRIMA FACIE CORRECT. (a)
27 An assessment of a subscriber or member of an insurer made
28 by the director under the order of court fixing the aggregate
29 amount of the assessment against all members or subscribers

1 and approving the classification and formula made by the
2 director under sec. 310 of this chapter, shall be prima facie
3 correct.

4 (b) Each member or subscriber shall be notified of the
5 amount of assessment to be paid by him by written notice
6 mailed to the address of the member or subscriber last of
7 record with the insurer. Failure of the member or subscriber
8 to receive the notice so mailed, within the time specified
9 therein for the payment of the assessment or at all, shall
10 be no defense in a proceeding to collect the assessment.

11 (c) If the member or subscriber fails to pay the assess-
12 ment within the period specified in the notice, which period
13 shall not be less than 20 days after mailing, the director
14 may obtain an order in the delinquency proceedings requiring
15 the member or subscriber to show cause at a time and place
16 fixed by the court why judgment should not be entered against
17 the member or subscriber for the amount of the assessment
18 together with all costs, and a copy of the order and a copy
19 of the petition shall be served upon the member or subscriber
20 within the time and in the manner designated in the order.

21 (d) If the subscriber or member after due service of a
22 copy of the order and petition referred to in (c) of this
23 section is made upon him

24 (1) fails to appear at the time and place specified
25 in the order, judgment shall be entered against him as prayed
26 for in the petition; or

27 (2) appears in the manner and form required by law
28 in response to the order, the court shall hear and determine
29 the matter and enter a judgment in accordance with its

1 decision.

2 (e) The director may collect the assessment through
3 any other lawful means.

4 Sec. 21.78.330. DEFINITIONS. In this chapter

5 (1) "impairment" or "insolvency" means that the
6 capital of a stock insurer or the surplus of a mutual or
7 reciprocal insurer, shall be considered to be impaired and
8 the insurer shall be considered to be insolvent, when the
9 insurer is not possessed of assets at least equal to all
10 liabilities and required reserves together with its total
11 issued and outstanding capital stock if a stock insurer, or
12 the minimum surplus if a mutual or reciprocal insurer required
13 by this title to be maintained for the kind or kinds of
14 insurance it is then authorized to transact;

15 (2) "insurer" means a person, firm, corporation,
16 association or aggregation of persons doing an insurance
17 business and subject to the insurance supervisory authority
18 of or to liquidation, rehabilitation, reorganization or
19 conservation by the director or the equivalent insurance
20 supervisory official of another state;

21 (3) "delinquency proceeding" means a proceeding
22 commenced against an insurer under this chapter for the
23 purpose of liquidating, rehabilitating, reorganizing or con-
24 serving the insurer;

25 (4) "state" means a state of the United States
26 and the District of Columbia and Puerto Rico;

27 (5) "foreign country" means territory not in a
28 state;

29 (6) "domiciliary state" means the state in which

1 an insurer is incorporated or organized, or in the case of an
2 insurer incorporated or organized in a foreign country, the
3 state in which the insurer, having become authorized to do
4 business in the state, has at the commencement of delinquency
5 proceedings, the largest amount of its assets held in trust
6 and assets held on deposit for the benefit of its policy-
7 holders or policyholders and creditors in the United States,
8 and the insurer is considered to be domiciled in that state;

9 (7) "ancillary state" means a state other than
10 a domiciliary state;

11 (8) "reciprocal state" means a state other than
12 this state in which in substance and effect the provisions
13 of the Uniform Insurers Liquidation Act, as defined in sec.
14 200 of this chapter, are in force, including the provisions
15 requiring that the director of insurance or equivalent insur-
16 ance supervisory official be the receiver of a delinquent
17 insurer;

18 (9) "general assets" means all property, real,
19 personal, or otherwise, not specifically mortgaged, pledged,
20 deposited or otherwise encumbered for the security or benefit
21 of specified persons or a limited class or classes of persons,
22 and as to the specifically encumbered property the term
23 includes all the property or its proceeds in excess of the
24 amount necessary to discharge the sum or sums secured thereby;
25 assets held in trust and assets held on deposit for the
26 security or benefit of all policyholders or all policyholders
27 and creditors in the United States shall be considered general
28 assets;

29 (10) "preferred claim" means a claim with respect

1 to which the law of the state or of the United States accords
2 priority of payments from the general assets of the insurer;

3 (11) "special deposit claim" means a claim secured
4 by a deposit made under statute for the security or benefit
5 of a limited class or classes of persons, but not including
6 general assets;

7 (12) "secured claim" means a claim secured by
8 mortgage, trust deed, pledge, deposit as security, escrow
9 or otherwise, but not including special deposit claims or
10 claims against general assets; the term also includes claims
11 which more than four months prior to the commencement of
12 delinquency proceedings in the state of the insurer's domicile
13 have become liens upon specific assets by reason of judicial
14 process;

15 (13) "receiver" means receiver, liquidator,
16 rehabilitator or conservator as the context may require.

17 CHAPTER 81. TRUSTEED ASSETS OF ALIEN INSURERS.

18 Sec. 21.81.010. SCOPE OF CHAPTER. This chapter applies
19 to all alien insurers using Alaska as a state of entry to
20 transact insurance in the United States.

21 Sec. 21.81.020. REQUIRED DEPOSIT OF ASSETS. (a) An
22 alien insurer may use Alaska as a state of entry to transact
23 insurance in the United States by making and maintaining in
24 this state a deposit of assets in trust with a solvent bank
25 or trust company approved by the director.

26 (b) The deposit, together with other trust deposits
27 of the insurer held in the United States for the same purpose,
28 shall be in amount not less than the deposits required of an
29 alien insurer under AS 21.09.090(3) and shall consist of

1 cash and/or securities of the same character and diversifica-
2 tion as those eligible for the investment of the funds of
3 domestic insurers under ch. 21 of this title except that in
4 the case of Canadian life insurers, the deposit shall consist
5 of cash and/or securities of a quality substantially as high
6 as that required for the investment of funds of domestic
7 insurers under ch. 21 of this title.

8 (c) The deposit may be referred to as "trusteed assets".

9 Sec. 21.81.030. EXISTING TRUSTS. All trusts of trusteed
10 assets heretofore created and now existing shall be continued
11 under the instruments creating them, unless inconsistent with
12 this chapter.

13 Sec. 21.81.040. PURPOSE AND DURATION. The deposit
14 required by sec. 20 of this chapter shall be for the benefit,
15 security and protection of the policyholders, or policyholders
16 and creditors, of the insurer in the United States. It shall
17 be maintained as long as there is outstanding any liability
18 of the insurer arising out of its insurance transactions in
19 the United States.

20 Sec. 21.81.050. TRUST AGREEMENT. (a) The deposit
21 referred to in sec. 20 of this chapter shall be made under
22 a written trust agreement between the insurer and the trustee,
23 consistent with this chapter, and shall be authenticated in
24 the form and manner the director may designate or approve.

25 (b) The agreement shall not be effective until filed
26 with and approved in writing by the director. The director
27 shall not approve a trust agreement found by him not to be
28 in compliance with law, or the terms of which do not in fact
29 provide reasonably adequate protection for the insurer's

1 policyholder or policyholders and creditors in the United
2 States.

3 Sec. 21.81.060. AUTHORITY TO EXECUTE TRUST AGREEMENT.
4 An alien insurer using or proposing to use Alaska as a state
5 of entry to transact insurance in the United States, whether
6 or not it is then authorized to transact insurance in this
7 state, is authorized to make and execute a trust agreement
8 required by this chapter.

9 Sec. 21.81.070. AMENDMENT OF TRUST AGREEMENT. A trust
10 agreement may be amended, but the amendment shall not be
11 effective until filed with and approved in writing by the
12 director as being in compliance with this chapter.

13 Sec. 21.81.080. WITHDRAWAL OF APPROVAL. The director's
14 approval of a trust agreement or of an amendment thereof may
15 be withdrawn by the director if he finds upon hearing, after
16 notice to the insurer and the trustee or trustees, that the
17 requisites for the approval, as provided in this chapter,
18 nc longer exist.

19 Sec. 21.81.090. TITLE TO TRUSTEED ASSETS. Title to the
20 trustee assets is vested in the trustee or trustees and
21 their successors for the purposes of the trust deposit, and
22 the trust agreement shall so provide.

23 Sec. 21.81.100. ASSETS KEPT SEPARATE. The trustee shall
24 keep the trustee assets separate from other assets and shall
25 maintain a record sufficient to identify trustee assets at
26 all times.

27 Sec. 21.81.110. STATEMENT OF TRUSTEE. (a) The trustee
28 of trustee assets shall, from time to time, file with the
29 director statements, in the form he may designate and request

1 in writing, certifying the character of the assets and the
2 amounts thereof.

3 (b) If the trustee fails to file the statement after
4 request therefor and expiration of reasonable time thereafter,
5 the director may suspend or revoke the certificate of author-
6 ity of the insurer.

7 Sec. 21.81.120. EXAMINATION OF ASSETS. The director
8 may examine trustee assets of an insurer at any time in
9 accordance with the same conditions and procedures as govern
10 the examination of insurers in general under ch. 6 of this
11 title.

12 Sec. 21.81.130. WITHDRAWAL OF ASSETS. (a) The trust
13 agreement shall provide, in substance, that no withdrawals
14 of trustee assets shall be made by the insurer or permitted
15 by the trustee without the written authorization or approval
16 of the director in advance, except as follows:

17 (1) any or all income, earnings, dividends or
18 interest accumulations of the trustee assets may be paid
19 over to the United States manager of the insurer upon request
20 of the insurer or the manager;

21 (2) for substitution, coincidentally with the
22 withdrawal, of other securities or assets of value at least
23 equal in amount to those being withdrawn, if the substituted
24 securities or assets are likewise eligible for investment of
25 the funds of domestic insurers under ch. 21 of this title,
26 if the withdrawal is requested in writing by the insurer's
27 United States manager under general or specific written
28 authority previously given or delegated by the insurer's
29 board of directors or other similar governing body, and a

1 copy of the authority has been filed with the trustee;

2 (3) for the purpose of making deposits required
3 by law in a state in which the insurer is or thereafter
4 becomes an authorized insurer, for the protection of the
5 insurer's policyholders or policyholders and creditors in
6 the state or in the United States, if the withdrawal does
7 not reduce the insurer's deposit in this state to an amount
8 less than the minimum deposit required under AS 21.09.090(b)-
9 (3)(A) and (B), the trustee shall transfer any assets so
10 withdrawn and in the amount required to be deposited in
11 the other state direct to the depository required to receive
12 the deposit in the other state, as certified in writing by
13 the public official having supervision of insurance in the
14 other state;

15 (4) for the purpose of transferring the trusteed
16 assets to an official liquidator, conservator or rehabilita-
17 tor pursuant to the order of a court of competent jurisdiction.

18 (b) The director shall authorize or approve withdrawal
19 of only the assets in excess of the amount of assets required
20 to be held in trust under sec. 20 or as may otherwise be
21 consistent with this chapter.

22 (c) If at any time the insurer becomes insolvent, or
23 if its assets held in the United States are less in amount
24 than as required under AS 21.09.090(b)(3), upon determination
25 thereof the director shall in writing order the trustee to
26 suspend the right of the insurer or any other person to
27 withdraw assets as authorized under (a)(1), (2) and (3) of
28 this section, and the trustee shall comply with the order
29 and until the further order of the director.

1 Sec. 21.81.140. SUBSTITUTION OF TRUSTEE. (a) A new
2 trustee or new trustees may be substituted for the original
3 trustee or trustees of trusteed assets in the event of a
4 vacancy or for other proper cause. The substitution shall
5 be subject to the director's approval.

6 (b) If the trustees of any trusteed assets heretofore
7 created are individuals, and if the number of the trustees
8 is reduced to less than three by death, resignation or
9 otherwise, the director shall require that there be substi-
10 tuted for the trustees a bank or trust company in this state
11 approved by him.

12 Sec. 21.81.150. CANADIAN INSURERS. The provisions of
13 this chapter applicable to a United States manager shall
14 in the case of insurers domiciled in Canada, be considered
15 to refer to the president, vice-president, secretary or
16 treasurer of the Canadian insurer.

17 CHAPTER 84. FRATERNAL BENEFIT SOCIETIES.

18 Sec. 21.84.010. CHAPTER EXCLUSIVE. Except as herein
19 provided, societies shall be governed by this chapter and
20 shall be exempt from all other provisions of the insurance
21 laws of this state, not only in governmental relations with
22 the state, but for every other purpose. No law hereafter
23 enacted shall apply to them, unless they be expressly
24 designated therein.

25 Sec. 21.84.020. EXEMPTED SOCIETIES. (a) Nothing in
26 this chapter shall be so construed as to affect or apply to

27 (1) grand or subordinate lodges of societies,
28 orders or associations now doing business in this state which
29 provide benefits exclusively through local or subordinate

1 lodges;

2 (2) orders, societies or associations which admit
3 to membership only persons engaged in one or more crafts or
4 hazardous occupations, in the same or similar lines of
5 business insuring only their own members and their families,
6 and the ladies' societies or ladies' auxiliaries to the
7 orders, societies or associations;

8 (3) domestic societies which limit their member-
9 ship to employees of a particular city or town, designated
10 firm, business house or corporation which provide for a
11 death benefit of not more than \$400 or disability benefits
12 of not more than \$350 to a person in any one year, or both;
13 or

14 (4) domestic societies, or associations of a
15 purely religious, charitable or benevolent description,
16 which provide for a death benefit of not more than \$400 or
17 for disability benefits of not more than \$350 to a person
18 in any one year, or both.

19 (b) The society or association described in (a)(3) or
20 (4) of this section, which provides for death or disability
21 benefits for which benefit certificates are issued, and the
22 society or association included in (a)(4) of this section
23 which has more than 1,000 members, shall not be exempted
24 from this chapter but shall comply with all requirements
25 thereof.

26 (c) No society which, by the provisions of this section,
27 is exempt from the requirements of this chapter, except a
28 society described in (a)(2) of this section, shall give or
29 allow, or promise to give or allow to a person any compensa-

1 tion for procuring new members.

2 (d) Every society which provides for benefits in case
3 of death or disability resulting solely from accident, and
4 which does not obligate itself to pay natural death or sick
5 benefits shall have all of the privileges and be subject to
6 all the applicable provisions and regulations of this chapter
7 except that the provisions relating to medical examination,
8 valuations of benefit certificates, and incontestability,
9 shall not apply to the society.

