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Referred: Commerce and
Judiciary

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 *CS* HOUSE BILL NO. 554 *Jud*
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to regulation of insurance holding
7 companies; and providing for an effective date."

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

9 * Section 1. AS 21 is amended by adding a new chapter to read:

10 CHAPTER 22. INSURANCE HOLDING COMPANIES.

11 Sec. 21.22.010. FILING REQUIREMENTS FOR ACQUISITION OF CONTROL
12 OF OR MERGER WITH DOMESTIC INSURER. (a) Until the provisions of (b)
13 of this section have been fulfilled, no person may:

14 (1) make a tender or an offer for or a request or an invita-
15 tion for tenders of, or enter into any agreement to exchange securities
16 for, seek to acquire, or acquire, in the open market or otherwise, any
17 voting security of a domestic insurer if, after the purchase, the
18 person would, directly or indirectly or by conversion or by exercise
19 of any right to acquire, be in control of the insurer; or

20 (2) enter into an agreement to merge with or otherwise to
21 acquire control of a domestic insurer.

22 (b) A statement containing the information outlined in sec. 20
23 of this chapter shall be filed by the person making a proposal des-
24 cribed in (a) of this section with the director before the time copies
25 of the proposal are first published, sent, or given to security holders
26 of the insurer. The insurer must publish, send, or give copies of the
27 statement to the insurer's stockholders. The proposal is subject to
28 approval by the director as outlined in sec. 30 of this chapter.

29 (c) If a proposal referred to in (a) of this section is to be

1 made by means of a registration statement under the Securities Act of
2 1933 or in circumstances requiring the disclosure of similar infor-
3 mation under the Securities Exchange Act of 1934, or under a state law
4 requiring similar registration or disclosure, the person required to
5 file the statement referred to in (b) of this section may use those
6 documents in furnishing the information called for by that statement.
7 However, the director may require the person making the proposal to
8 produce other information the director considers necessary to carry
9 out his duties under this chapter.

10 (d) If the person required to file the statement referred to in
11 (b) of this section is a partnership, limited partnership, syndicate
12 or other group, the director may require that the information be given
13 with respect to each

- 14 (1) partner of the partnership or limited partnership;
- 15 (2) member of the syndicate or group; and
- 16 (3) person who controls a partner or member.

17 (e) If any person, partner or member required to file the state-
18 ment referred to in (b) of this section is a corporation, the director
19 may require that the information be given with respect to

- 20 (1) that corporation;
- 21 (2) each officer and director of that corporation; and
- 22 (3) each person who is directly or indirectly the benefi-
23 cial owner of more than 10 per cent of the outstanding voting securi-
24 ties of that corporation.

25 (f) If any material change occurs in the facts set out in the
26 statement filed with the director and sent to the insurer under this
27 section, an amendment setting out the change, together with copies of
28 all documents and other material relevant to the change, shall be
29 filed with the director and sent to the insurer within two business

1 days after the person learns of the change. The insurer shall send
2 the amendment to its shareholders.

3 (g) The provisions of this section do not apply to

4 (1) any offer of, request for, invitation for, agreement re-
5 garding, or acquisition of a voting security which, immediately before
6 the consummation of the offer, request, invitation, agreement or
7 acquisition, was not issued and outstanding; or

8 (2) any offer, request, invitation, agreement or acquisition
9 which the director by order may exempt as not having been made or
10 entered into for the purpose and not having the effect of changing or
11 influencing the control of the domestic insurer.

12 (h) For the purposes of this section, "domestic insurer" includes
13 any person controlling a domestic insurer unless that person is either
14 directly or through its affiliates primarily engaged in business other
15 than the business of insurance.

