

Introduced: 2/20/79  
Referred: Judiciary

1 IN THE HOUSE

BY McKINNON

2 HOUSE BILL NO. 251

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST 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 providing  
8 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 of obtaining or maintaining authority to sell property insurance in the  
20 state. The plan of operation shall provide for equitable apportionment  
21 of the net loss from the operation of the pool in the state in a manner  
22 approved by the director. The plan of organization and the plan of  
23 operation must be submitted to the director no later than 90 days after  
24 the effective date of this Act. If the insurers fail to submit a plan  
25 of organization and a plan of operation which the director approves, the  
26 director shall promulgate a plan of organization and operation which  
27 becomes effective 30 days after public hearing on the plans.

28 Sec. 21.61.020. INSPECTION. Each eligible applicant for property  
29 insurance, upon proof that he has made a reasonable effort to obtain

1 that insurance from an authorized insurer, may request, in writing, the  
2 insurance of his property in such manner as the pool shall prescribe  
3 with the approval of the director. Upon satisfactory proof that the  
4 applicant has met reasonable underwriting standards established by the  
5 pool and approved by the director, or has made the improvements or fire  
6 prevention measures suggested, and upon payment of the required premium,  
7 the applicant is entitled to coverage through the pool. The applicant  
8 is also entitled to coverage by the pool if the applicant's property is  
9 inspected under a program established under AS 21.39.030(a)(6) if the  
10 standards set out by that program are at least as stringent as the  
11 underwriting standards established by the pool and the applicant's  
12 property meets the standards of the program. Coverage provided through  
13 the pool shall be for essential property insurance to eligible appli-  
14 cants in the areas prescribed in AS 21.61.025. An inspection is not  
15 mandatory for issuance of a policy through the pool, unless specifically  
16 requested by the insurer required to participate in the pool, and the  
17 cost of the inspection shall be borne by the pool and reflected in the  
18 expense experience, unless the applicant subsequently rejects the  
19 coverage.

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

27 Sec. 21.61.030. RATES. Rates, rating plans and rating rules  
28 applicable to insurance coverage written through the pool shall be in  
29 accordance with filings approved by the director, and shall be based

1 upon the pool's loss and expense experience, together with such other  
2 information as the director may require. All provisions of AS 21.39  
3 apply to the pool.

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

14 Sec. 21.61.050. ASSESSMENT OF PARTICIPANTS. In order to carry out  
15 the purposes of this chapter, the director may assess each participant  
16 in the pool an amount to pay for the total operating expenses and net  
17 underwriting losses or permit the pool to assess each participant in the  
18 proportion that the participant's premiums written in the state bear to  
19 the aggregate premiums written in the state by all participants for  
20 property insurance.

21 Sec. 21.61.060. DEFINITIONS. In this chapter, unless the context  
22 requires otherwise,

23 (1) "eligible applicant" means a person having an insurable  
24 interest in an owner-occupied single family residence;

25 (2) "essential property insurance" means the coverage of an  
26 owner-occupied single family residence against direct loss to real  
27 property and tangible personal property in an amount equal to the full  
28 appraised value or any lesser amount which the applicant may specify  
29 from the perils of fire, lightning, windstorm, hail, removal of property

1 endangered by peril, vandalism, malicious mischief, theft, explosion,  
2 smoke, damage from vehicles or aircraft, riot, civil commotion or glass  
3 breakage;

4 (3) "owner-occupied single family residence" includes a mo-  
5 bile home permanently affixed at its location or a structure for two to  
6 four family units which is actually occupied by its owner;

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

10 (5) "pool" means the property insurance pool organized under  
11 AS 21.61.010;

12 (6) "premiums written" means gross direct premiums charged  
13 for property in this state on all policies of property insurance, less  
14 return premiums on the unused or unabsorbed portions of premium de-  
15 posits.

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).