10 (e) The director may require from a society or
11 association, by examination or otherwise, information which
12 will enable him to determine whether the society or associa-
13 tion is exempt from this chapter.

14 (f) Societies exempted under this section shall also
15 be exempt from all other provisions of the insurance laws
16 of this state.

17 Sec. 21.84.030. ANNUAL LICENSE. Societies which are
18 now authorized to transact business in this state may continue
19 the business until the first day of July following the effec-
20 tive date of this chapter. The authority of the societies
21 and all societies hereafter licensed, may thereafter be
22 renewed annually, but in all cases terminate on the first
23 day of the succeeding July. However, a license so issued
24 shall continue in full force and effect until the new
25 license is issued or specifically refused. For each license
26 or renewal the society shall pay the director \$15. A
27 certified copy or duplicate of the license shall be prima
28 facie evidence that the licensee is a fraternal benefit
29 society within the meaning of this chapter.

1 Sec. 21.84.040. FOREIGN OR ALIEN SOCIETY. (a) No
2 foreign or alien society shall transact business in this
3 state without a license issued by the director. The society
4 may be licensed to transact business in this state upon
5 filing with the director:

6 (1) a duly certified copy of its charter or
7 articles of incorporation;

8 (2) a copy of its constitution and laws, certified
9 by its secretary or corresponding officer;

10 (3) a power of attorney to the director as
11 prescribed in sec. 490 of this chapter;

12 (4) a statement of its business under oath of its
13 president and secretary or corresponding officers in a form
14 prescribed by the director verified by an examination made
15 by the supervising insurance official of its home state or
16 other state, territory, province or country, satisfactory
17 to the director;

18 (5) a certificate from the proper official of its
19 home state, territory, province or country that the society
20 is legally incorporated and licensed to transact business
21 therein;

22 (6) copies of its certificate forms;

23 (7) other information which he may consider
24 necessary, and upon a showing that its assets are invested
25 in accordance with this chapter.

26 (b) A foreign or alien society desiring admission to
27 this state shall have the qualifications required of domestic
28 societies organized under this chapter.

29 Sec. 21.84.050. SUSPENSION, REVOCATION OR REFUSAL OF

1 LICENSE OF FOREIGN OR ALIEN SOCIETY. (a) When the director
2 upon investigation finds that a foreign or alien society
3 transacting or applying to transact business in this state
4 (1) has exceeded its powers, (2) has failed to comply with
5 any of the provisions of this chapter, (3) is not fulfilling
6 its contracts in good faith, or (4) is conducting its busi-
7 ness fraudulently or in a manner hazardous to its members
8 or creditors or the public, he shall notify the society of
9 his findings, state in writing the reasons for his dissatis-
10 faction and require the society to show cause on a date
11 named why its license should not be suspended, revoked or
12 refused. If on that date the society does not present good
13 and sufficient reason why its authority to do business in
14 this state should not be suspended, revoked or refused, he
15 may suspend or refuse the license of the society to do
16 business in this state until satisfactory evidence is fur-
17 nished to him that the suspension or refusal should be
18 withdrawn or he may revoke the authority of the society to
19 do business in this state.

20 (b) Nothing in this section shall be taken or construed
21 as preventing the society from continuing in good faith all
22 contracts made in this state during the time the society was
23 legally authorized to transact business herein.

24 Sec. 21.84.060. ORGANIZATION. The organization of a
25 society shall be governed as follows: Seven or more citizens
26 of the United States, a majority of whom are citizens of
27 this state, who desire to form a fraternal benefit society,
28 may make, sign and acknowledge before some officer, competent
29 to take acknowledgment of deeds, articles of incorporation,

1 in which shall be stated

2 (1) the proposed corporate name of the society,
3 which shall not so closely resemble the name of any society
4 or insurance company as to be misleading or confusing;

5 (2) the purposes for which it is being formed
6 and the mode in which its corporate powers are to be exer-
7 cised; the purposes shall not include more liberal powers
8 than are granted by this chapter, provided that any lawful
9 social, intellectual, educational, charitable, benevolent,
10 moral, fraternal or religious advantages may be set out
11 among the purposes of the society;

12 (3) the names and residences of the incorporators
13 and the names, residences and official titles of all the
14 officers, trustees, directors, or other persons who are to
15 have and exercise the general control of the management of
16 the affairs and funds of the society for the first year or
17 until the ensuing election at which all the officers shall
18 be elected by the supreme legislative or governing body,
19 which election shall be held no later than one year from
20 the date of the issuance of the permanent certificate.

21 Sec. 21.84.070. FILING ARTICLES AND DOCUMENTS. The
22 articles of incorporation, certified copies of the constitu-
23 tion, laws and rules, copies of all proposed forms of certi-
24 ficates, applications therefor, and circulars to be issued
25 by the society and a bond conditioned upon the return to
26 applicants of the advanced payments if the organization is
27 not completed within one year, shall be filed with the
28 director, who may require further information which he
29 considers necessary. The bond with sureties approved by

1 the director shall be in an amount, not less than \$5,000
2 or more than \$25,000 required by the director. All documents
3 filed are to be in the English language. If the purposes
4 of the society conform to the requirements of this chapter
5 and all provisions of the law have been complied with, the
6 director shall so certify, retain and file the articles of
7 incorporation, and furnish the incorporators a preliminary
8 certificate authorizing the society to solicit members as
9 hereinafter provided.

10 Sec. 21.84.080. TIME FOR COMPLETING ORGANIZATION. No
11 preliminary certificate granted under this section shall be
12 valid after one year from its date or after such further
13 period, not exceeding one year, as may be authorized by
14 the director upon cause shown, unless the 500 applicants
15 hereinafter required have been secured and the organization
16 has been completed as herein provided. The articles of
17 incorporation and all other proceedings thereunder shall
18 become null and void in one year from the date of the
19 preliminary certificate, or at the expiration of the extended
20 period, unless the society has completed its organization
21 and received a certificate of authority to do business as
22 hereinafter provided.

23 Sec. 21.84.090. INITIAL SOLICITATIONS AND QUALIFICA-
24 TIONS. Upon receipt of a preliminary certificate from the
25 director the society may solicit members for the purpose of
26 completing its organization, shall collect from each appli-
27 cant the amount of not less than one regular monthly premium
28 in accordance with its table of rates as provided by its
29 constitution and laws, and shall issue to each applicant a

1 receipt for the amount collected. No society shall incur
2 any liability other than for the return of the advance
3 premium, not issue any certificate, nor pay, allow, or offer
4 or promise to pay or allow, any death or disability benefit
5 to any person until

6 (1) actual bona fide applications for death bene-
7 fits have been secured aggregating at least \$500,000 on not
8 less than 500 lives;

9 (2) all applicants for death benefits have fur-
10 nished evidence of insurability satisfactory to the society;

11 (3) certificates of examinations or acceptable
12 declarations of insurability have been filed and approved
13 by the chief medical examiner of the society;

14 (4) ten subordinate lodges or branches have been
15 established into which the 500 applicants have been admitted;

16 (5) there has been submitted to the director,
17 under oath of the president or secretary, or corresponding
18 officer of the society, a list of the applicants, giving
19 their names, addresses, date each was admitted, name and
20 number of the subordinate branch of which each applicant is
21 a member, amount of benefits to be granted and premiums
22 therefor;

23 (6) it has been shown to the director, by sworn
24 statement of the treasurer, or corresponding officer of the
25 society, that at least 500 applicants have each paid in cash
26 at least one regular monthly premium as herein provided,
27 which premiums in the aggregate shall amount to at least
28 \$2,500, all of which shall be credited to the fund or funds
29 from which benefits are to be paid and no part of which may

1 be used for expenses; the advance premiums shall be held in
2 trust during the period of organization and if the society
3 has not qualified for a certificate of authority within one
4 year, as herein provided, the premiums shall be returned to
5 the applicants.

6 Sec. 21.84.100. CERTIFICATE OF COMPLIANCE. The
7 director may make the examination and require further infor-
8 mation he considers advisable. Upon presentation of satis-
9 factory evidence that the society has complied with all the
10 provisions of law, he shall issue to the society a certificate
11 to that effect and that the society is authorized to transact
12 business under the provisions of this chapter. The certifi-
13 cate shall be prima facie evidence of the existence of the
14 society at the date of the certificate. The director shall
15 cause a record of the certificate to be made. A certified
16 copy of the record may be given in evidence with like effect
17 as the original certificate.

18 Sec. 21.84.110. CONSTITUTION AND LAWS. (a) Every
19 society shall have the power to adopt a constitution and
20 laws for the government of the society, the admission of its
21 members, the management of its affairs and the fixing and
22 readjusting of the rates of its members from time to time.
23 It shall have the power to change, alter, add to or amend
24 the constitution and laws.

25 (b) A society shall have other powers which are
26 necessary and incidental to carrying into effect the objects
27 and purposes of the society.

28 Sec. 21.84.120. CORPORATE POWERS RETAINED. An incor-
29 porated society authorized to transact business in this state

1 at the time this chapter becomes effective may thereafter
2 exercise all the rights, powers and privileges prescribed
3 in this chapter and in its charter or articles of incorpora-
4 tion as far as consistent with this chapter. A domestic
5 society shall not be required to reincorporate.

6 Sec. 21.84.130. EXISTING VOLUNTARY ASSOCIATIONS. (a)
7 After one year from the effective date of this chapter, no
8 unincorporated or voluntary association shall be permitted
9 to transact business in this state as a fraternal benefit
10 society.

11 (b) A domestic voluntary association now authorized
12 to transact business in this state may incorporate and shall
13 receive from the director a permanent certificate of incor-
14 poration as a fraternal benefit society when

15 (1) it has completed its conversion to an incor-
16 porated society not later than one year from the effective
17 date of this chapter;

18 (2) it has filed its articles of incorporation
19 and has satisfied the other requirements in secs. 60 - 100
20 of this chapter;

21 (3) the director has made the examination and
22 procured whatever additional information he considers
23 advisable.

24 (c) Every voluntary association so incorporated shall
25 incur the obligations and enjoy the benefits thereof the
26 same as though originally incorporated, and the corporation
27 shall be considered a continuation of the original voluntary
28 association. The officers shall serve through their
29 respective terms as provided in the original articles of

1 association, but their successors shall be elected and serve
2 as provided in its articles of incorporation. Incorporation
3 of a voluntary association shall not affect existing suits,
4 claims or contracts.

5 Sec. 21.84.140. ARTICLES OF INCORPORATION, CONSTITUTION
6 AND LAWS. (a) A domestic society may amend its articles of
7 incorporation, constitution or laws in accordance with the
8 provisions thereof by action of its supreme legislative or
9 governing body at a regular or special meeting or, if its
10 articles of incorporation, constitution or laws so provide,
11 by referendum. The referendum may be held in accordance
12 with the provisions of its articles of incorporation, con-
13 stitution or laws by the vote of the voting members of the
14 society, by the vote of delegates or representatives of
15 voting members or by the vote of local lodges or branches.
16 No amendment submitted for adoption by referendum shall be
17 adopted unless, within six months from the date of submission
18 thereof, a majority of all of the voting members of the
19 society shall have signified their consent to the amendment
20 by one of the methods herein specified.

21 (b) No amendment to the articles of incorporation,
22 constitution or laws of a domestic society shall take effect
23 unless approved by the director, who shall approve the
24 amendment if he finds it has been duly adopted and is not
25 inconsistent with a requirement of the laws of this state or
26 with the character, objects and purposes of the society.
27 Unless the director disapproves an amendment within 60 days
28 after the filing of it, the amendment shall be considered
29 approved. The approval or disapproval of the director shall

1 be in writing and mailed to the secretary or corresponding
2 officer of the society at its principal office. If he
3 disapproves the amendment, the reasons for disapproval shall
4 be stated in the written notice.

5 (c) Within 90 days from the approval by the director,
6 all the amendments, or a synopsis of them, shall be furnished
7 by the society to all members either by mail or by publication
8 in full in the official organ of the society. The affidavit
9 of an officer of the society or of anyone authorized by it
10 to mail amendments or synopsis thereof, stating facts which
11 show that they have been duly addressed and mailed, shall
12 be prima facie evidence that the amendments or synopsis
13 thereof, have been furnished the addressee.

14 (d) Every foreign or alien society authorized to do
15 business in this state shall file with the director a
16 certified copy of all amendments of, or additions to, its
17 articles of incorporation, constitution or laws within 90
18 days after the enactment of same.

19 (e) Printed copies of the constitution or laws as
20 amended, certified by the secretary or corresponding officer
21 of the society shall be prima facie evidence of the legal
22 adoption thereof.

23 Sec. 21.84.150. WAIVER. The constitution and laws of
24 the society may provide that no subordinate body, or any of
25 its subordinate officers or members shall have the power or
26 authority to waive any of the provisions of the laws and
27 constitution of the society. The provisions shall be binding
28 on the society and every member and beneficiary of a member.

29 Sec. 21.84.160. LOCATION OF OFFICE. (a) The principal

1 office of a domestic society shall be located in this state.
2 The meetings of its supreme legislative or governing body
3 may be held in a state, district, province or territory
4 wherein the society has at least five subordinate branches
5 and all business transacted at the meetings shall be as valid
6 in all respects as if the meetings were held in this state.

7 (b) The minutes of the proceedings of the supreme or
8 governing body and of the board of directors or corresponding
9 body of a society shall be in the English language.

10 Sec. 21.84.170. INSTITUTIONS. (a) It is lawful for
11 a society to create, maintain and operate charitable,
12 benevolent or educational institutions for the benefit of its
13 members and their families and dependents and for the benefit
14 of children insured by the society. For that purpose it may
15 own, hold or lease personal property or real property located
16 inside or outside this state, with necessary buildings thereon.
17 The property shall be reported in every annual statement
18 but shall not be allowed as an admitted asset of the society.

19 (b) Maintenance, treatment, and proper attendance in
20 the institution may be furnished free or a reasonable charge
21 may be made therefor, but no institution shall be operated
22 for profit. The society shall maintain a separate accounting
23 of income and disbursements under this section and report
24 them in its annual statement.

25 (c) No society shall own or operate funeral homes or
26 undertaking establishments.