16 Sec. 21.22.020. CONTENT OF STATEMENT FOR ACQUISITION OR MERGER
17 FILING. The statement to be filed with the director as required in
18 sec. 10 of this chapter shall be made under oath or affirmation and
19 shall contain the following information:

20 (1) the name and address of each person by whom or on whose
21 behalf the merger or other acquisition of control referred to in sec.
22 10 of this chapter is to be effected, who will be called the "ac-
23 quiring party", as follows:

24 (A) if the person is an individual, his principal
25 occupation and all offices and positions held during the past
26 five years, and all convictions of crimes other than minor traffic
27 violations during the past 10 years;

28 (B) if the person is not an individual,

29 (1) a report of the nature of its business opera-

1 tions during the past five years or for whatever lesser
2 period the person and any of its predecessors have been in
3 existence;

4 (ii) an informative description of the business
5 intended to be done by the person and the person's subsidi-
6 aries; and

7 (iii) a list of all individuals who are or who
8 have been selected to become directors or executive officers
9 of the person, or who perform or will perform functions
10 appropriate to those positions; the list shall include for
11 each such individual the information required by (A) of this
12 paragraph;

13 (2) a description of the consideration used or to be used
14 in effecting the merger or other acquisition of control, including:

15 (A) the source, nature and amount;

16 (B) a description of any transaction in which funds
17 were or are to be obtained for any such purpose; and

18 (C) the identity of persons furnishing the considera-
19 tion; however, if a source of the consideration is a loan made in
20 the lender's ordinary course of business, the director shall keep
21 the identity of the lender confidential, if the person filing the
22 statement so requests;

23 (3) fully audited financial information as to the earnings
24 and financial condition of each acquiring party for the preceding five
25 fiscal years or for whatever lesser period that an acquiring party and
26 any predecessors of that acquiring party have been in existence, and
27 similar unaudited information as of a date not earlier than 90 days
28 before the filing of the statement;

29 (4) any plans or proposals which each acquiring party may

1 have to

2 (A) liquidate the insurer;

3 (B) sell its assets or merge or consolidate it with
4 any person; or

5 (C) make any other material change in its business or
6 corporate structure or management;

7 (5) the number of shares of any security referred to in
8 sec. 10 of this chapter which each acquiring party proposes to acquire,
9 and the terms of the offer, request, invitation, agreement, or acquisi-
10 tion referred to in this chapter, and a statement as to the method by
11 which the fairness of the proposal was determined;

12 (6) the amount of each class of any security referred to in
13 sec. 10 of this chapter which is beneficially owned or concerning
14 which there is a right to acquire beneficial ownership by each ac-
15 quiring party;

16 (7) a full description of any contracts, arrangements or
17 understandings with respect to any security referred to in sec. 10 of
18 this chapter in which an acquiring party is involved, including but
19 not limited to transfer of any of the securities, joint ventures, loan
20 or option arrangements, puts or calls, guarantees of loans, guarantees
21 against loss or guarantees of profits, division of losses or profits,
22 or the giving or withholding of proxies; this description shall
23 identify the persons with whom those contracts, arrangements or under-
24 standings have been entered into;

25 (8) a description of the purchase of any security referred
26 to in sec. 10 of this chapter during the 12 calendar months preceding
27 the filing of the statement, by any acquiring party, including the
28 dates of purchase, names of the purchasers, and consideration paid or
29 agreed to be paid;

1 (9) a description of any recommendations to purchase a
2 security referred to in sec. 10 of this chapter made during the 12
3 calendar months preceding the filing of the statement, by an acquiring
4 party, or by anyone based upon interviews or at the suggestion of the
5 acquiring party;

6 (10) copies of all tender offers for, requests or invita-
7 tions for tenders of exchange offers for, and agreements to acquire or
8 exchange any securities referred to in sec. 10 of this chapter, and,
9 if distributed, of additional soliciting material;

10 (11) the terms of any agreement, contract or understanding
11 made with a broker-dealer as to solicitation of securities referred to
12 in sec. 10 of this chapter for tender, and the amount of any fees,
13 commissions or other compensation to be paid to a broker-dealer;

14 (12) any additional information as the director may by
15 order or regulation prescribe as necessary or appropriate for the
16 protection of policyholders and securityholders of the insurer or in
17 the public interest.

