

Introduced: 2/6/79
Referred: Commerce

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 SENATE BILL NO. 111 am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance."

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

8 * Section 1. AS 21.45.080(a) is amended to read:

9 (a) There shall be a provision that after three full years' pre-
10 miums have been paid and after the policy has a cash surrender value and
11 while no premium is in default beyond the grace period for payment, the
12 insurer will advance, on proper assignment or pledge of the policy and
13 on the sole security of the policy, at a specified rate of interest not
14 exceeding eight [SIX] per cent a year, an amount equal to or, at the
15 option of the party entitled to it, less than the loan value of the
16 policy. The director may authorize rates of interest in excess of
17 six percent only on a finding that the holders of policies will benefit
18 from the increased earnings of the insurer resulting from the higher
19 rates, through the use of higher dividends or lower premiums, or both.
20 The loan value of the policy shall be at least equal to the cash sur-
21 render value at the end of the then current policy year, except that the
22 insurer may deduct, either from the loan value or from the proceeds of
23 the loan, an existing indebtedness not already deducted in determining
24 the cash surrender value including interest then accrued but not due,
25 the unpaid balance of the premium for the current policy year, and
26 interest on the loan to the end of the current policy year. The policy
27 may also provide that if interest on an indebtedness is not paid when
28 due it shall then be added to the existing indebtedness and shall bear
29 interest at the same rate, and that if and when the total indebtedness

1 on the policy, including interest due or accrued, equals or exceeds the
2 amount of the loan value of the policy, the policy shall terminate and
3 become void. The policy shall reserve to the insurer the right to defer
4 the granting of a loan, other than for the payment of a premium to the
5 insurer, for six months after the date of the loan application. The
6 policy at the insurer's option, may provide for automatic premium loan,
7 subject to an election of the party entitled to elect.

8 * Sec. 2. AS 21.88.030(e) is amended to read:

9 (e) Members of the board of governors receive compensation from
10 the corporation [OF \$100 PER DAY WHEN THE BOARD MEETS] and necessary
11 travel expenses according to a policy approved by the director.

12 * Sec. 3. AS 21.88.050(a)(1) is amended to read:

13 (1) in the form approved by the director, issue to all
14 physicians and hospitals who are found to be acceptable risks under
15 standards developed under (8) of this subsection, and who pay the
16 premiums for it a contract or contracts indemnifying physicians and
17 hospitals and their employees who are health care providers against loss
18 by reason of liability for covered claims for an act or omission in
19 the delivery of professional health care in this state, and agreeing to
20 tender on behalf of the physicians and hospitals and their employees who
21 are health care providers a defense to a covered claim in a proceeding
22 brought under AS 09.55.530 - 09.55.560; the limits of liability for
23 policies issued by the corporation shall be approved by the director
24 [THE MINIMUM LIMIT OF LIABILITY ISSUED TO PHYSICIANS SHALL BE \$200,000
25 PER OCCURRENCE AND \$600,000 AGGREGATE LIABILITY PER YEAR, AND THE
26 MINIMUM LIMIT OF LIABILITY PROVIDED IN CONTRACTS ISSUED TO HOSPITALS
27 SHALL BE \$200,000 PER OCCURRENCE AND AN ANNUAL AGGREGATE LIABILITY OF
28 \$1,000,000 MINIMUM PLUS AN ADDITIONAL \$20,000 PER BED FOR EACH OCCUPIED
29 BED OVER 50]; the contract shall cover the defense against but need

1 not indemnify liability for punitive damages arising from a covered
2 claim; at the option of the physician or hospital and for an additional
3 premium the contract may cover claims against the physician or hospital
4 that arise out of professional services performed by the physician or
5 hospital for any period after December 31, 1974, if the coverage is
6 issued before January 1, 1977, except that coverage will not be provided
7 for a claim already filed or of which the physician or hospital had or
8 reasonably should have had notice at the time the retroactive insurance
9 was purchased;

10 * Sec. 4. AS 21.88.050(a)(8) is amended to read:

11 (8) establish standards for the acceptability of risks; in
12 establishing these standards the corporation may exclude an applicant
13 for insurance [A PHYSICIAN] based on individual risk selection factors,
14 but may not exclude an applicant [A PHYSICIAN] based only on the
15 classification of the applicant [PHYSICIAN].

16 * Sec. 5. AS 21.88.080(15) is amended to read:

17 (15) if the earned premiums of the corporation for any given
18 year are less than the incurred claims, claim expense, underwriting
19 expense, reserves for that year and provision for repayment of any loans,
20 the corporation may, subject to the prior approval of the director, levy
21 an assessment upon the insureds who held policies during that year; the
22 assessment, which may be made in periodic installments, shall be made
23 within three years and may not exceed 150 percent of the insured's
24 [PHYSICIAN'S] premium for that year; the termination of any policy does
25 not relieve the insured of contingent liability for his proportionate
26 share of the obligations to the corporation which accrued while the
27 policy was in force;

28 * Sec. 6. AS 21.88.210(b)(1) is amended to read:

29 (1) to provide surplus in respect to policyholders which may

1 not exceed a total of \$3,000,000 outstanding at any time; these obliga-
2 tions shall be subordinated to all other obligations of the corporation;
3 loans made under this paragraph shall be repaid to the fund in annual
4 installments of at least 25 percent of the excess of premiums earned
5 [COLLECTED] over the total of claims, reserves, expenses, and assess-
6 ments made by the association, if any; interest shall be paid on the
7 outstanding balance at a rate equal to seven percent a year;

8 * Sec. 7. AS 21.88.050(b)(10) is repealed.

9 * Sec. 8. This Act shall not impair the terms and conditions of any
10 policy of life insurance issued before the effective date of this Act.

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