27 Sec. 21.84.180. QUALIFICATIONS FOR MEMBERSHIP. (a) A
28 society may admit to benefit membership any person not less
29 than 15 years of age, nearest birthday, who was furnished

1 evidence of insurability acceptable to the society. A
2 member who applies for additional benefits more than six
3 months after becoming a benefit member shall furnish
4 additional evidence of insurability acceptable to the society;
5 unless the additional benefits are issued under an existing
6 contract under the terms of which the member is entitled to
7 purchase the additional benefits without furnishing evidence
8 of insurability.

9 (b) A person admitted before attaining the full age
10 of 21 years shall be bound by the terms of the application
11 and certificate and by all the laws and rules of the society
12 and shall be entitled to all the rights and privileges of
13 membership therein to the same extent as though the age of
14 majority had been attained at the time of application. A
15 society may also admit general or social members who shall
16 have no voice or vote in the management of its insurance
17 affairs.

18 Sec. 21.84.190. MEMBER'S SHARE OF DEFICIENCY. A
19 society shall provide in its constitution or laws that if
20 its reserves as to all or any class of certificates become
21 impaired its board of directors or corresponding body may
22 require that there shall be paid by the member to the society
23 the amount of the member's equitable proportion of the de-
24 ficiency as ascertained by its board, and that if the payment
25 is not made it shall stand as an indebtedness against the
26 member's certificate and draw interest not to exceed five
27 per cent a year compounded annually.

28 Sec. 21.84.200. BENEFITS. (a) A society authorized to
29 do business in this state may provide for the payment of

1 (1) death benefits in any form,
2 (2) endowment benefits,
3 (3) annuity benefits,
4 (4) temporary or permanent disability benefits
5 as a result of disease or accident,
6 (5) hospital, medical or nursing benefits due to
7 sickness or bodily infirmity or accident,
8 (6) monument or tombstone benefits to the memory
9 of deceased members not exceeding in any case the sum of
10 \$300.

11 (b) The benefits may be provided on the lives of
12 members or, upon application of a member, on the lives of a
13 member's family, including the member, the member's spouse
14 and minor children, in the same or separate certificates.

15 Sec. 21.84.210. BENEFITS ON LIVES OF CHILDREN. (a) A
16 society may provide for benefits on the lives of children
17 under the minimum age for adult membership but not greater
18 than 21 years of age at time of application therefor, upon
19 the application of some adult person, as its laws or rules
20 may provide, which benefits shall be in accordance with
21 sec. 200 of this chapter. A society may, at its option,
22 organize and operate branches for the children. Membership
23 and initiation in local lodges shall not be required of the
24 children, nor shall they have a voice in the management of
25 the society.

26 (b) A society shall have power to provide for the
27 designation and changing of designation of beneficiaries in
28 the certificates providing for the benefits and to provide
29 in all other respects for the regulation, government and

1 control of the certificates and all rights, obligations and
2 liabilities incident thereto and connected therewith.

3 Sec. 21.84.220. NONFORFEITURE BENEFITS, CASH SURRENDER
4 VALUES, CERTIFICATE LOANS AND OTHER OPTIONS. (a) A society
5 may grant paid-up nonforfeiture benefits, cash surrender
6 values, certificate loans and such other options as its laws
7 may permit. As to certificates issued on and after the
8 effective date of this chapter, a society shall grant at
9 least one paid-up nonforfeiture benefit, except in the case
10 of pure endowment, annuity or reversionary annuity contracts,
11 reducing term insurance contracts or contracts of term
12 insurance of uniform amount of 15 years or less expiring
13 before age 66.

14 (b) In the case of certificates other than those for
15 which reserves are computed on the Commissioner's 1958
16 Standard Ordinary Mortality Table or the 1941 Standard
17 Industrial Table, the value of every paid-up nonforfeiture
18 benefit and the amount of any cash surrender value, loan or
19 other option granted shall not be less than the excess, if
20 any, of (1) over (2) of this section, as follows:

21 (1) the reserve under the certificate determined
22 on the basis specified in the certificates; and

23 (2) the sum of any indebtedness to the society on
24 the certificate, including interest due and accrued, and a
25 surrender charge equal to 2 1/2 per cent of the face amount
26 of the certificate, which, in the case of insurance on the
27 lives of children, shall be the ultimate face amount of the
28 certificate, if death benefits provided therein are graded.

29 (c) However, in the case of certificates issued on a

1 substandard basis or in the case of certificates, the reserves
2 for which are computed upon the American Men Ultimate Table
3 of Mortality, the term of any extended insurance benefit
4 granted including accompanying pure endowment, if any, may
5 be computed upon the rates of mortality not greater than
6 130 per cent of those shown by the mortality table specified
7 in the certificate for the computation of the reserve.

8 (d) In the case of certificates for which reserves
9 are computed on the Commissioner's 1941 Standard Ordinary
10 Mortality Table or the Commissioner's 1941 Standard Industrial
11 Table or the Commissioner's 1958 Standard Ordinary Mortality
12 Table, every paid-up nonforfeiture benefit and the amount of
13 any cash surrender value, loan or other option granted shall
14 not be less than the corresponding amount ascertained in
15 accordance with the provisions of the laws of this state
16 applicable to life insurers issuing policies containing like
17 insurance benefits based upon these tables.

18 Sec. 21.84.230. BENEFICIARIES. (a) The member shall
19 have the right at all times to change the beneficiary or
20 beneficiaries in accordance with the constitution, laws or
21 rules of the society. Every society by its constitution,
22 laws or rules may limit the scope of beneficiaries and shall
23 provide that no beneficiary shall have or obtain any vested
24 interest in the proceeds of a certificate until the certifi-
25 cate has become due and payable in conformity with the pro-
26 visions of the insurance contract.

27 (b) A society may make provision for the payment of
28 funeral benefits to the extent of the portion of a payment
29 under a certificate which might reasonably appear to be due to

1 a person equitably entitled thereto by reason of having
2 incurred expense occasioned by the burial of the member,
3 but the portion so paid shall not exceed the sum of \$500.

4 (c) If, at the death of a member, there is no lawful
5 beneficiary to whom the insurance benefits are payable, the
6 amount of the benefits, except to the extent that funeral
7 benefits may be paid as hereinbefore provided, shall be
8 payable to the personal representative of the deceased mem-
9 ber.

10 Sec. 21.84.240. BENEFITS NOT ATTACHABLE. No money or
11 other benefit, charity, relief or aid to be paid, provided
12 or rendered by a society, shall be liable to attachment,
13 garnishment or other process, or to be seized, taken appro-
14 priated or applied by a legal or equitable process or opera-
15 tion of law to pay a debt or liability of a member or benefi-
16 ciary, or any other person who may have a right thereunder,
17 either before or after payment by the society.

18 Sec. 21.84.250. NO PERSONAL LIABILITY. The officers
19 and members of the supreme, grand or any subordinate body
20 of a society shall not be personally liable for payment of
21 benefits provided by a society.

22 Sec. 21.84.260. THE CONTRACT. (a) Every society
23 authorized to do business in this state shall issue to each
24 benefit member a certificate specifying the amount of benefits
25 provided thereby. The certificate, together with any riders
26 or endorsements attached thereto, the charter or articles of
27 incorporation, the constitution and laws of the society, the
28 application for membership, and declaration of insurability,
29 if any, signed by the applicant, and all amendments to each

1 thereof, shall constitute the agreement, as of the date of
2 issuance, between the society and the member, and the certi-
3 ficate shall so state. A copy of the application for member-
4 ship and of the declaration of insurability, if any, shall
5 be endorsed upon or attached to the certificate.

6 (b) All statements purporting to be made by the
7 member shall be representations and not warranties. A
8 waiver of this provision shall be void.

9 (c) Any changes, additions or amendments to the charter
10 or articles of incorporation, constitution or laws duly made
11 or enacted subsequent to the issuance of the certificate,
12 shall bind the member and the beneficiaries, and shall
13 govern and control the agreement in all respects the same
14 as though the changes, additions or amendments had been
15 made before and were in force at the time of the applica-
16 tion for membership, except that no change, addition, or
17 amendment shall destroy or diminish benefits which the
18 society contracted to give the member as of the date of
19 issuance.

20 (d) Copies of any of the documents mentioned in this
21 section, certified by the secretary or corresponding officer
22 of the society, shall be received in evidence of the terms
23 and conditions thereof.

24 Sec. 21.84.270. STANDARD PROVISIONS. (a) After one
25 year from the effective date of this chapter, no life benefit
26 certificate shall be delivered or issued for delivery in
27 this state unless a copy of the form has been filed with
28 the director.

29 (b) The certificate shall contain in substance the

1 following standard provisions or, in lieu thereof, provisions
2 which are more favorable to the member:

3 (1) title on the face and filing page of the
4 certificate clearly and correctly describing its form;

5 (2) a provision stating the amount of rates,
6 premiums or other required contributions, by whatever name
7 known, which are payable by the insured under the certificate;

8 (3) a provision that the member is entitled to a
9 grace period of not less than a full month (or 30 days at
10 the option of the society) in which the payment of a
11 premium after the first, may be made; during the grace
12 period the certificate shall continue in full force, but in
13 case the certificate becomes a claim during the grace period
14 before the overdue payment is made, the amount of the
15 overdue payment or payments may be deducted in a settlement
16 under the certificate;

17 (4) a provision that the member shall be entitled
18 to have the certificate reinstated at any time within three
19 years from the due date of the premium in default, unless
20 the certificate has been completely terminated through the
21 application of a nonforfeiture benefit, cash surrender value
22 or certificate loan, upon the production of evidence of in-
23 surability satisfactory to the society and the payment of all
24 overdue premiums and any other indebtedness to the society
25 upon the certificate, together with interest on the premiums
26 and the indebtedness, if any, at a rate not exceeding six per
27 cent a year compounded annually;

28 (5) except in the case of pure endowment, annuity
29 or reversionary annuity contract, reducing term insurance

1 contracts, or contracts of term insurance of uniform amount
2 of 15 years or less expiring before age 66, a provision that,
3 in the event of default in payment of a premium after three
4 full years' premiums have been paid or after premiums for a
5 lesser period have been paid if the contract so provides,
6 the society will grant, upon proper request no later than
7 60 days after the due date of the premium in default, a paid-
8 up nonforfeiture benefit on the plan stipulated in the
9 certificate, effective as of the due date, of the value
10 specified in this chapter; the certificate may provide,
11 if the society's laws so specify or if the member shall so
12 elect before the expiration of the grace period of any
13 overdue premium, that default shall not occur as long as
14 premiums can be paid under the provisions of an arrangement
15 for automatic premium loan as may be set out in the
16 certificate;

17 (6) a provision that one paid-up nonforfeiture
18 benefit as specified in the certificate shall become effective
19 automatically unless the member elects another available
20 paid-up nonforfeiture benefit, no later than 60 days after
21 the due date of the premium in default;

22 (7) a statement of the mortality table and rate of
23 interest used in determining all paid-up nonforfeiture bene-
24 fits and cash surrender options available under the certifi-
25 cate and a brief general statement of the method used in
26 calculating the benefits;

27 (8) a table showing in figures the value of every
28 paid-up nonforfeiture benefit and cash surrender option
29 available under the certificate for each certificate

1 anniversary either during the first 20 certificate years or
2 during the term of the certificate whichever is shorter;

3 (9) a provision that the certificate shall be
4 incontestable after it has been in force during the lifetime
5 of the member for a period of two years from its date of
6 issue of the certificate relating to military, aviation, or
7 naval service and violation of the provisions relating to
8 suspension or expulsion as substantially set out in the
9 certificate. At the option of the society, supplemental
10 provisions relating to benefits in the event of temporary or
11 permanent disability or hospitalization and provisions which
12 grant additional insurance specifically against death by
13 accident or accidental means, may also be excepted; the
14 certificate shall be incontestable on the grounds of suicide
15 after it has been in force during the lifetime of the member
16 for a period of two years from date of issue; the certificate
17 may provide, as to statements made to procure reinstatement,
18 that the society shall have the right to contest a reinstated
19 certificate within a period of two years from date of rein-
20 statement with the same exceptions as herein provided;

21 (10) a provision that in case the age of the
22 member or of any other person is considered in determining
23 the premium and it is found at any time before final settle-
24 ment under the certificate that the age or sex has been mis-
25 stated, and the discrepancy and premium involved have not
26 been adjusted, the amount payable shall be the same amount
27 as the premium would have purchased at the correct age and
28 sex; but if the correct age or sex was not an insurable age
29 or sex under the society's charter or laws, only the

1 premiums paid to the society, less payments previously made
2 to the member, shall be returned or, at the option of the
3 society, the amount payable under the certificate shall be
4 the same amount as the premium would have purchased at the
5 correct age or sex according to the society's promulgated
6 rates and any extension thereof based on actuarial principles;

7 (11) a provision or provisions which recite fully,
8 or which set out the substance of, all sections of the
9 charter, constitution, laws, rules or regulations of the
10 society, in force at the time of issuance of the certificate,
11 the violation of which will result in the termination or
12 the reduction of the benefit or benefits payable under the
13 certificate;

14 (12) if the constitution or laws of the society
15 provide for expulsion or suspension of a member, the member
16 so expelled or suspended, except for nonpayment of a premium
17 or within the contestable period for material misrepresenta-
18 tions in the member's application for membership, shall have
19 the privilege of maintaining his insurance in force by con-
20 tinuing payment of the required premium.

21 (c) Any of the foregoing provisions or portions thereof
22 not applicable by reason of the plan of insurance or because
23 the certificate is an annuity certificate may, to the extent
24 inapplicable, be omitted from the certificate.

25 Sec. 21.84.280. PROHIBITED PROVISIONS. After one year
26 from the effective date of this chapter, no life benefit
27 certificate shall be delivered or issued for delivery in
28 this state containing in substance any of the following
29 provisions:

1 (1) a provision limiting the time within which
2 an action at law or in equity may be commenced to less than
3 two years after the cause of action accrues;

4 (2) a provision by which the certificate purports
5 to be issued or to take effect more than six months before
6 the original application for the certificate was made, except
7 in case of transfer from one form of certificate to another
8 in connection with which the member is to receive credit for
9 a reserve accumulation under the form of certificate from
10 which the transfer is made; or

11 (3) a provision for forfeiture of the certificate
12 for failure to repay a loan thereon or to pay interest on
13 the loan while the total indebtedness, including interest,
14 is less than the loan value of the certificate.