18 Sec. 21.22.030. APPROVAL BY DIRECTOR; HEARINGS. (a) The
19 director shall approve a merger or other acquisition of control referred
20 to in sec. 10 of this chapter unless, after a public hearing he finds
21 that:

22 (1) after the change of control, the domestic insurer
23 referred to in sec. 10 of this chapter would not be able to satisfy
24 the requirements for the issuance of a license to write the line or
25 lines of insurance for which it is presently licensed;

26 (2) the effect of the merger or other acquisitions of
27 control would be substantially to lessen competition in insurance in
28 this state or tend to create a monopoly in this state;

29 (3) the financial condition of an acquiring party is such

1 that it might jeopardize the financial stability of the insurer, or
2 prejudice the interest of its policyholders or the interests of any
3 remaining securityholders who are unaffiliated with the acquiring
4 party;

5 (4) the terms of the offer, request, invitation, agreement
6 or acquisition referred to in sec. 10 of this chapter are unfair and
7 unreasonable to the securityholders of the insurer;

8 (5) the plans or proposals which the acquiring party has to
9 liquidate the insurer, sell its assets or consolidate or merge it with
10 any person, or to make any other material change in its business or
11 corporate structure or management, are unfair and unreasonable to
12 policyholders of the insurer and not in the public interest; or

13 (6) the competence, experience and integrity of those
14 persons who would control the operation of the insurer are such that
15 it would not be in the interest of policyholders of the insurer and of
16 the public to permit the merger or other acquisition of control.

17 (b) The purchase, merger or other acquisition of control re-
18 ferred to in sec. 10(a) of this chapter may not be made until the
19 director either approves the transaction within 60 days after the
20 statement required by sec. 10(b) of this chapter has been filed with
21 him or he fails to disapprove the transaction within the 60-day period.

22 Sec. 21.22.040. MAILINGS TO SHAREHOLDERS; PAYMENT OF EXPENSES.
23 All statements, amendments or other material filed under sec. 10 of
24 this chapter, and all notices of public hearings held under sec. 30 of
25 this chapter, shall be mailed by the insurer to its shareholders
26 within five business days after the insurer has received those state-
27 ments, amendments, other materials, or notices. The expenses of
28 mailing shall be borne by the person making the filing. As security
29 for the payment of those expenses, the person making the filing shall

1 file with the director an acceptable bond or other deposit in an
2 amount to be determined by the director.

3 Sec. 21.22.050. JURISDICTION; CONSENT TO SERVICE OF PROCESS.

4 The courts of this state are given jurisdiction over every person not
5 resident, domiciled or authorized to do business in this state who
6 files a statement with the director under this chapter, and over all
7 actions involving that person arising out of violations of this
8 chapter, and each person is considered to have performed acts equiva-
9 lent to and constituting an appointment of the director to be his
10 lawful attorney upon whom may be served all lawful process in any
11 action or proceeding arising out of a violation of this chapter.
12 Copies of all lawful process shall be transmitted by registered or
13 certified mail by the director to the person at his last known address.

14 Sec. 21.22.060. REGISTRATION REQUIRED. (a) Every insurer which
15 is authorized to do business in this state and which is a member of an
16 insurance holding company system shall register with the director. An
17 insurer which is subject to registration under this section shall
18 register within 60 days after the effective date of this chapter or 15
19 days after it becomes subject to registration, whichever is later,
20 unless the director for good cause shown extends the time for regis-
21 tration; if the time is extended, the insurer must register within the
22 extended time.

23 (b) Every insurer subject to registration shall file a regis-
24 tration statement on a form provided by the director, which must con-
25 tain current information about:

26 (1) the capital structure, general financial condition,
27 ownership and management of the insurer and any person controlling the
28 insurer;

29 (2) the identity of every member of the insurance holding

1 company system;

2 (3) the following agreements in force, relationships sub-
3 sisting, and transactions currently outstanding between the insurer
4 and its affiliates:

5 (A) loans, other investments, or purchases, sales or
6 exchanges of securities of the affiliates by the insurer or of
7 the insurer by its affiliates;

8 (B) purchases, sales, or exchanges of assets;

9 (C) transactions not in the ordinary course of business;

10 (D) guarantees or undertakings for the benefit of an
11 affiliate which result in an actual contingent exposure of the
12 insurer's assets to liability, other than insurance contracts
13 entered into in the ordinary course of the insurer's business;

14 (E) all management and service contracts and all cost-
15 sharing arrangements, other than cost allocation arrangements
16 based upon generally accepted accounting principles; and

17 (F) reinsurance agreements covering all or substan-
18 tially all of one or more lines of insurance of the ceding company;

19 (4) other matters concerning transactions between registered
20 insurers and any affiliates that may be included from time to time in
21 a registration form adopted or approved by the director.

