

Original sponsor: Rules Committee By Request
of the Legislative Council
(for the Interim Committee
on Insurance)

Offered: 4/27/78
Referred: Rules

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 615 (Judiciary)

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 the Alaska essential property in-
7 surance inspection and placement program; and pro-
8 viding for an effective date."

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

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

11 CHAPTER 61. ALASKA ESSENTIAL PROPERTY INSURANCE

12 INSPECTION AND PLACEMENT PROGRAM.

13 Sec. 21.61.010. PROPERTY INSURANCE POOL: PLAN OF OPERATION. All
14 insurance companies authorized to sell property insurance in the state
15 shall organize a property insurance pool and shall submit to the di-
16 rector, for his approval, a plan of organization and a plan of operation
17 for that pool. Each insurance company authorized to sell property
18 insurance shall be a participant in the plan of operation as a condition
19 precedent to obtaining or maintaining authority to sell property in-
20 surance in the state. The plan of operation shall provide for equitable
21 apportionment of the net loss from the operation of the pool within the
22 state in a manner approved by the director. The plan of organization
23 and the plan of operation shall be submitted to the director no later
24 than 90 days after the effective date of this Act. If the insurers fail
25 to submit a plan of organization and a plan of operation which the
26 director approves, the director shall promulgate a plan of organization
27 and operation which becomes effective 30 days after public hearing on
28 those plans.

29 Sec. 21.61.020. INSPECTION. Each eligible applicant for property

1 insurance, upon proof that he has made a reasonable effort to obtain
2 such insurance from an authorized insurer, is entitled upon his written
3 request to the pool to a prompt inspection of his property in such
4 manner as the pool shall prescribe with the approval of the director.
5 Upon satisfactory proof that the applicant has met reasonable under-
6 writing standards established by the pool and approved by the director,
7 or has made the improvements or fire prevention measures suggested, and
8 upon payment of the required premium, the applicant is entitled to
9 coverage through the pool. The applicant shall also be entitled to
10 coverage by the pool if the applicant's property is inspected under any
11 program established under AS 21.39.030(a)(6) if the standards set out by
12 such a program are at least as stringent as the underwriting standards
13 established by the pool and the applicant's property meets the standards
14 of the program. Coverage provided through the pool shall be for essen-
15 tial property insurance to eligible applicants in the areas prescribed
16 in sec. 25 of this chapter. An inspection is not considered mandatory
17 for issuance of a policy through the pool, unless specifically requested
18 by the property owner or his representative, or insurer required to
19 participate in the pool, and the cost of such inspection shall be borne
20 by the pool and reflected in the expense experience, unless the appli-
21 cant subsequently rejects the coverage.

22 Sec. 21.61.025. AREA OF OPERATION. The pool shall provide essen-
23 tial property insurance throughout the state, except that if after due
24 notice and hearing the director determines that coverage is available in
25 the specific location in the state from authorized insurers at rates
26 which are neither excessive, inadequate, or unfairly discriminatory, the
27 director shall exclude that location from the areas of the pool's opera-
28 tion.

29 Sec. 21.61.030. RATES. Rates, rating plans and rating rules

1 applicable to insurance coverage written through the pool shall be in
2 accordance with filings approved by the director, and shall be based
3 upon the pool's loss and expense experience, together with such other
4 information as the director may require. All provisions of ch. 39 of
5 this title shall apply to the pool.

6 Sec. 21.61.040. POWERS OF DIRECTOR. The operation of the pool
7 shall at all times be subject to the supervision and regulation by the
8 director. The director or his designee is authorized to examine and
9 investigate the operation of the pool and shall have free access to all
10 the books, records, files, papers and documents of the pool's parti-
11 cipants that relate to the operation; may summon and qualify witnesses
12 under oath; and may examine directors, officers, agents, brokers, or em-
13 ployees of the pool's participants or any other person having knowledge
14 of such operations for the purpose of determining if coverage is being
15 adequately provided through the pool.

16 Sec. 21.61.050. ASSESSMENT OF PARTICIPANTS. In order to carry out
17 the purposes of this chapter the director is authorized to assess each
18 participant in the pool an amount to pay for the total operating expen-
19 ses and net underwriting losses or permit the pool to assess each parti-
20 cipant in the proportion that the participant's premiums written in the
21 state bear to the aggregate premiums written in the state by all parti-
22 cipants for property insurance.

23 Sec. 21.61.060. DEFINITIONS. In this chapter, unless the context
24 requires otherwise,

25 (1) "eligible applicant" means any person having an insurable
26 interest in an owner-occupied single family residence;

27 (2) "essential property insurance" means the coverage of an
28 owner-occupied single family residence against direct loss to real
29 property and tangible personal property in an amount equal to the full

1 appraised value or any lesser amount which the applicant may specify
2 from the perils of fire, lightning, windstorm, hail, removal of property
3 endangered by peril, vandalism, malicious mischief, theft, explosion,
4 smoke, damage from vehicles or aircraft, riot, civil commotion or glass
5 breakage;

6 (3) "participant" means the companies selling essential
7 property insurance on owner-occupied single family residences who are
8 members of the property insurance pool;

9 (4) "premiums written" means gross direct premiums charged
10 with respect to property in this state on all policies of property in-
11 surance, less return premiums on the unused or unabsorbed portions of
12 premium deposits;

13 (5) "owner-occupied single family residence" includes a mo-
14 bile home permanently affixed at its location or a structure for two to
15 four family units which is actually occupied by its owner.

16 * Sec. 2. Within 180 days of the effective date of this section, the
17 director of insurance, Department of Commerce and Economic Development, shall
18 hold hearings in all cities and unified municipalities of the state having a
19 population greater than 10,000 and shall determine whether essential property
20 insurance is available in those cities and municipalities at rates that are
21 neither excessive, inadequate, or unfairly discriminatory.

22 * Sec. 3. Section 2 of this Act takes effect immediately in accordance
23 with AS 01.10.070(c).