15 Sec. 21.84.290. PREMIUMS DEFINED. In this chapter
16 "premiums" means premiums, rates, or other required contribu-
17 tions by whatever name known.

18 Sec. 21.84.300. ACCIDENT AND HEALTH INSURANCE AND TOTAL
19 AND PERMANENT DISABILITY INSURANCE CERTIFICATES. (a) No
20 domestic, foreign or alien society authorized to do business
21 in this state shall issue or deliver in this state a certifi-
22 cate or other evidence of a contract of accident insurance
23 or health insurance or of a total and permanent disability
24 insurance contract unless and until the form thereof, to-
25 gether with the form of application and all riders or en-
26 dorsements for use in connection therewith, have been filed
27 with the director.

28 (b) The director shall have power, from time to time,
29 to make, alter and supersede reasonable regulations prescrib-

1 ing the required, optional and prohibited provisions in the
2 contracts, and the regulations shall conform, as far as
3 practicable, to the provisions of ch. 51 of this title
4 (disability insurance policies). If the director considers
5 the provisions of ch. 51 inapplicable, either in part or in
6 their entirety, he may prescribe the portions or summary
7 thereof of the contract to be printed on the certificate
8 issued to the member.

9 (c) A filing made hereunder shall be considered ap-
10 proved unless disapproved within 60 days from the date of
11 the filing.

12 Sec. 21.84.310. REINSURANCE. A domestic society may,
13 by a reinsurance agreement, cede an individual risk or risks
14 in whole or in part to an insurer (other than another
15 fraternal benefit society) having the power to make the re-
16 insurance and authorized to do business in this state, or
17 if not so authorized, one which is approved by the director;
18 but no society may reinsure substantially all of its insur-
19 ance in force without the written permission of the director.
20 It may take credit for the reserves on the ceded risks to the
21 extent reinsured, but no credit shall be allowed as an ad-
22 mitted asset or as a deduction from liability, to a ceding
23 society for reinsurance made, ceded, renewed, or otherwise
24 becoming effective after the effective date of this chapter,
25 unless the reinsurance is payable by the assuming insurer on
26 the basis of the liability of the ceding society under the
27 contract or contracts reinsured without diminution because
28 of the insolvency of the ceding society.

29 Sec. 21.84.320. FUNDS. (a) All assets shall be held,

1 invested and disbursed for the use and benefit of the society
2 and no member or beneficiary shall have or acquire individual
3 rights therein or become entitled to an apportionment or the
4 surrender of a part thereof, except as provided in the
5 contract.

6 (b) A society may create, maintain, invest, disburse
7 and apply any special fund or funds necessary to carry out
8 a purpose permitted by the laws of the society.

9 (c) Every society, the admitted assets of which are
10 less than the sum of its accrued liabilities and reserves
11 under all of its certificates when valued according to
12 standards required for certificates issued after one year
13 from the effective date of this chapter, shall, in every
14 provision of the laws of the society for payments by members
15 of the society, in whatever form made, distinctly state the
16 purpose of the same and the proportion thereof which may be
17 used for expenses, and no part of the money collected for
18 mortality or disability purposes or the net accretions
19 thereto shall be used for expenses.

20 Sec. 21.84.330. INVESTMENTS. A society shall invest
21 its funds only in the investments which are authorized by
22 the laws of this state for the investment of assets of life
23 insurers and subject to the limitations thereon. A foreign
24 or alien society permitted or seeking to do business in this
25 state which invests its funds in accordance with the laws
26 of the state, district, territory, country or province in
27 which it is incorporated, shall be held to meet the require-
28 ments of this section for the investment of funds.

29 Sec. 21.84.340. ANNUAL STATEMENT. (a) Reports shall

1 be filed and synopsis of annual statements shall be published
2 in accordance with the provisions of this section.

3 (b) Every society transacting business in this state
4 shall annually, before the second of March, unless for cause
5 shown the time has been extended by the director, file with
6 the director a true statement of its financial condition,
7 transactions and affairs for the preceding calendar year and
8 pay a fee of \$5 for filing it. The statement shall be in the
9 general form and context approved by the National Associ-
10 ation of Insurance Commissioners for fraternal benefit
11 societies and supplemented by additional information required
12 by the director.

13 (c) A synopsis of its annual statement providing an
14 explanation of the facts concerning the condition of the
15 society thereby disclosed shall be printed and mailed to
16 each benefit member of the society not later than June 1
17 of each year, or, in lieu thereof, the synopsis may be
18 published in the society's official publication.

19 Sec. 21.84.350. ANNUAL VALUATION OF CERTIFICATES. (a)
20 As a part of the annual statement required under sec. 340 of
21 this chapter, each society shall, before the second day of
22 March, file with the director a valuation of its certificates
23 in force on December 31 last preceding, provided, the director
24 may, in his discretion for cause shown, extend the time for
25 filing the valuation for not more than two calendar months.
26 The report of valuation shall show, as reserve liabilities,
27 the difference between the present mid-year value of the
28 promised benefits provided in the certificates of the
29 society in force and the present mid-year value of the

1 future net premiums as the same are in practice actually
2 collected, not including therein any value for the right to
3 make extra assessments and not including any amount by which
4 the present mid-year value of future net premiums exceeds
5 the present mid-year value of promised benefits on individual
6 certificates. At the option of a society, in lieu of the
7 above, the valuation may show the net tabular value. The
8 net tabular value as to certificates issued before one year
9 after the effective date of this chapter shall be determined
10 in accordance with the provisions of law applicable before
11 the effective date of this chapter and as to certificates
12 issued on or after one year from the effective date of this
13 chapter shall not be less than the reserves determined
14 according to the Commissioner's Reserve Valuation Method
15 as hereinafter defined. If the premium charged is less
16 than the tabular net premium according to the basis of
17 valuation used, an additional reserve equal to the present
18 value of the deficiency in the premiums shall be set up and
19 maintained as a liability. The reserve liabilities shall be
20 properly adjusted in the event that the mid-year or tabular
21 values are not appropriate.

22 (b) Reserves according to the Commissioner's Reserve
23 Valuation Method, for the life insurance and endowment
24 benefits of certificates providing for a uniform amount of
25 insurance and requiring the payment of uniform premiums shall
26 be the excess, if any, of the present value, at the date of
27 valuation, of the future guaranteed benefits provided for by
28 the certificates, over the then present value of any future
29 modified net premiums therefor. The modified net premiums

1 for a certificate shall be the uniform percentage of the
2 respective contract premiums for the benefits that the
3 present value, at the date of issue of the certificate, of
4 all the modified net premiums is equal to the sum of the
5 then present value of the benefits provided for by the
6 certificate and the excess of (1) over (2), as follows:

7 (1) a net level premium equal to the present
8 value, at the date of issue, of the benefits provided for
9 after the first certificate year, divided by the present
10 value, at the date of issue, of an annuity of one per annum
11 payable on the first and each subsequent anniversary of the
12 certificate on which a premium falls due; provided however,
13 that the net level annual premium shall not exceed the net
14 level annual premium on the 19-year premium whole life plan
15 for insurance of the same amount at an age one year higher
16 than the age at issue of the certificate; and

17 (2) a net one-year premium for the benefits
18 provided for in the first certificate year.

19 (c) Reserves according to the Commissioner's Reserve
20 Valuation Method for (1) life insurance benefits for varying
21 amounts of benefits or requiring the payment of varying
22 premiums, (2) annuity and pure endowment benefits, (3) disa-
23 bility and accidental death benefits in all certificates and
24 contracts, and (4) all other benefits except life insurance
25 and endowment benefits, shall be calculated by a method
26 consistent with the principles of (b) of this section.

27 (d) The present value of deferred payments due under
28 incurred claims or matured certificates shall be considered
29 a liability of the society and shall be computed upon

1 mortality and interest standards prescribed in (f) and (g)
2 below.

3 (e) The valuation and underlying data shall be certi-
4 fied by a competent actuary or, at the expense of the society,
5 verified by the actuary of the department of insurance of
6 the state of domicile of the society.

7 (f) The minimum standards of valuation for certificates
8 issued before one year from the effective date of this
9 chapter shall be those provided by the law applicable im-
10 mediately before the effective date of this chapter but
11 not lower than the standards used in the calculating of
12 rates for the certificates.

13 (g) The minimum standard of valuation for certificates
14 issued after one year from the effective date of this
15 chapter shall be 3 1/2 per cent interest and the following
16 tables:

17 (1) for certificates of life insurance -- American
18 Men Ultimate Table of Mortality, with Bowermen's or Davis'
19 extension thereof or with the consent of the director, the
20 Commissioner's 1941 Standard Ordinary Mortality Table or
21 the Commissioner's 1941 Standard Industrial Mortality Table
22 or the Commissioner's 1958 Standard Ordinary Mortality Table,
23 using actual age of the insured for male risks and an age
24 not more than three years younger than the actual age of the
25 insured for female risks;

26 (2) for annuity and pure endowment certificates,
27 excluding disability and accidental death benefits in the
28 certificates - the 1937 Standard Annuity Mortality Table or
29 the Annuity Mortality Table for 1949, ultimate, or any

1 modification of either of these tables approved by the direc-
2 tor;

3 (3) for total and permanent disability benefits
4 in or supplementary to life insurance certificates - Hunter's
5 Disability Table, or the Class III Disability Table (1925)
6 modified to conform to the contractual waiting period, or
7 the tables of Period 2 disablement rates and the 1930 to 1950
8 termination rates of the 1952 Disability Study of the Society
9 of Actuaries with due regard to the type of benefit; the
10 table shall, for active lives, be combined with a mortality
11 table permitted for calculating the reserves for life insur-
12 ance certificates;

13 (4) for accidental death benefits in or supplemen-
14 tary to life insurance certificate - the Inter-Company
15 Double Indemnity Mortality Table or the 1959 Accidental
16 Death Benefits Table; either table shall be combined with a
17 mortality table permitted for calculating the reserves for
18 life insurance certificates;

19 (5) for noncancellable accident and health bene-
20 fits -- the class III disability table (1926) with conference
21 modifications or, with the consent of the director, tables
22 based upon the society's own experience.

23 (h) The director may, in his discretion, accept other
24 standards for valuation if he finds that the reserves pro-
25 duced thereby will not be less in the aggregate than reserves
26 computed in accordance with the minimum valuation standard
27 herein prescribed. The director may, in his discretion,
28 vary the standards of mortality applicable to all certifi-
29 cates of insurance on substandard lives or other

1 extrahazardous lives by any society authorized to do business
2 in this state. When the mortality experience under all
3 certificates valued on the same mortality table is in excess
4 of the expected mortality according to the table for a
5 period of three consecutive years, the director may require
6 additional reserves when considered necessary in his
7 judgment on account of the certificates.

8 (i) A society, with the consent of the insurance
9 supervisory official of the state of domicile of the society
10 and under the conditions, if any, which he may impose, may
11 establish and maintain reserves on its certificates in excess
12 of the reserves required hereunder, but the contractual
13 rights of an insured member shall not be affected thereby.

14 Sec. 21.84.360. ANNUAL STATEMENT. A society neglecting
15 to file the annual statement in the form and within the time
16 provided by this chapter shall forfeit \$100 for each day
17 during which the neglect continues, and, upon notice by the
18 director to that effect, its authority to do business in
19 this state shall cease while the default continues.

20 Sec. 21.84.370. EXAMINATION OF DOMESTIC SOCIETIES. (a)
21 The director, or any person he may appoint, shall have the
22 power of visitation and examination into the affairs of any
23 domestic society and he shall make the examination at least
24 once in every three years. He may employ assistants for the
25 purpose of the examination, and he, or any person he may
26 appoint, shall have free access to all books, papers, and
27 documents that relate to the business of the society.

28 (b) In making the examination the director may summon
29 and qualify as witnesses under oath and examine its officers,

1 agents, and employees or other persons in relation to the
2 affairs, transactions, and condition of the society.

3 (c) A summary of the report of the director and the
4 recommendations or statements of the director which may
5 accompany the report, shall be read at the first meeting of
6 the board of directors or corresponding body of the society
7 following receipt of it and if ordered to do so by the
8 director, shall also be read at the first meeting of the
9 supreme legislative or governing body of the society follow-
10 ing receipt of it. A copy of the report, recommendations,
11 and statements of the director shall be furnished by the
12 society to each member of the board of directors or other
13 governing body.

14 (d) The expense of each examination and of each valu-
15 ation, including compensation and actual expense of examiners,
16 shall be paid by the society examined or whose certificates
17 are valued, upon statements furnished by the director.

18 Sec. 21.84.380. EXAMINATION OF FOREIGN AND ALIEN
19 SOCIETIES. The director, or any person whom he may appoint,
20 may examine a foreign or alien society transacting or
21 applying for admission to transact business in this state.
22 He may employ assistants and he, or any person he may appoint,
23 shall have free access to all books, papers, and documents
24 that relate to the business of the society. He may in his
25 discretion accept, in lieu of the examination, the examination
26 of the insurance department of the state, territory, district,
27 province or country where the society is organized. The
28 compensation and actual expenses of the examiners making
29 an examination or general or special valuation shall be

1 paid by the society examined or by the society whose
2 certificate obligations have been valued, upon statements
3 furnished by the director.

4 Sec. 21.84.390. NO ADVERSE PUBLICATIONS. Pending,
5 during or after an examination or investigation of a society,
6 either domestic, foreign or alien, the director shall make
7 public no financial statement, report or finding, nor shall
8 he permit to become public any financial statement, report
9 or finding affecting the status, standing or rights of any
10 society, until a copy thereof has been served upon the
11 society at its principal office and the society has been
12 afforded a reasonable opportunity to answer the financial
13 statement, report or finding and to make such showing in
14 connection therewith as it may desire.

15 Sec. 21.84.400. TAXATION. Every society organized or
16 licensed under this chapter is hereby declared to be a
17 charitable and benevolent institution, and all of its
18 funds shall be exempt from every state, or other political
19 subdivision, tax other than taxes on real estate and office
20 equipment.

21 Sec. 21.84.410. LICENSING OF AGENTS. (a) Agents of
22 societies shall be licensed in accordance with the provisions
23 of secs. 410 - 450 of this chapter.

