

Original sponsor: Cowper

Offered: 5/10/77
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 314 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to cooperative insurance programs for
7 property insurance coverage; and providing for an
8 effective date."

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

10 * Section 1. PURPOSE. The purposes of this Act are

11 (1) to encourage the development and use of reciprocal insurance
12 coverage for risks of limited exposure within defined territories;

13 (2) to establish a framework in which reciprocal insurance cover-
14 age may be made viable to provide for individual financial security; and

15 (3) to enable reciprocal insurers to satisfy essential property
16 insurance needs of their members consistent with the objectives of the
17 state's insurance laws.

18 * Sec. 2. AS 21.75 is amended by adding new sections to read:

19 ARTICLE 2. COOPERATIVE INSURANCE COVERAGE.

20 Sec. 21.75.300. COOPERATIVE INSURANCE. (a) Within six months of
21 the effective date of this Act, the director shall, by regulation, pro-
22 vide a general plan for the implementation of cooperative insurance
23 coverage limited to the risks defined in sec. 330 of this chapter.

24 (b) The regulations adopted under (a) of this section shall in-
25 clude:

26 (1) procedures whereby not less than the number of persons
27 required by sec. 60(a) of this chapter to organize a domestic reciprocal
28 insurer may petition the director to initiate formation of a cooperative
29 insurer;

1 (2) provision whereby the director may obtain information
2 required to be provided by sec. 60(b) of this chapter to implement or-
3 ganization of a domestic reciprocal insurer;

4 (3) provision under which the petitioners shall describe the
5 territory within which the plan of cooperative insurance shall operate;

6 (4) provision by which the director may obtain any additional
7 information which he considers reasonably necessary to determine whether
8 the total amount initially at risk and its distribution permit a sound
9 cooperative insurance operation;

10 (5) provision whereby the director, after indicating an
11 intention to issue a certificate of authority to a cooperative insurer
12 under secs. 300 - 330 of this chapter, shall provide public notice for a
13 period of not less than 30 days to provide nonsubscribing residents
14 within the territory or adjacent geographical area an opportunity to
15 subscribe to the plan of insurance; and

16 (6) provision by which, after the issuance of a certificate
17 of authority, the cooperative insurer may receive applications from
18 nonsubscribing residents of the territory or adjacent geographical area
19 for inclusion within the insurer unless the application of the non-
20 subscribing resident is rejected by a majority vote of the members of
21 the subscription advisory committee of the cooperative insurer.

22 Sec. 21.75.310. CERTIFICATE OF AUTHORITY OF COOPERATIVE INSURER.
23 If the director is satisfied that the plan of insurance and other infor-
24 mation provided by petitioners under sec. 300 of this chapter permits a
25 sound insurance operation and complies with all other applicable re-
26 quirements for a certificate of authority, he shall issue a certificate
27 of authority to the insurer.

28 Sec. 21.75.320. APPLICABLE PROVISIONS OF LAW. Except as otherwise
29 specifically provided, the provisions of secs. 10 - 290 of this chapter

1 are applicable to cooperative insurers.

2 Sec. 21.75.330. COVERAGE. (a) A cooperative insurer organized
3 under sec. 300 of this chapter is authorized to transact only property
4 insurance, limited to physical damage of

5 (1) licensed private passenger motor vehicles;

6 (2) single-family residences, and related structures;

7 (3) multiple dwellings of not more than four family units if
8 at least one unit is owner-occupied, and related structures;

9 (4) mobile homes;

10 (5) commercial structures of not more than \$100,000 value.

11 (b) Cooperative insurance coverage is limited to risks located or
12 principally garaged within a geographic radius determined by the direc-
13 tor to be within the ability of the insureds to control and have an
14 influence over the level of loss.

15 * Sec. 3. AS 21.75.030 is amended by adding a new subsection to read:

16 (b) In addition to the requirements of (a) of this section, a
17 cooperative insurer organized under secs. 300 - 330 of this chapter
18 shall include the word "cooperative" in its name.

19 * Sec. 4. AS 21.75.050 is repealed and re-enacted to read:

20 Sec. 21.75.050. SURPLUS FUNDS REQUIRED. (a) A domestic recip-
21 cal insurer formed in accordance with the provisions of this chapter
22 shall have and maintain a surplus no less than an amount equal to the
23 total of the capital and one-half of the surplus that would be required
24 of a domestic stock insurer writing the same lines for which the reci-
25 procal insurer seeks to be authorized.

26 (b) A foreign reciprocal insurer shall have and maintain a surplus
27 no less than an amount equal to the total capital and surplus that would
28 be required of a domestic stock insurer writing the same lines for which
29 the reciprocal seeks to be authorized.

1 * Sec. 5. AS 21.75 is amended by adding a new section to read:

2 Sec. 21.75.055. SURPLUS FUNDS FOR COOPERATIVE INSURERS. A co-
3 operative insurer organized under secs. 300 - 330 of this chapter, if it
4 has otherwise complied with the applicable provisions of this chapter,
5 may be authorized to transact insurance if it has and maintains surplus
6 funds equal to one-half of the capital required for a domestic recip-
7 cal insurer under sec. 50(a) of this chapter and such additional surplus
8 as the director considers sufficient.

9 * Sec. 6. AS 21.75.230(a) is amended to read:

10 (a) If a reciprocal insurer has a surplus of assets over all
11 liabilities at least equal to the minimum capital and surplus [STOCK]
12 required of a domestic stock insurer authorized to transact like kinds
13 of insurance, upon application of the attorney and as approved by the
14 subscribers' advisory committee, the director shall issue his certifi-
15 cate authorizing the insurer to extinguish the contingent liability of
16 subscribers under its policies then in force in this state, and to omit
17 provisions imposing contingent liability in all policies delivered or
18 issued for delivery in this state for as long as all the surplus remains
19 unimpaired.

20 * Sec. 7. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).