22 (c) The director may permit an authorized insurer which is a
23 member of a holding company system subject to registration under the
24 laws or regulations of its state of domicile which are substantially
25 similar to those contained in this chapter to furnish a copy of the
26 registration statement or other information filed by the insurer with
27 the insurance regulatory authority of its domiciliary jurisdiction in
28 place of filing the statement as required in (b) of this section.

29 (d) No information need be disclosed on the registration state-

1 ment filed under (b) of this section if that information is not material
2 for the purposes of this section. Unless the director by regulation
3 or order provides otherwise, sales, purchases, exchanges, loans or
4 extensions of credit, or investments, involving one-half of one per
5 cent or less of an insurer's admitted assets as of the 31st day of
6 December of the calendar year in which the transaction took place are
7 not considered material for purposes of this section.

8 (e) Each registered insurer shall keep current the information
9 required to be disclosed in its registration statement by reporting
10 all material changes or additions on amendment forms provided by the
11 director within 30 days after the end of the month in which it learns
12 of each change or addition; however, subject to sec. 100 of this
13 chapter, each registered insurer shall report all dividends and other
14 distributions to shareholders within two business days following their
15 declaration.

16 (f) The director shall terminate the registration of an insurer
17 which demonstrates that it no longer is a member of an insurance
18 holding company system.

19 (g) The director may require or allow two or more affiliated
20 insurers subject to registration under this section to file a consoli-
21 dated registration statement or consolidated reports amending their
22 consolidated registration statement or their individual registration
23 statements.

24 (h) The director may allow an insurer which is authorized to do
25 business in this state and which is part of an insurance holding
26 company system to register on behalf of an affiliated insurer which is
27 required to register under (a) of this section and to file all infor-
28 mation and material required to be filed under this section.

29 (i) This section does not apply to any insurer, information or

1 transaction to the extent that the director by regulation or order
2 exempts the insurer, information or transaction from this section.

3 (j) A person may file with the director a disclaimer of affilia-
4 tion with an authorized insurer or the disclaimer may be filed by the
5 insurer or a member of an insurance holding company system. The
6 disclaimer shall fully disclose all material relationships and bases
7 for affiliation between that person and that insurer as well as the
8 basis for disclaiming the affiliation. After a disclaimer has been
9 filed, the insurer is relieved of any duty to register or report under
10 this section which may arise out of the insurer's relationship with
11 that person until the director disallows the disclaimer. The director
12 shall disallow a disclaimer only after furnishing all parties in
13 interest with notice and opportunity to be heard and after making
14 specific findings of fact to support the disallowance.

15 Sec. 21.22.070. REVIEW BY DIRECTOR. If at any time the director
16 determines that any material transaction entered into between an
17 insurer and any of its affiliates does not meet the standards set out
18 in sec. 80 of this chapter, the director may require the insurer and
19 the affiliate to terminate, set aside, or modify the transaction as
20 considered appropriate by the director to make the transaction conform
21 to those standards.

22 Sec. 21.22.080. TRANSACTIONS WITH AFFILIATES. Material trans-
23 actions by registered insurers with their affiliates are subject to
24 the following standards:

- 25 (1) the terms shall be fair and reasonable;
- 26 (2) the books, accounts and records of each party shall be
27 maintained so as to disclose clearly and accurately the precise nature
28 and details of the transactions; and
- 29 (3) the insurer's surplus as regards policyholders follow-

1 ing any dividends or distributions to shareholder affiliates shall be
2 reasonable in relation to the insurer's outstanding liabilities and
3 adequate to its financial needs.