24 (b) The term "insurance agent" as used in this chapter
25 means any authorized or acknowledged agent of a society who
26 acts as such in the solicitation, negotiation or procurement
27 or making of a life insurance, accident and health insurance
28 or annuity contract; except that the term "insurance agent"
29 shall not include

1 (1) a regular salaried officer or employee of a
2 licensed society who devotes substantially all of his serv-
3 ices to activities other than the solicitation of fraternal
4 insurance contracts from the public, and who receives for
5 the solicitation of the contracts no commission or other
6 compensation directly dependent upon the amount of business
7 obtained; or

8 (2) an agent or representative of a society who
9 devotes or intends to devote, less than 50 per cent of his
10 time to the solicitation and procurement of insurance
11 contracts for the society. A person who in the preceding
12 calendar year has solicited and procured life insurance
13 contracts on behalf of a society in an amount of insurance
14 in excess of \$50,000, or, in the case of any other kind or
15 kinds of insurance which the society might write, on the
16 persons of more than 25 individuals and who has received or
17 will receive a commission or other compensation therefor,
18 shall be presumed to be devoting, or intending to devote,
19 50 per cent of his time to the solicitation or procurement
20 of insurance contracts for the society.

21 Sec. 21.84.420. AGENT LICENSE REQUIRED. (a) A person
22 who in this state acts as insurance agent for a society
23 without having authority so to do by virtue of a license
24 issued and in force under the provisions of this chapter,
25 except as provided in sec. 410(b) of this chapter, shall be
26 punishable by imprisonment for not more than six months, or
27 by a fine of not to exceed \$500, or by both.

28 (b) No society doing business in this state shall pay
29 a commission or other compensation to a person for a service

1 in obtaining in this state a new contract of life, accident
2 or health insurance, or a new annuity contract, except to a
3 licensed insurance agent of the society and except an agent
4 exempted under sec. 410(b) of this chapter.

5 Sec. 21.84.430. QUALIFICATIONS, APPLICATION FOR AGENT'S
6 LICENSE. (a) The director may issue an agent's license to
7 a person who has paid an annual license fee of \$25 and who
8 has complied with the requirements of this section, authoriz-
9 ing the licensee to act as an insurance agent on behalf of
10 any society named in the license which is authorized to do
11 business in this state, and who has passed an examination
12 given by the director.

13 (b) Before an insurance agent's license shall be issued
14 there shall be on file in the office of the director the
15 following documents:

16 (1) a written application by the prospective
17 licensee in the form or forms and supplements thereto and
18 containing the information the director may prescribe; and

19 (2) a certificate by the society which is to be
20 named in the license, stating that the society has satisfied
21 itself that the named applicant is trustworthy and competent
22 to act as insurance agent and that the society will appoint
23 the applicant to act as its agent if the license applied for
24 is issued by the director; the certificates shall be executed
25 and acknowledged by an officer or managing agent of the
26 society.

27 (c) The director may refuse to issue or renew an
28 insurance agent's license if in his judgment the proposed
29 licensee is not trustworthy and competent to act as agent,

1 or has given cause for revocation or suspension of the
2 license, or has failed to comply with a prerequisite for the
3 issuance or renewal, as the case may be, of the license.

4 Sec. 21.84.440. AGENTS' LICENSES. (a) Each society,
5 on appointing an agent in Alaska, shall file written notice
6 thereof in triplicate with the director on forms as prescribed
7 and furnished by him. If then licensed and the necessary
8 licensing fee paid, or as soon as licensed, the director
9 shall mail one copy of the appointment to the agent and re-
10 turn one copy to the society with the third copy being re-
11 tained in the director's office.

12 (b) Each appointment shall continue in force until
13 (1) the appointment shall expire on the 30th of
14 June of each year; this appointment must be renewed by the
15 society; or

16 (2) the appointment is revoked by the society by
17 written notice of the revocation to the agent; the society
18 shall immediately file a duplicate copy of the notice of
19 revocation with the director; no fee shall be charged for
20 filing the copy.

21 Sec. 21.84.450. NOTICE OF TERMINATION OF AGENT APPOINT-
22 MENT. Every society shall, upon the termination of the ap-
23 pointment of an insurance agent licensed to represent it in
24 this state, immediately file with the director a statement,
25 in the form he may prescribe, of the facts relative to the
26 termination and the cause thereof. Every statement made
27 under this section shall be considered a privileged communi-
28 cation.

29 Sec. 21.84.460. SUSPENSION, REVOCATION OF AGENT'S

1 LICENSE. (a) The director may revoke, or may suspend for
2 a period which he may determine, an insurance agent's
3 license if, after notice and hearing as specified in
4 AS 21.27.420 he determines that the licensee has

5 (1) violated a provision of, or an obligation
6 imposed by, this chapter, or has violated a law in the
7 course of his dealings as agent;

8 (2) made a material misstatement in the application
9 for the license;

10 (3) been guilty of fraudulent or dishonest prac-
11 tices;

12 (4) demonstrated his incompetency or untrustworthi-
13 ness to act as an insurance agent; or

14 (5) been guilty of rebating as defined by the
15 laws of this state applicable to life insurers.

16 (b) The revocation or suspension of an agent's license
17 shall terminate immediately the license of the agent. No
18 individual whose license has been revoked shall be entitled
19 to obtain an insurance agent's license under this chapter
20 for a period of one year after the revocation or, if the
21 revocation is judicially reviewed, for one year after the
22 final determination affirming the action of the director in
23 revoking the license.

24 Sec. 21.84.470. MISREPRESENTATION. (a) No person
25 shall cause or permit to be made, issued or circulated in
26 any form

27 (1) a misrepresentation or false or misleading
28 statement concerning the terms, benefits or advantages of a
29 fraternal insurance contract now issued or to be issued in

1 this state, or the financial condition of a society;

2 (2) a false or misleading estimate or statement
3 concerning the dividends or shares of surplus paid or to be
4 paid by any society on any insurance contract; or

5 (3) an incomplete comparison of an insurance
6 contract of one society with an insurance contract of another
7 society or insurer for the purpose of inducing the lapse,
8 forfeiture or surrender of an insurance contract; a compari-
9 son of insurance contracts is incomplete if it does not
10 compare in detail

11 (A) the gross rates, and the gross rates
12 less any dividend or other reduction allowed at the
13 date of the comparison; and

14 (B) any increase in cash values, and all
15 the benefits provided by each contract for the possible
16 duration thereof as determined by the life expectancy
17 of the insured; or if it omits from consideration

18 (C) any benefit or value provided in the
19 contract;

20 (D) any differences as to amount or period
21 of rates; or

22 (E) any differences in limitations or condi-
23 tions or provisions which directly or indirectly affect
24 the benefits;

25 (b) A person who violates any provision of this
26 section or knowingly receives any compensation or commission
27 by or in consequence of such violation, shall upon conviction
28 be punished by a fine not less than \$100 nor more than
29 \$1,000 or by imprisonment in jail not less than 30 days nor

1 more than 90 days, or both fine and imprisonment and shall in
2 addition, be liable for civil penalty in the amount of three
3 times the sum received by such violator as compensation or
4 commission, which penalty may be sued for and recovered by
5 any person or society aggrieved for his or its own use and
6 benefit in accordance with the provisions of civil practice.

7 (c) In a determination of the incompleteness or mis-
8 leading character of a comparison or statement, it shall be
9 presumed that the insured had no knowledge of any of the
10 contents of the contract involved.

11 Sec. 21.84.480. DISCRIMINATION AND REBATES. (a) No
12 society doing business in this state shall make or permit an
13 unfair discrimination between insured members of the same
14 class and equal expectation of life in the premiums charged
15 for certificates of insurance, in the dividends or other
16 benefits payable thereon or in any other of the terms and
17 conditions of the contracts it makes.

18 (b) No society, by itself, or any other party, and no
19 agent or solicitor, personally, or by any other party, shall
20 offer, promise, allow, give, set off, or pay, directly or
21 indirectly, any valuable consideration or inducement to, or
22 for insurance, on a risk authorized to be taken by the
23 society, which is not specified in the certificate. No
24 member shall receive or accept, directly or indirectly, a
25 rebate of premium, or part thereof, or agent's or solicitor's
26 commission thereon, payable on a certificate or receive or
27 accept a favor or advantage or share in the dividends or
28 other benefits to accrue on, or any valuable consideration
29 or inducement not specified in the contract of insurance.

1 Sec. 21.84.490. SERVICE OF PROCESS. (a) Every society
2 authorized to do business in this state shall appoint in
3 writing the director and each successor in office to be its
4 true and lawful attorney upon whom all lawful process in
5 an action or proceeding against it shall be served, and
6 shall agree in the writing that a lawful process against
7 it which is served on the attorney shall be of the same
8 legal force and validity as if served upon the society, and
9 that the authority shall continue in force as long as any
10 liability remains outstanding in this state. Copies of the
11 appointment, certified by the director, shall be considered
12 sufficient evidence thereof and shall be admitted in evidence
13 with the same force and effect as the original might be
14 admitted.

15 (b) Service shall only be made upon the director, or if
16 absent, upon the person in charge of his office. It shall be
17 made in duplicate and shall constitute sufficient service
18 upon the society. When legal process against a society is
19 served upon the director, he shall immediately forward one
20 of the duplicate copies by registered mail, prepaid, directed
21 to the secretary or corresponding officer. Legal process shall
22 not be served upon a society except in the manner herein pro-
23 vided. At the time of serving a process upon the director,
24 the plaintiff or complainant in the action shall pay to the
25 director a fee of \$2.

26 Sec. 21.84.500. CONSOLIDATIONS AND MERGERS. (a) A
27 domestic society may consolidate or merge with any other
28 society by complying with the provisions of this section.
29 It shall file with the director

1 (1) a certified copy of the written contract
2 containing in full the terms and conditions of the consolida-
3 tion or merger;

4 (2) a sworn statement by the president and secre-
5 tary or corresponding officers of each society showing the
6 financial condition thereof on a date fixed by the director
7 but not earlier than December 31, next preceding the date of
8 the contract;

9 (3) a certificate of the officers, verified by
10 their respective oaths, that the consolidation or merger
11 has been approved by a two-thirds vote of the supreme legisla-
12 tive or governing body of each society;

13 (4) evidence that at least 60 days before the
14 action of the supreme legislative or governing body of each
15 society, the text of the contract has been furnished to all
16 members of each society either by mail or by publication in
17 full in the official organ of each society.

18 (b) The affidavit of an officer of the society or of
19 anyone authorized by it to mail any notice or document,
20 stating that the notice or document has been duly addressed
21 and mailed, shall be prima facie evidence that the notice
22 or document has been furnished the addressees.

23 (c) If the director finds that the contract is in
24 conformity with the provisions of this section, that the
25 financial statements are correct and that the consolidation
26 or merger is just and equitable to the members of each
27 society, he shall approve the contract and issue his certifi-
28 cate to such effect. Upon approval, the contract shall be in
29 full force and effect unless a society which is a party to

1 the contract is incorporated under the laws of any other
2 state. In that event the consolidation or merger shall not
3 become effective unless and until it has been approved as
4 provided by the laws of the other state and a certificate of
5 the approval filed with the director or, if the laws of the
6 other state contain no such provision, then the consolidation
7 or merger shall not become effective unless and until it has
8 been approved by the insurance supervisory official of the
9 other state and a certificate of the approval filed with the
10 director.

11 Sec. 21.84.510. CONSOLIDATIONS AND MERGERS. Upon the
12 consolidation or merger becoming effective as provided in
13 sec. 500 of this chapter, all the rights, franchises and
14 interests of the consolidated or merged societies in and to
15 every species of property, real, personal or mixed, and
16 things in action thereunto belonging shall be vested in the
17 society resulting from or remaining after the consolidation
18 or merger without any other instrument; except that convey-
19 ances of real property may be evidenced by proper deeds,
20 and the title to any real estate or interest therein, vested
21 under the laws of this state in any of the societies con-
22 solidated or merged, shall not revert or be in any way
23 impaired by reason of the consolidation or merger, but shall
24 vest absolutely in the society resulting from or remaining
25 after the consolidation or merger.

26 Sec. 21.84.520. CONVERSION INTO MUTUAL LIFE INSURER.
27 A domestic fraternal benefit society may be converted and
28 licensed as a mutual life insurer by compliance with the
29 applicable requirements of ch. 69 of this title, if the

1 plan of conversion has been approved by the director. The
2 plan shall be prepared in writing setting out in full the
3 terms and conditions thereof. The board of directors shall
4 submit the plan to the supreme legislative or governing
5 body of the society at any regular or special meeting thereof,
6 by giving a full, true and complete copy of the plan with
7 the notice of the meeting. The notice shall be given as
8 provided in the laws of the society for the convocation of
9 a regular or special meeting of the body, as the case may
10 be. The affirmative vote of two-thirds of all members of
11 the body shall be necessary for the approval of the agree-
12 ment. No conversion shall take effect unless and until ap-
13 proved by the director, who may give approval if he finds that
14 the proposed change is in conformity with the requirements
15 of law and not prejudicial to the certificate holders of
16 the society.

17 Sec. 21.84.530. INJUNCTION, LIQUIDATION, RECEIVERSHIP
18 OF DOMESTIC SOCIETY. (a) When the director upon investiga-
19 tion finds that a domestic society (1) has exceeded its
20 powers; (2) has failed to comply with a provision of this
21 chapter; (3) is not fulfilling its contracts in good faith;
22 (4) has a membership of less than 400 after an existence of
23 one year or more; or (5) is conducting business fraudulently
24 or in a manner hazardous to its members, creditors, the
25 public or the business; he shall notify the society of his
26 findings, state in writing the reasons for his dissatisfac-
27 tion, and require the society to show cause on a date named
28 why it should not be enjoined from carrying on any business
29 until the violation complained of shall have been corrected,

1 or why an action in quo warranto should not be commenced
2 against the society.

3 (b) If on the date named the society does not present
4 good and sufficient reasons why it should not be enjoined
5 or why the action should not be commenced, the director may
6 present the facts relating thereto to the attorney general
7 who shall, if he considers the circumstances warrant, com-
8 mence an action to enjoin the society from transacting busi-
9 ness or in quo warranto. The court shall thereupon notify
10 the officers of the society of a hearing. If after a full
11 hearing it appears that the society should be enjoined or
12 liquidated or a receiver appointed, the court shall enter
13 the necessary order.

14 (c) No society so enjoined shall have the authority to
15 do business until

16 (1) the director finds that the violation com-
17 plained of has been corrected;

18 (2) the costs of the action have been paid by
19 the society if the court finds that the society was in
20 default as charged;

21 (3) the court has dissolved its injunction;

22 (4) the director has reinstated the society's
23 license.

24 (d) If the court orders the society liquidated, it
25 shall be enjoined from carrying on any further business,
26 whereupon the receiver of the society shall proceed at once
27 to take possession of the books, papers, money and other
28 assets of the society and, under the direction of the court,
29 proceed immediately to close the affairs of the society and

1 to distribute its funds to those entitled thereto.

2 (e) No action under this section shall be recognized
3 in a court of this state unless brought by the attorney
4 general upon request of the director. When a receiver is
5 to be appointed for a domestic society, the court shall
6 appoint the director as the receiver.

7 (f) The provisions of this section relating to hearing
8 by the director, action by the attorney general at the
9 request of the director, hearing by the court, injunction
10 and receivership shall be applicable to a society which
11 voluntarily determines to discontinue business.

12 Sec. 21.84.540. INJUNCTION. No application or petition
13 for injunction against a domestic, foreign or alien society,
14 or branch thereof, shall be recognized in a court of this
15 state unless made by the attorney general upon request of
16 the director.

17 Sec. 21.84.550. REVIEW. All decisions and findings of
18 the director made under this chapter shall be subject to
19 review by the court in accordance with AS 21.06.240.

20 Sec. 21.84.560. FRATERNAL BENEFIT SOCIETIES DEFINED.

21 (a) An incorporated society, order or supreme lodge,
22 without capital stock, including one exempted under sec.
23 20(a)(2) of this chapter whether incorporated or not, con-
24 ducted solely for the benefit of its members and their
25 beneficiaries and not for profit, operated on a lodge system
26 with ritualistic form of work, having a representative form
27 of government, and which makes provision for the payment of
28 benefits in accordance with this chapter, is hereby declared
29 to be a fraternal benefit society.

1 (b) In this chapter the word "society", unless other-
2 wise indicated, means fraternal benefit society.

3 Sec. 21.84.570. LODGE SYSTEM DEFINED. A society having
4 a supreme legislative or governing body and subordinate
5 lodges or branches by whatever name known, into which members
6 are elected, initiated or admitted in accordance with its
7 constitution, laws, ritual and rules, which subordinate
8 lodges or branches are required by the laws of the society
9 to hold regular meetings at least once in each month, shall
10 be considered to be operating on the lodge system.

11 Sec. 21.84.580. REPRESENTATIVE FORM OF GOVERNMENT
12 DEFINED. A society shall be considered to have a representa-
13 tive form of government when

14 (1) it provides in its constitution or laws for a
15 supreme legislative or governing body, composed of repre-
16 sentatives elected either by the members or by delegates
17 elected directly or indirectly by the members, together with
18 such other members of the body as may be prescribed by the
19 society's constitution and laws;

20 (2) the representatives elected constitute a
21 majority in number and have not less than two-thirds of the
22 votes nor less than the votes required to amend its consti-
23 tution and laws;

24 (3) the meetings of the supreme legislative or
25 governing body and the election of officers, representatives
26 or delegates are held as often as once in four calendar
27 years;

28 (4) the society has a board of directors charged
29 with the responsibility for managing its affairs in the

1 interim between meetings of its supreme legislative or
2 governing body, subject to control by the body and having
3 powers and duties delegated to it in the constitution or
4 laws of the society;

5 (5) the board of directors is elected by the
6 supreme legislative or governing body, except in case of
7 filling a vacancy in the interim between meetings of the
8 body;

9 (6) the officers are elected either by the supreme
10 legislative or governing body or by the board of directors;
11 and

12 (7) the members, officers, representatives or
13 delegates shall not vote by proxy.

14 Sec. 21.84.590. OTHER PROVISIONS APPLICABLE. In addi-
15 tion to the provisions contained in this chapter, other
16 chapters and provisions of this title shall apply to fraternal
17 benefit societies, to the extent applicable and not in con-
18 flict with the express provisions of this chapter and the
19 reasonable implications thereof, as follows:

20 (1) AS 21.03 (scope of code);

21 (2) AS 21.06 (the director of insurance), with
22 the exception of AS 21.06.250 (fees and licenses);

23 (3) The following sections of AS 21.09 (authori-
24 zation of insurers and general requirements):

25 (A) AS 21.09.050 (name of insurer);

26 (B) AS 21.09.100 (management and affiliations);

27 (4) AS 21.33.010 (representing or aiding unautho-
28 rized insurer prohibited);

29 (5) AS 21.36 (trade practices and frauds);

1 (6) AS 21.42.290 (minor may give acquittance);

2 (7) AS 21.69.370 (prohibited pecuniary interest
3 of officials);

4 (8) AS 21.69.640 (extinguishment of unused
5 corporate charters);

6 (9) AS 21.78 (rehabilitations and liquidations).

7 CHAPTER 87. HOSPITAL AND MEDICAL SERVICE CORPORATIONS.

8 Sec. 21.87.010. SCOPE OF CHAPTER. (a) This chapter
9 shall apply to every individual, person, firm, corporation,
10 association, or organization of any kind hereafter engaging
11 or purporting to engage in the provision of all or part of a
12 health care service, as hereinafter defined, for its sub-
13 scribers in exchange for periodic prepayments in identifiable
14 amount by or as to the subscribers.

15 (b) This chapter does not apply to

16 (1) insurers or fraternal benefit societies
17 authorized to transact the kind of insurance involved under
18 other chapters of this title;

19 (2) fraternal and other organizations exempted
20 from the provisions of ch. 24 of this title;

21 (3) health care services provided by an employer
22 to his employees and their dependents, with or without contri-
23 bution to the costs thereof by the employees, through health
24 care service facilities owned, employed, or controlled by the
25 employers;

26 (4) infrequent instances of prepayment by or for
27 the patient direct to the physician or hospital for specific
28 services thereafter rendered to the patient by the physician
29 or hospital.

1 Sec. 21.87.020. PURPOSE AND INTERPRETATION. (a) It
2 is the purpose of this chapter to regulate in the public
3 interest the formation and operation of prepaid health care
4 service organizations, in order that the services may be
5 made available upon a basis of fair and equitable contracts
6 through state-licensed nonprofit organizations meeting
7 reasonable standards as to administration, reserves, and
8 financial soundness.

9 (b) The provisions of this chapter shall be liberally
10 interpreted to effectuate the purpose declared in (a) of
11 this section.

12 Sec. 21.87.030. PROVISIONS EXCLUSIVE. No provision of
13 this title shall apply to a health care service corporation
14 unless contained or referred to in this chapter.

15 Sec. 21.87.040. INCORPORATION. No person otherwise
16 subject to this chapter shall engage or purport to engage
17 in the provision of any part or all of a health care service
18 for its subscribers in exchange for periodic prepayments
19 in identifiable amount unless it is a service corporation
20 heretofore or hereafter incorporated under the laws of
21 Alaska, and currently authorized as such a service corpora-
22 tion under a certificate of authority issued by the director
23 under the provisions of this chapter.

24 Sec. 21.87.050. INCORPORATION. (a) A service corpora-
25 tion shall be formed as a nonprofit, nonstock medical service
26 corporation, or hospital service corporation, or a combina-
27 tion medical and hospital service corporation, consistent
28 with the applicable requirements of this chapter under the
29 statutes of Alaska governing the formation of nonprofit,

1 nonstock corporations in general.

2 (b) Before the articles of incorporation of any such
3 proposed corporation hereafter formed are filed with the
4 commissioner of commerce, they shall be submitted to the
5 director, and the commissioner of commerce shall not file
6 the articles unless the director's approval is endorsed
7 thereon. The director shall approve the articles unless
8 he finds that they do not comply with law. If not approved,
9 the director shall return the proposed articles of incorpora-
10 tion to the incorporators together with his written statement
11 of particulars of the reasons for nonapproval.

12 (c) No amendment of the articles of incorporation of
13 a service corporation shall be filed with the commissioner
14 of commerce unless it is first submitted to and approved by
15 the director, and bears the director's approval endorsed on
16 it. The director shall approve the amendment unless he
17 finds that it was not lawfully adopted or that the articles
18 of incorporation as amended would be unlawful. If not
19 approved, the director shall return the proposed amendment
20 to the corporation together with his written statement of the
21 particulars of the reasons for nonapproval.

22 Sec. 21.87.060. NAME OF CORPORATION. No service corpo-
23 ration shall have or use a corporate or business name which
24 includes the words "insurance", "casualty", "surety", "health
25 and accident", "mutual", or other terms descriptive of an
26 insurer or insurance business. No service corporation shall
27 have or use a name so similar to that of any other corpora-
28 tion transacting business in this state when the service
29 corporation was formed that it would tend to confuse or

1 mislead the public.

2 Sec. 21.87.070. QUALIFICATIONS FOR CERTIFICATE OF
3 AUTHORITY. The director shall not issue or permit to exist
4 a certificate of authority to be or act as a service
5 corporation, as to a corporation not fulfilling the
6 following qualifications:

7 (1) it must be incorporated as provided in sec. 50
8 of this chapter, as either a medical service corporation,
9 or as a hospital service corporation, or as a combined
10 medical and hospital service corporation;

11 (2) it must intend to and actually conduct its
12 business in good faith as a nonprofit corporation;

13 (3) if a hospital service corporation, it must
14 have in force at all times while so authorized, service
15 agreements with participant hospitals located in the areas
16 of the subscribers' residences, convenient as to location
17 and sufficient as to capacity and facilities reasonably
18 to furnish the hospital services provided or proposed to be
19 provided by the corporation to its subscribers;

20 (4) if a medical service corporation, it must
21 have in force service agreements with participant physicians
22 located in the areas of the subscribers' residences conveni-
23 ent as to location and sufficient in numbers and facilities
24 reasonably to furnish the medical and surgical services pro-
25 vided or proposed to be provided by the corporation to its
26 subscribers;

27 (5) if a newly formed corporation, it must possess
28 sufficient available working funds to pay all reasonably
29 anticipated cost of acquisition of new business and operating

1 expenses, other than payment for hospital or medical serv-
2 ices, for a period of not less than the six months following
3 the date of issuance of the certificate of authority, if
4 issued, or \$100,000, whichever amount is greater;

5 (6) it must fulfill all other applicable require-
6 ments of this chapter.

7 Sec. 21.87.080. APPLICATION FOR CERTIFICATE OF
8 AUTHORITY. (a) Application for a certificate of authority
9 to transact business as a service corporation shall be made
10 to the director, on forms as prepared and furnished by the
11 director and requiring the information relative to the
12 applicant, its directors, officers, and affairs as the
13 director may reasonably require consistent with this chapter.

14 (b) The application shall be accompanied by such of
15 the following documents as may not already be on file with
16 the director:

17 (1) one copy of the applicant's articles of in-
18 corporation and of all amendments, certified by the commis-
19 sioner of commerce;

20 (2) one copy of the applicant's bylaws, certified
21 by its corporate secretary;

22 (3) if a medical service corporation, a copy of
23 each form of service agreement entered into or proposed to
24 be entered into with participant physicians, together with
25 a list showing the name, residence and office addresses,
26 and date of execution of the service agreement by each
27 physician;

28 (4) if a hospital service corporation, a copy of
29 each service agreement entered into with participant

1 hospitals certified by the applicant's corporate secretary;

2 (5) a copy of each form of subscribers' contract
3 proposed to be offered;

4 (6) a schedule of the rates proposed to be
5 charged subscribers;

6 (7) a financial statement of the applicant as of
7 a date not more than 30 days before the filing of the applica-
8 tion, showing among other things the amount of working funds
9 available to the applicant, the source of the funds, and
10 accompanied by a copy of the agreement under which the funds
11 were contributed to or provided for the applicant;

12 (8) a copy of any other relevant document reason-
13 ably requested by the director.

14 (c) At the time of filing the application the appli-
15 cant shall pay to the director the application fee and the
16 fee for issuance of the certificate of authority specified
17 in sec. 320, of this chapter.

18 Sec. 21.87.090. ISSUANCE OR REFUSAL OF CERTIFICATE OF
19 AUTHORITY. (a) If, after the application for certificate
20 of authority is completed, the director finds that the ap-
21 plicant is fully qualified for a certificate of authority
22 in accordance with this chapter, and that the service
23 agreements, subscriber's contracts, schedule of rates are in
24 compliance with the applicable provisions of this chapter,
25 he shall issue to the applicant a certificate of authority
26 as a medical service corporation or as a hospital service
27 corporation, or as a combined medical and hospital service
28 corporation, as the case may be.

29 (b) If the director does not so find, he shall refuse

1 to issue a certificate of authority and shall give the appli-
2 cant written notice thereof setting out the particulars of
3 the reasons for the refusal, accompanied by return of the
4 fee tendered for issuance of the certificate of authority.

5 (c) The director shall either issue or refuse to issue
6 the certificate of authority within a reasonable time after
7 the filing and completion of application.

8 Sec. 21.87.100. CONTINUANCE OR EXPIRATION OF CERTIFI-
9 CATE OF AUTHORITY. (a) A certificate of authority issued
10 to a service corporation shall continue in force as long as
11 the corporation is entitled to it under this chapter, and
12 until suspended or revoked by the director or terminated
13 at the request of the corporation; subject, however, to
14 continuance of the certificate by the corporation each year
15 by

16 (1) payment, before June 30, of the continuation
17 fee provided in sec. 320 of this chapter;

18 (2) filing by the insurer of its annual statement
19 for the preceding calendar year as required under sec. 240
20 of this chapter.

21 (b) If not continued by the service corporation, its
22 certificate of authority shall expire at midnight on the
23 June 30 following the failure of the insurer to continue
24 it in force. The director shall promptly notify the insurer
25 of the occurrence of a failure resulting in impending ex-
26 piration of its certificate of authority.

27 Sec. 21.87.110. SUSPENSION OR REVOCATION OF CERTIFICATE
28 OF AUTHORITY. (a) The director shall suspend or revoke the
29 certificate of authority of a service corporation which he

1 finds, after a hearing thereon, is no longer qualified there-
2 for under this chapter.

3 (b) The director may, in his discretion, after a
4 hearing thereon suspend or revoke the certificate of autho-
5 rity for a violation by the service corporation of a provi-
6 sion of this chapter for which mandatory suspension or
7 revocation is not required under (a) of this section, or
8 on an applicable ground set out in AS 21.09.140 and 21.09.150.