4 Sec. 21.22.090. ADEQUACY OF SURPLUS. For the purposes of this
5 chapter, in determining whether an insurer's surplus as regards policy-
6 holders is reasonable in relation to the insurer's outstanding liabilities
7 and adequate to its financial needs, the following factors, among
8 others, shall be considered:

9 (1) the size of the insurer as measured by its assets,
10 capital and surplus, reserves, premium writings, insurance in force
11 and other appropriate criteria;

12 (2) the extent to which the insurer's business is diversifi-
13 fied among the several lines of insurance;

14 (3) the number and size of risks insured in each line of
15 business;

16 (4) the extent of the geographical dispersion of the
17 insurer's insured risk;

18 (5) the nature and extent of the insurer's reinsurance
19 program;

20 (6) the quality, diversification, and liquidity of the
21 insurer's investment portfolio;

22 (7) the recent past and projected future trend in the size
23 of the insurer's surplus as regards policyholders;

24 (8) the surplus as regards policyholders maintained by
25 other comparable insurers;

26 (9) the adequacy of the insurer's reserves; and

27 (10) the quality and liquidity of investments in subsidi-
28 diaries made under AS 21.21; the director may treat any such investment
29 as a disallowed asset for purposes of determining the adequacy of

1 surplus as regards policyholders whenever in his judgment the invest-
2 ment warrants it.

3 Sec. 21.22.100. DIVIDENDS AND OTHER DISTRIBUTIONS. (a) No
4 domestic insurer subject to registration under sec. 60 of this chapter
5 may pay any extraordinary dividend or make any other extraordinary
6 distribution to its shareholders until

7 (1) 30 days after the director has received notice of the
8 declaration of the dividend or distribution and has not within that
9 period disapproved its payment; or

10 (2) the director has approved its payment within the 30-day
11 period.

12 (b) For purposes of this section, an extraordinary dividend or
13 distribution includes any dividend or distribution of cash or other
14 property, the fair market value of which together with that of other
15 dividends or distributions made within the preceding 12 months exceeds
16 the greater of

17 (1) 10 per cent of the insurer's surplus as regards policy-
18 holders as of December 31 of the preceding year; or

19 (2) the net gain from operations of the insurer, if the
20 insurer is a life insurer, or the net investment income, if the
21 insurer is not a life insurer, for the 12-month period ending
22 December 31 of the preceding year, but does not include pro rata
23 distributions of any class of the insurer's own securities.

24 (c) Notwithstanding AS 21.69.490, an insurer may declare an
25 extraordinary dividend or distribution which is conditional upon the
26 director's approval. A declaration confers no rights upon shareholders
27 until

28 (1) the director has approved the payment of the dividend
29 or distribution; or

1 (2) the director has not disapproved the payment within the
2 30-day period referred to in (a) of this section.

3 Sec. 21.22.110. EXAMINATION. (a) Subject to the limitation in
4 (b) of this section, the director may order an insurer registered
5 under sec. 60 of this chapter to produce records, books, or other
6 information or papers in the possession of the insurer or its affiliates
7 as are necessary to ascertain the financial condition or legality of
8 conduct of the insurer. If an insurer fails to comply with the
9 director's order, the director may examine the insurer's affiliates to
10 obtain the information he requires.

11 (b) The director shall exercise his power under (a) of this
12 section only if the examination of the insurer under AS 21.06.120 --
13 21.06.170 is inadequate or the interests of the policyholders of the
14 insurer may be adversely affected.

15 (c) The director may retain, at the registered insurer's expense,
16 attorneys, actuaries, accountants and other experts not otherwise a
17 part of the director's staff as may be necessary to assist in the con-
18 duct of an examination under (a) of this section. Any persons so
19 retained are under the direction and control of the director and shall
20 act in a purely advisory capacity.

21 (d) Each registered insurer producing for examination records,
22 books, and papers under (a) of this section is liable for and shall
23 pay the expense of an examination in accordance with AS 21.06.160.

24 Sec. 21.22.120. CONFIDENTIAL TREATMENT. All information, docu-
25 ments and copies of the information and documents obtained by or
26 disclosed to the director or any other person in the course of an
27 examination or investigation made under sec. 110 of this chapter and
28 all information reported under sec. 60 of this chapter, shall be given
29 confidential treatment and may not be made public by the director or

1 any other person, except to insurance departments of other states,
2 without the prior written consent of the insurer to which it pertains.
3 However, if the director, after giving the insurer and its affiliates
4 who would be affected by publication of the information notice and
5 opportunity to be heard, determines that the interests of policy-
6 holders, shareholders or the public will be served by the publication
7 of the information, he may publish all or any part of the information
8 in the manner he considers appropriate.