9 (c) No service corporation shall, while its certificate
10 of authority is suspended or revoked, transact any business
11 as a service corporation other than that necessary and inci-
12 dental to the discharge of its contracts and agreements out-
13 standing on the day the suspension or revocation became
14 effective. The corporation shall not, after the revocation
15 of its certificate of authority solicit or issue any new
16 subscriber's contracts.

17 Sec. 21.87.120. SERVICES AND BENEFITS WHICH MAY BE PRO-
18 VIDED. (a) A medical service corporation shall have the
19 right to provide to its subscribers part or all of the
20 following services and benefits only

21 (1) medical and surgical services furnished to
22 the subscriber by participant physicians;

23 (2) indemnity in reasonable amount with respect
24 to medical and surgical services furnished to the subscriber
25 by nonparticipant physicians, but subject to sec. 70(4) of
26 this chapter;

27 (3) indemnity in reasonable amount with respect
28 to hospital services furnished the subscriber while under
29 the care and treatment of a participant physician or under

1 the care and treatment of another physician upon referral
2 by a participant physician;

3 (4) indemnity in reasonable amount with respect
4 to appliances, prosthetics, and similar devices and replace-
5 ments, and ambulance, x-ray, physiotherapy, and similar
6 services.

7 (b) This section shall not prohibit the corporation
8 from acting as compensated servicing agent as to health care
9 services to be provided by a public agency, or under agree-
10 ments between other parties not solicited by the corporation.

11 Sec. 21.87.130. SERVICES AND BENEFITS WHICH MAY BE
12 PROVIDED, HOSPITAL SERVICE CORPORATIONS. (a) A hospital
13 service corporation shall have the right to provide to its
14 subscribers part or all of the following services and
15 benefits only:

16 (1) hospital services furnished to the subscriber
17 by participant hospitals;

18 (2) indemnity in a reasonable amount with respect
19 to hospital services furnished to the subscriber by non-
20 participant hospitals, but subject to sec. 70(3) of this
21 chapter;

22 (3) indemnity in a reasonable amount for other
23 health care services, as defined in sec. 330(1) of this
24 chapter, but in no event shall the indemnity benefits be
25 provided of a value in excess of 75 per cent of the premium
26 charged for hospital service and hospital indemnity benefits.

27 (b) This section shall not prohibit the corporation
28 from acting as compensated servicing agent as to health
29 care services to be provided by a public agency, or under

1 agreements between other parties not solicited by the
2 corporation.

3 Sec. 21.87.140. MEDICAL SERVICE AGREEMENTS. (a) A
4 medical service corporation shall enter into service agree-
5 ments with physicians licensed by the state only.

6 (b) Each service agreement shall require the partici-
7 pant physicians to furnish to subscribers of the service
8 corporation the medical and/or surgical services which are,
9 under the subscriber's contract, to be furnished by partici-
10 pant physicians; and this obligation to furnish the service,
11 as provided for in the subscriber's contract, shall be a
12 direct obligation of the participant physicians to the
13 subscribers as well as to the service corporation.

14 (c) Each service agreement shall further effectively
15 provide in substance that

16 (1) the participant physician shall be compensated
17 for services rendered to a subscriber in accordance with a
18 schedule of fees contained in the agreement or attached to
19 and made a part of the agreement, and that the physician
20 shall not request or receive from the service corporation
21 compensation for the services which is not in accord with
22 the schedule;

23 (2) compensation for services may be prorated
24 and settled under the circumstances and in the manner refer-
25 red to in sec. 300 of this chapter;

26 (3) if the participant physician withdraws from
27 the agreement, the withdrawal shall not be effective as to
28 a subscriber's contract in force on the date of the with-
29 drawal until the termination of such subscriber's contract

1 or the next following anniversary of the subscriber's
2 contract, whichever date is the earlier.

3 (d) The proposed form of the service agreement shall
4 be filed with the director and be subject to his approval,
5 as provided in sec. 180 of this chapter.

6 Sec. 21.87.150. HOSPITAL SERVICE AGREEMENTS. (a) A
7 hospital service corporation shall enter into service
8 agreements with hospitals approved or licensed by the state
9 only.

10 (b) Each service agreement shall require the partici-
11 pant hospital to furnish to subscribers of the service
12 corporation the hospital services which are, under the
13 subscriber's contract, to be furnished by participant
14 hospitals; and this obligation to furnish the service, as
15 provided for in the subscriber's contract, shall be a
16 direct obligation of the participant hospitals to the sub-
17 scribers as well as to the service corporation.

18 (c) Each service agreement shall further effectively
19 in substance provide that

20 (1) the participant hospital shall be compensated
21 for services rendered to a subscriber in accordance with a
22 schedule of charges contained in the agreement or attached
23 to and made a part of the agreement, and that the hospital
24 shall not request or receive from the service corporation
25 compensation for the services which is not in accord with
26 the schedule;

27 (2) compensation for services may be prorated and
28 settled under the circumstances and in the manner referred
29 to in sec. 300 of this chapter;

1 (3) if the participant hospital withdraws from
2 the agreement, the withdrawal shall not be effective as
3 to a subscriber's contract in force on the date of the
4 withdrawal until the termination of the subscriber's contract
5 or the next following anniversary of the subscriber's con-
6 tract, whichever date is the earlier.

7 (d) The service corporation shall terminate the service
8 agreement of a particular participant hospital, in addition
9 to other bases of termination provided for in the agreement,
10 if it is determined that the hospital has knowingly charged
11 or attempted to charge the service corporation for a service
12 not actually rendered, or has knowingly violated a material
13 provision of the service agreement.

14 (e) The proposed form of a service agreement and of
15 any standard riders and endorsements thereto shall be filed
16 with the director and be subject to his approval, as provided
17 in sec. 180 of this chapter.

18 Sec. 21.87.160. SUBSCRIBER'S CONTRACTS. (a) Each
19 subscriber's contract hereafter issued by a service corpora-
20 tion shall constitute a direct obligation of the participant
21 physicians and/or participant hospitals of the service
22 corporation to render the medical or hospital services, as
23 the case may be, as agreed to be rendered by the participants
24 in the subscriber's contract.

25 (b) Each subscriber's contract or certificate shall
26 in adequate detail set out provisions from which can be
27 readily determined

28 (1) the services to which the subscriber is
29 entitled from participant physicians and/or participant

1 hospitals, as the case may be;

2 (2) the benefits, if any to which the subscriber
3 is entitled on an indemnity basis, consistent with secs. 120
4 and 130 of this chapter, and with this chapter;

5 (3) the periodic subscription charge, rate or
6 fee payable by or to the subscriber; or, if not so expressed
7 and the charge, rate or fee is subject to change, the sub-
8 scriber's contract shall require that not less than 30 days'
9 written notice of the new charge, rate or fee shall be given
10 to the subscriber and/or his remitting agent before the change
11 is effective;

12 (4) the date when the respective services and
13 benefits become available to the subscriber, date of expira-
14 tion of the contract, and the terms, if any, under which
15 the contract may be continued or renewed;

16 (5) all other terms and conditions of the agree-
17 ment between the parties consistent with the provisions of
18 this chapter;

19 (6) that the subscriber's contract and riders
20 and endorsements thereon or thereto, together with applica-
21 tion therefor, if any, signed by the subscriber, and identi-
22 fication issued to the subscriber, shall constitute the
23 entire contract between the parties.

24 (c) No contract shall restrict the subscriber's right
25 to free choice of physician or hospital, but shall restrict
26 benefits to be provided on a service basis to services
27 rendered by participant physicians and participant hospitals.

28 (d) All exceptions and exclusions in the contract
29 shall be printed and otherwise set out as prominently as

1 the services or benefits to which they apply.

2 (e) No provision in this title shall be construed to
3 prohibit a service corporation from issuing contracts to
4 groups of persons under a master contract. In this event,
5 however, each subscriber covered under the master contract
6 shall be issued an individual certificate which shall set
7 out in adequate detail the provisions itemized in (b) of
8 this section.

9 (f) All proposed forms of subscriber's contracts shall
10 be filed with the director and be subject to his approval,
11 as provided in sec. 180 of this chapter.

12 Sec. 21.87.170. SERVICE AGREEMENTS AND SUBSCRIBER'S
13 CONTRACTS MUST PROVIDE SUBSTANTIAL SERVICE BENEFITS. (a)
14 Every service agreement and subscriber's contract entered
15 into or issued by a service corporation shall provide for
16 health care services of a substantial and broad character
17 to be rendered to subscribers on a service basis by partici-
18 pant physicians or participant hospitals.

19 (b) The director may, after a hearing thereon, by rules
20 and regulations establish certain minimums of service
21 benefits to be provided consistent with (a) of this section.

22 Sec. 21.87.180. FILING AND APPROVAL OF AGREEMENTS AND
23 CONTRACTS. (a) No service corporation shall issue or use
24 a basic form of service agreement or subscriber's contract,
25 or application, identification, supplement, or endorsement
26 to be connected with the agreement or contract, until the
27 form has been filed with the director and approved by him.
28 This provision shall not apply to agreements, contract,
29 applications, identification supplements, endorsements or

1 other forms of unique character designed for and used with
2 relation to a particular set of circumstances.

3 (b) The director shall approve the form unless disap-
4 proved by him on one or more of the grounds set out in (c)
5 of this section. If not approved or disapproved by order
6 transmitted to the filing service corporation within 30
7 days after the date filed, the form shall be considered to
8 have been approved.

9 (c) The director shall disapprove a proposed form
10 referred to in (a) of this section, which

11 (1) is in any respect not in compliance with or
12 in violation of law;

13 (2) contains an inconsistent, ambiguous, or mis-
14 leading clause, or exceptions and conditions which decep-
15 tively affect the services or benefits purported to be pro-
16 vided for in the general terms of the agreement or contract;

17 (3) has any indication of its provisions which
18 is misleading; or

19 (4) is printed or otherwise reproduced in a
20 manner which renders any provision of the form substantially
21 illegible.

22 (d) In an order of disapproval the director shall
23 state the particulars of the grounds for disapproval.

24 Sec. 21.87.190. CHARGES AND RATES. (a) Subscription
25 rates, fees, and payments to be charged by a service corpora-
26 tion to or on account of its subscribers shall not be ex-
27 cessive, inadequate, or unfairly discriminatory; and rates
28 of payments to be made to participant physicians and
29 participant hospitals for services rendered under a sub-

1 subscriber's contract, shall be fair and reasonable.

2 (b) The service corporation shall, before use, file
3 with the director a schedule of subscription rates, fees,
4 or payments of any kind to be charged subscribers; and
5 shall likewise file before use every proposed change or
6 modification in the rates, fees, or payments.

7 (c) If the subscriber's contracts to be issued by the
8 service corporation provide for indemnity benefits, where
9 permitted under this chapter, the service corporation shall
10 include in the rate, fee, or payment required of the sub-
11 scriber an adequate additional charge for the indemnity
12 benefit, and shall separately set out the amount of the
13 additional charge in the schedule filed with the director.

14 Sec. 21.87.200. RESERVES. (a) In addition to the
15 surplus fund provided for in sec. 210 of this chapter,
16 every service corporation shall establish and maintain
17 unimpaired reserves as follows:

18 (1) a reserve in an amount not less than all
19 legal obligations of the corporation, other than claims
20 originating under subscriber's contracts, due but unpaid;

21 (2) a reserve equal to not less than the amount
22 necessary by reasonable estimate to pay all claims incurred
23 under subscriber's contracts but currently unpaid, and
24 including a reasonable additional amount to cover claims
25 incurred but not reported to the corporation at the time of
26 determination of the corporation's financial condition; but
27 subject, as to amounts payable to participant physicians or
28 participant hospitals, to the right of the service corpora-
29 tion to prorate the amounts in accordance with the provisions

1 of the service agreement;

2 (3) a reserve equal to 50 per cent of all sums
3 charged and received by the corporation during the calendar
4 period covered by the financial statement, on account of
5 indemnity benefits provided in subscriber's contracts for
6 terms for which premium was last paid and unexpired at the
7 date of the financial statement;

8 (4) a reserve in an amount reasonably adequate
9 to offset the additional cost thereafter to be incurred on
10 account of deferred maternity benefits and similar deferred
11 service benefits, the reserve to be set aside out of charges
12 currently received on account of subscriber's contracts
13 providing for the deferred benefits.

14 (b) The reserves required under (a) of this section,
15 shall constitute a liability of the corporation in any
16 determination of its financial condition.

17 Sec. 21.87.210. SURPLUS FUND. (a) Every service
18 corporation shall set aside into a "surplus fund" an amount
19 of money equal to not less than two per cent of all sums
20 hereafter received by it on account of subscriber's contracts,
21 until the surplus fund amounts to not less than \$50,000 if
22 a medical service corporation or hospital service corporation,
23 or \$100,000 if a combination medical-hospital service corpo-
24 ration.

25 (b) After the minimum surplus fund is established the
26 service corporation may in like manner increase it to an
27 amount not to exceed the total gross collections from sub-
28 scribers during the immediately preceding seven months.

29 (c) That portion of the surplus fund referred to in

1 (a) of this section, may be used by the service corporation,
2 by express appropriation therefrom by action of its board
3 of directors, solely if necessary to pay the additional
4 health care costs and expenses under its contracts, resulting
5 from disease, epidemic or catastrophic occurrences in which
6 numerous persons were injured in the same occurrence.

7 (d) If the surplus fund is at any time depleted below
8 the minimum amount required under (a) of this section, the
9 service corporation shall replenish the fund by a resumption
10 or continuance of allocations thereto from subscribers'
11 payments, as provided for original accumulation of the fund
12 under (a) of this section, or by other reasonable means which
13 may be approved by the director.

14 Sec. 21.87.220. INVESTMENTS. (a) A service corporation
15 shall invest and have invested its funds in the following
16 investments only:

17 (1) cash on deposit or in savings accounts in
18 banks or trust companies in this state;

19 (2) deposits in or shares of the savings and
20 loan associations which are insured by an instrumentality
21 of the United States government, and not in excess of the
22 amount of the insurance in any one such institution;

23 (3) public obligations, as provided under AS 21.-
24 21;

25 (4) corporate obligations, as provided under
26 AS 21.21; and

27 (5) real estate for use as a home office, at a
28 cost not exceeding 10 per cent of the corporation's assets
29 at the time of investment, unless a larger amount has been

1 approved by the director.