9 Sec. 21.22.130. REGULATIONS. The director may adopt regulations
10 to carry out the provisions of this chapter.

11 Sec. 21.22.140. INJUNCTIONS. If it appears to the director that
12 an insurer or a director, officer, employee or agent of an insurer has
13 violated or is about to violate this chapter or a regulation adopted
14 or an order issued by the director under this chapter, the director
15 may apply to the superior court in the judicial district in which the
16 principal office of the insurer is located or if the insurer has no
17 office in this state then to the superior court in the first judicial
18 district for an order enjoining the insurer or a director, officer,
19 employee or agent of the insurer from the violation, and for other
20 relief as the nature of the case and the interests of the insurer's
21 policyholders, creditors and shareholders or the public may require.

22 Sec. 21.22.150. VOTING OF SECURITIES; WHEN PROHIBITED. (a) No
23 security which is the subject of any agreement or arrangement regard-
24 ing acquisition, or which is acquired or to be acquired, in contra-
25 vention of this chapter or a regulation adopted or an order issued by
26 the director under this chapter may be voted at a shareholders' meeting
27 or may be counted for quorum purposes, and any action of shareholders
28 requiring the affirmative vote of a percentage of shares may be taken
29 as though those securities were not issued and outstanding; but no

1 action taken at such a meeting may be invalidated by the voting of
2 those securities, unless the action would materially affect control of
3 the insurer or unless the courts of this state have so ordered.

4 (b) If an insurer or the director has reason to believe that a
5 security of the insurer has been or is about to be acquired in con-
6 travention of this chapter or a regulation adopted or an order issued
7 by the director under this chapter, the insurer or the director may
8 apply to the superior court in the first judicial district or the
9 superior court in the judicial district in which the insurer has its
10 principal place of business to enjoin any offer, request, invitation,
11 agreement or acquisition made in contravention of this chapter or a
12 regulation adopted or an order issued by the director under this
13 chapter, to enjoin the voting of any security so acquired, to void any
14 vote of a security already cast at a meeting of shareholders, and for
15 other relief as the nature of the case and the interests of the
16 insurer's policyholders, creditors and shareholders or the public may
17 require.

18 Sec. 21.22.160. SEQUESTRATION OF VOTING SECURITIES. If a
19 person has acquired or is proposing to acquire voting securities in
20 violation of this chapter or a regulation adopted or an order issued
21 by the director under this chapter, the insurer or the director may
22 make an application in the superior court in the first judicial district
23 or the superior court in the judicial district in which the insurer
24 has its principal place of business to seize or sequester any voting
25 securities of the insurer owned directly or indirectly by that person,
26 and the court may issue an order with respect to those securities as
27 may be appropriate to effectuate this chapter. For the purposes of
28 this chapter the situs of the ownership of the securities of domestic
29 insurers is considered to be in this state.

1 Sec. 21.22.170. CRIMINAL PROCEEDINGS. If it appears to the
2 director that an insurer or a director, officer, employee or agent of
3 the insurer has committed a wilful violation of this chapter, the
4 director may cause criminal proceedings to be instituted in the
5 superior court in the judicial district in which the principal office
6 of the insurer is located or, if the insurer has no such office in the
7 state, then in the superior court in the first judicial district
8 against the insurer or the responsible director, officer, employee or
9 agent of the insurer. An insurer which is guilty of a wilful violation
10 of this chapter is, upon conviction, punishable by a fine of not more
11 than \$10,000. A person who is not an insurer and who is guilty of a
12 wilful violation of this chapter is, upon conviction, punishable by a
13 fine of not more than \$5,000 or, if the wilful violation involves the
14 deliberate perpetration of a fraud upon the director, by imprisonment
15 for not more than two years, or by both fine and imprisonment.