2 (b) The following sections shall likewise apply to
3 the investments of service corporations, to the extent
4 applicable, and for the purposes of the application a service
5 corporation shall be considered to be an insurer:

6 (1) AS 21.21.020 (eligible investments);

7 (2) AS 21.21.030 (general qualifications);

8 (3) AS 21.21.040 (authorization of investments);

9 (4) AS 21.21.050 (diversification of investments
10 -- one person);

11 (5) AS 21.21.290 (time limit for disposal of real
12 estate);

13 (6) AS 21.21.300 (disposal of ineligible property
14 and securities).

15 Sec. 21.87.230. RECORDS AND ACCOUNTS. (a) Every serv-
16 ice corporation shall establish and maintain complete and
17 accurate records and accounts covering its transactions and
18 affairs, in accordance with common and accepted principles
19 and practices of insurance accounting and record keeping as
20 applied to the business of the corporation.

21 (b) Among other records, the corporation shall estab-
22 lish a separate record of each claim received for benefits
23 under a subscriber's contract, whether the claim is for serv-
24 ice or for indemnity. The claim record shall contain infor-
25 mation reasonably necessary for the determination of:

26 (1) the identity of the claimant;

27 (2) the nature of the claim;

28 (3) the probable amount to be paid by the corpora-
29 tion on account of the claim;

1 (4) the amounts actually paid by the corporation
2 on account of the claim.

3 Sec. 21.87.240. ANNUAL STATEMENT. (a) Each service
4 corporation shall annually before March 2 file with the
5 director a statement of its financial condition as at the
6 preceding December 31. The statement shall be in the form,
7 and provide for the information relative to the corpora-
8 tion's affairs, which the director prescribes, consistent
9 with this chapter. The statement shall be verified under
10 oath by at least two of the corporation's principal adminis-
11 trative officers.

12 (b) At time of filing the statement, the corporation
13 shall pay the fee specified in sec. 320 of this chapter.

14 Sec. 21.87.250. EXAMINATION. Every service corpora-
15 tion shall be subject to examination by the director, with
16 the same rights and powers and in the same manner as is
17 provided in this title for the examination of insurers;
18 and for the purposes thereof the following sections of this
19 title shall, to the extent applicable, apply to such a
20 corporation, which, for the purpose of the application shall
21 be considered to be an insurer:

22 (1) AS 21.06.120 (examination of insurers);

23 (2) AS 21.06.130 (examination of agents, manager,
24 adjusters, promoters);

25 (3) AS 21.06.140 (place of examination)

26 (4) AS 21.06.140 (conduct of examination -- access
27 to records -- correction of accounts -- removal of records);

28 (5) AS 21.06.140 (examination -- appraisal of
29 assets);

1 (6) AS 21.06.150 (examination report);
2 (7) AS 21.06.160 (examination expense);
3 (8) AS 21.06.170 (witnesses and evidence); and
4 (9) AS 21.06.180 (testimony compelled -- immunity
5 from prosecution).

6 Sec. 21.87.260. TAXATION. Every hospital and medical
7 service corporation doing business under this chapter, shall
8 be taxed as provided in AS 21.09.210.

9 Sec. 21.87.270. JOINT OPERATIONS. (a) A hospital
10 service corporation and a medical service corporation may
11 operate under joint management for the purpose of reducing
12 operating costs.

13 (b) Separate records and accounts shall be kept for
14 each corporation, and the funds and assets on one shall not
15 be comingled with those of the other; except that funds
16 received from a joint billing to subscribers may be deposited
17 in a common bank account for purposes of collection, if the
18 records of each corporation at all times show the amount
19 of the funds belonging to each and if final distribution
20 of the funds is made to each corporation within 30 days from
21 receipt of payment of the joint billing.

22 Sec. 21.87.280. COMBINED CORPORATION. (a) A service
23 corporation may be formed as, or may by suitable amendment
24 of its articles of incorporation become, a combined medical
25 service and hospital service corporation. As to its medical
26 services each combined service corporation shall fully comply
27 with those provisions of this chapter especially applicable
28 as to medical service corporations; and as to its hospital
29 services the corporation shall fully comply with those

1 provisions of this chapter especially applicable as to
2 hospital service corporations.

3 (b) Subject to (a) of this section, nothing in this
4 chapter shall prohibit a combined service corporation from
5 issuing subscriber's contracts providing for both medical
6 services and hospital services.

7 Sec. 21.87.290. CONTRACTS COVERING WORKMEN'S COMPENSA-
8 TION RISKS. No service corporation shall issue a subscriber's
9 contract covering, or otherwise insure, an industrial injury
10 or illness if health care service or indemnity benefits
11 are provided by either federal or state law, or under the
12 provisions of the Alaska Workmen's Compensation Act.

13 Sec. 21.87.300. ANNUAL ADJUSTMENT OF SERVICE PAYMENTS.

14 (a) Before March 2 every service corporation shall make a
15 special accounting, at which time any prorated settlements
16 for bills submitted by participant physicians or hospitals
17 for services rendered during the preceding calendar year
18 shall be adjusted, and any deficits thereon made up on a
19 uniform basis as to all participants to the extent of funds
20 available therefor.

21 (b) Funds of the service corporation remaining after
22 the annual accounting, and after adequate provision for all
23 its liabilities and reserves, and for the surplus fund re-
24 quired under sec. 210 of this chapter, may be used by the
25 corporation, upon express authorization by its board of
26 directors, for any of the following purposes:

27 (1) to liquidate on a uniform and pro rata basis
28 charges for services by participant physicians or participant
29 hospitals not paid in full upon the settlement of bills in

1 previous years;

2 (2) to pay off any part or the whole of an
3 outstanding contribution of working capital to the corpo-
4 ration, the payment to be prorated on a uniform basis
5 among all the outstanding contributions; or

6 (3) to reduce the rates thereafter to be
7 charged subscribers, or to expand the services or
8 benefits thereafter to be provided under subscription
9 contracts.

10 Sec. 21.87.310. FIDELITY BOND. Every service corpo-
11 ration shall procure and maintain in force a fidelity bond
12 or bonds, with authorized corporate surety, covering every
13 officer or employee entrusted with the handling of its
14 funds, in an amount, but not less than \$5,000, which may be
15 fixed by its board of directors.

16 Sec. 21.87.320. FEE AND LICENSES. (a) Every service
17 corporation shall pay to the director fees in advance as
18 follows:

19 (1) for filing application for initial certificate
20 of authority by newly formed corporation, or after expiration
21 or revocation of previous certificate of authority . . . \$50

22 (2) for issuance of initial certificate of
23 authority, or each annual continuation or renewal. . . . \$15

24 (3) for filing and certifying articles of
25 incorporation. \$10

26 (4) for filing and certifying amendments to
27 articles of incorporation. \$10

28 (5) for filing bylaws and amendments thereto. \$10

29 (6) for filing annual statement of financial

condition \$ 5

(7) for affixing seal and certifying documents
other than the certificate hereinabove provided for . . \$ 1

(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. In this chapter

(1) "health care service" means a service
rendered to an individual for diagnosis, relief, or treatment
of an injury, ailment or bodily condition;

(2) "service corporation" means a corporation
providing all or part of one or more health care services
for subscribers in exchange for periodic prepayments in
identifiable amount by or as to the subscribers;

(3) a "medical service corporation" is one
providing principally medical and/or surgical services;

(4) a "hospital service corporation" is one
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 the corpora-
tion covering the services;

1 (7) "participant hospital" is one which has
2 entered into a service agreement with a service corporation;

3 (8) "participant physician" is one who has entered
4 into a service agreement with a service corporation; and

5 (9) "physician" includes also "surgeon".

6 Sec. 21.87.340. OTHER PROVISIONS APPLICABLE. In addi-
7 tion to those contained or referred to heretofore in this
8 chapter, the following chapters and provisions of this
9 title shall also apply with respect to service corporations
10 to the extent applicable and not in conflict with the express
11 provisions of this chapter and the reasonable implications
12 of the express provisions, and for the purposes of the
13 application the corporations shall be considered to be
14 mutual "insurers":

15 (1) AS 21.03 (scope of code);

16 (2) AS 21.06 (the director of insurance);

17 (3) AS 21.09 (general eligibility for certificate
18 of authority -- competence, affiliations of management);

19 (4) AS 21.18.010 (allowable assets);

20 (5) AS 21.18.030 (assets not allowed);

21 (6) AS 21.18.040 (disallowance of "wash"
22 transactions);

23 (7) AS 21.18.130 (valuation of bonds);

24 (8) AS 21.21.320 (prohibited investments and
25 investment underwriting);

26 (9) AS 21.36 (trade practices and frauds);

27 (10) AS 21.69.400 (vouchers for expenditures);

28 (11) AS 21.69.520 (borrowed surplus);

29 (12) AS 21.69.600 (mergers and consolidations,

1 mutual insurers), AS 21.69.620 (bulk reinsurance, mutual
2 insurers), and AS 21.69.630 (Mutual member's share of assets
3 on liquidation);

4 (13) AS 21.78 (rehabilitation and liquidation);
5 and

6 (14) AS 21.90 (general provisions).

7 Sec. 21.87.350. EXISTING CERTIFICATES OF AUTHORITY. A
8 health care service contractor registered to do business in
9 this state on July 1, 1964, is entitled to be registered
10 under this chapter, whether or not it meets the requirements
11 of this chapter.

12 CHAPTER 90. GENERAL PROVISIONS.

13 Sec. 21.90.010. PARTICULAR PROVISIONS PREVAIL. Pro-
14 visions of this title relative to a particular kind of
15 insurance or a particular type of insurer or to a particular
16 matter shall prevail over provisions relating to insurance
17 in general or insurers in general or to such matter in
18 general.

19 Sec. 21.90.020. GENERAL PENALTY. A person who violates
20 a provision of this title, or a regulation issued under it,
21 for which violation a greater penalty is not provided by
22 other applicable laws of this state, upon conviction, is,
23 in addition to any administrative penalty otherwise applicable
24 thereto, punishable by a fine of not less than \$50 or more
25 than \$1,000, or by imprisonment for not less than 30 days or
26 more than 90 days, or by both.

27 Sec. 21.90.030. INSURANCE DEFINED. "Insurance" is a
28 contract whereby one undertakes to indemnify another or pay
29 or provide a specified or determinable amount or benefit

1 upon determinable contingencies.

2 Sec. 21.90.040. INSURER DEFINED. "Insurer" includes
3 every person engaged as indemnitor, surety, or contractor
4 in the business of entering into contracts of insurance or
5 of annuity.

6 Sec. 21.90.050. PERSON DEFINED. "Person" includes an
7 individual, insurer, company, association, organization,
8 Lloyds, society, reciprocal or interinsurance exchange,
9 partnership, syndicate, business trust, corporation, and
10 any other legal entity.

11 Sec. 21.90.060. COMMISSIONER, DIRECTOR, DIVISION
12 DEFINED. Unless the context requires otherwise,

13 (1) "commissioner" means commissioner of the
14 Department of Commerce;

15 (2) "director" means the director of the division
16 of insurance;

17 (3) "division" means the division of insurance,
18 Department of Commerce.

19 Sec. 21.90.070. DOMESTIC, FOREIGN, ALIEN INSURER AND
20 STATE DEFINED. (a) A "domestic" insurer is one formed
21 under the laws of this state.

22 (b) A "foreign" insurer is one formed under the laws of
23 any jurisdiction other than this state.

24 (c) An "alien" insurer is one formed under the laws of
25 any country other than the United States of America, its
26 states, districts, territories, and commonwealths.

27 (d) Except when distinguished by context, "foreign"
28 insurer includes also an "alien" insurer.

29 (e) When used as to jurisdiction, "state" means a

1 state, District of Columbia, territory, commonwealth, or
2 possession of the United States of America.

3 Sec. 21.90.080. AUTHORIZED, UNAU HORIZED INSURER
4 DEFINED. (a) An "authorized" insurer is one authorized by
5 subsisting certificate of authority issued by the director
6 to transact insurance in this state.

7 (b) An "unauthorized" insurer is one not so authorized.

8 Sec. 21.90.090. TRANSACTING INSURANCE DEFINED. "Trans-
9 act" with respect to insurance includes any of the following:

- 10 (1) solicitation and inducement;
11 (2) preliminary negotiations;
12 (3) effectuation of a contract of insurance;
13 (4) transaction of matters subsequent to effectu-
14 ation of the contract of insurance and arising out of it.

15 Sec. 21.90.100. COURT DEFINED. "Court" means the
16 superior court of Alaska.

17 * Sec. 2. AS 44.62.340 is amended by adding a new subsection
18 to read:

19 (e) The provisions of secs. 330 - 630 of this chapter
20 do not apply to proceedings under AS 21.

21 * Sec. 3. AS 21.09.180 and 21.09.190, in sec. 1 of this Act,
22 provide for service of process upon the director of the division
23 of insurance, or his agent, and provide that when service is made
24 upon the director, the defendant has 45 days in which to answer.
25 The sections change Rules 4 and 12 of the Supreme Court Rules of
26 Civil Procedure, which do not specifically designate an agent for
27 service of process, and which provide that the answer must be
28 made within 20 days.

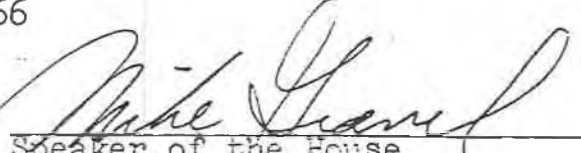
29 * Sec. 4. AS 21.05 - 21.30 are repealed.

1 * Sec. 5. This Act takes effect on July 1, 1966.

2 Passed by the House March 4, 1966

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Speaker of the House

ATTEST:

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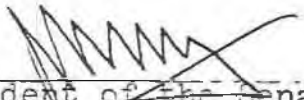

Chief Clerk of the House

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Passed by the Senate March 25, 1966

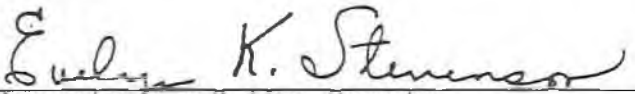
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President of the Senate

10 ATTEST:

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Secretary of the Senate

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