16 Sec. 21.22.180. RECEIVERSHIP. If it appears to the director
17 that a person has committed a violation of this chapter which so
18 impairs the financial condition of a domestic insurer as to threaten
19 insolvency or make the further transaction of business by it hazardous
20 to its policyholders, creditors, shareholders, or the public, then the
21 director may proceed as provided in ch. 78 of this title to take
22 possession of the property of that domestic insurer and to conduct its
23 business.

24 Sec. 21.22.190. REVOCATION, SUSPENSION, OR NON-RENEWAL OF IN-
25 SURER'S AUTHORITY. If it appears to the director that a person has
26 committed a violation of this chapter which makes the continued
27 operation of an insurer contrary to the interests of its policyholders
28 or the public, the director may, after giving notice and an opportunity
29 to be heard, suspend, revoke or refuse to renew the insurer's license

1 or authority to do business in this state for a period that he finds
2 is required for the protection of policyholders or the public. Such a
3 determination by the director shall be accompanied by specific findings
4 of fact and conclusions of law.

5 Sec. 21.22.200. DEFINITIONS. In this chapter, unless the con-
6 text requires otherwise

7 (1) "affiliate" or "affiliated" means a person who directly,
8 or indirectly through one or more intermediaries, controls, or is
9 controlled by, or is under common control with, the persons specified;

10 (2) "control", "controlling", "controlled by", and "under
11 common control with" means the possession, direct or indirect, of the
12 power to direct or cause the direction of the management and policies
13 of a person, whether through the ownership of voting securities, by
14 contract other than a commercial contract for goods or non-management
15 services, or otherwise, unless the power is the result of an official
16 position with or corporate office held by the person; "control" is
17 presumed to exist if any person, directly or indirectly, owns, con-
18 trols, holds with the power to vote, or holds proxies representing, 10
19 per cent or more of the voting securities of any other person; this
20 presumption may be rebutted by a showing made in the manner provided
21 by sec. 60(j) of this chapter that control does not exist in fact; the
22 director may determine, after furnishing all persons in interest
23 notice and opportunity to be heard and making specific findings of
24 fact to support that determination, that control exists in fact,
25 notwithstanding the absence of a presumption to that effect;

26 (3) "director" means Director of the Division of Insurance
27 of the Department of Commerce and Economic Development;

28 (4) "domestic insurer" has the same meaning as set out in AS
29 21.90.070 and, in addition, for the purposes of this chapter, includes

1 an insurer which has been authorized to do business in this state and
2 which, during its three preceding fiscal years taken together, or
3 during any lesser period of time if it has been licensed to transact
4 its business in the State of Alaska only for a lesser period of time,
5 has written an average of more gross premiums in the State of Alaska
6 than it has written in its state of domicile during the same period,
7 and the gross premiums written constitute 33 per cent or more of its
8 total gross premiums written everywhere in the United States for the
9 three-year or lesser period, as reported in its three most recent
10 annual statements;

11 (5) "insurance holding company system" means a system
12 consisting of two or more affiliated persons, one or more of which is
13 an insurer;

14 (6) "insurer" has the same meaning as set out in AS 21.-
15 90.040, except that it does not include agencies, authorities or
16 instrumentalities of the United States, its possessions and territories,
17 the Commonwealth of Puerto Rico, the District of Columbia, a state or
18 political subdivision of a state;

19 (7) "person" means an individual, a corporation, a partner-
20 ship, an association, a joint stock company, a trust, an unincorporated
21 organization, any similar entity or any combination of these entities
22 acting in concert, but does not include a securities broker performing
23 no more than the usual and customary broker's function;

24 (8) "security holder" means one who owns any security of a
25 specified person, including common stock, preferred stock, debt
26 obligations, and any other security convertible into or evidencing the
27 right to acquire any of them;

28 (9) "subsidiary" means an affiliate controlled by a specified
29 person directly or indirectly through one or more intermediaries;

1 (10) "voting security" includes any security convertible
2 into or evidencing a right to acquire the right to vote for management
3 and the right to vote on other matters as provided in a corporation's
4 articles of incorporation.

5 * Sec. 2. This Act takes effect on January 1, 1977.
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