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Referred: Labor & Commerce,  
Judiciary and Finance

1 IN THE HOUSE

BY WALLIS AND BINKLEY

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HOUSE BILL NO. 585

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - SECOND SESSION

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A BILL

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For an Act entitled: "An Act relating to insurance; authorizing school districts to form joint insurance arrangements; repealing a prohibition against certain types of group insurance; and providing for an effective date."

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

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

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CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

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Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGEMENTS. (a) School districts may enter into cooperative agreements with each other for the purpose of establishing, operating, or participating in joint insurance arrangements through which the participating members agree to pool contributions and

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(1) assume risks from losses on a group basis; or

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(2) purchase coverage on a group basis.

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(b) A joint insurance arrangement may be for any kind of insurance defined by this title except for life insurance and title insurance.

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(c) A joint insurance arrangement shall be considered an alternative or supplement to any other policy or contract of insurance authorized or required by law, including insurance under AS 21.75.

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Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint insurance arrangement may not be considered insurance for the purpose of any other law of the state and is not subject to regulations of the

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1 director except as expressly provided in this chapter.

2 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A  
3 cooperative agreement shall provide for the proper operation of the  
4 joint insurance arrangement, and include provisions for

5 (1) administration of the arrangement by a board of direc-  
6 tors, specifying the number of members of the board and other require-  
7 ments necessary for the proper functioning of the board;

8 (2) appointment of an administrator and other persons as  
9 necessary for the proper functioning of the arrangement;

10 (3) organization of the arrangement, including a roster of  
11 participating members and the names of the members of the board of  
12 directors;

13 (4) procedures to establish and promote an aggressive risk  
14 management and program among the members of the arrangement, including  
15 procedures for identifying and reducing the risks that can be reduced  
16 through implementing better safety technologies and improved work  
17 techniques and procedures;

18 (5) enforcing the collection of contributions or payments  
19 in default from members of the arrangement;

20 (6) the addition of new members to the arrangement or the  
21 withdrawal of members from the arrangement;

22 (7) the method of apportioning costs and disposition of  
23 excess contributions;

24 (8) transmission of financial statements and audit reports  
25 of the arrangement to participating members;

26 (9) terminating the arrangement and disposing of its as-  
27 sets; and

28 (10) establishing and administering a joint insurance fund.

29 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A

1 cooperative agreement must include a provision requiring an annual  
2 determination by a casualty actuary who is a member of the American  
3 Academy of Actuaries that procedures for establishing reserves for  
4 losses of the joint insurance arrangement are actuarially sound.

5 (b) A joint insurance arrangement shall be subject to an annual  
6 independent audit. The audit shall be conducted in accordance with  
7 generally accepted auditing standards and must include a review of the  
8 actuarial assumptions used for establishing the reserves under (a) of  
9 this section. The audit report must include certification from a  
10 casualty actuary who is a member of the American Academy of Actuaries  
11 that the actuarial assumptions continue to be sound and the level of  
12 the reserves are adequate.

13 (c) A joint insurance arrangement shall use a method of account-  
14 ing that conforms with generally accepted government accounting prin-  
15 ciples.

16 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A  
17 cooperative agreement may authorize the board of directors to enter  
18 into contracts for services necessary to perform the functions of a  
19 joint insurance arrangement. The person contracting to perform the  
20 functions must be appropriately licensed under this title if this  
21 title so requires.

22 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-  
23 ative agreement may delegate to the board of directors, or authorize  
24 delegation by the board to another person or group, the power to  
25 compromise, arbitrate, or otherwise settle claims on behalf of the  
26 arrangement.

27 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may  
28 authorize the board of directors to purchase excess or catastrophic  
29 insurance on behalf of the joint insurance arrangement. The cost of

1 the insurance shall be apportioned in the manner specified in the  
2 joint insurance agreement. The board may purchase insurance under  
3 this section only from an insurer authorized to do business in the  
4 state or from an unauthorized insurer if the insurance is placed  
5 through a licensed excess lines broker.

6 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance  
7 arrangement shall establish a joint insurance fund. The fund consists  
8 of money

9 (1) contributed by members of the joint insurance arrange-  
10 ment through budgetary appropriations or transfers from a self-  
11 insurance reserve;

12 (2) contributed by officers and employees of members of the  
13 joint insurance arrangement under an employee benefit plan; and

14 (3) collected by the joint insurance arrangement through  
15 subrogation of a claim paid from the fund to a member of the arrange-  
16 ment.

17 (b) An expenditure may be made from a joint insurance fund only  
18 to pay claims, losses, or benefits, including interest on them, and  
19 the administrative and adjustment expenses incurred in connection with  
20 them, involving the types of protection for which the fund provides  
21 coverage as specified in the joint insurance agreement.

22 (c) The administrator shall keep the fund separate from other  
23 funds of a member of a joint insurance arrangement.

24 (d) For each type of protection offered by the joint insurance  
25 arrangement, the method of accounting must show the order, source,  
26 date, and amount of each payment from the fund.

27 (e) Within 60 days of the end of the fiscal year, the adminis-  
28 trator shall furnish a detailed report of the operation and condition  
29 of the fund to the board of directors and the director of insurance.

1 The report furnished to the director of insurance shall be available  
2 for public inspection.

3 (f) Money held by a fund as reserves and money not needed for  
4 daily operations may be invested by the board of directors.

5 (g) A fund may not be terminated unless the administrator certi-  
6 fies that an amount of money sufficient to pay accrued and contingent  
7 expenditures has been placed in a fully collateralized escrow account.

8 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors  
9 shall file a copy of the cooperative agreement with the director of  
10 insurance at least 60 days before the effective date of the agreement.  
11 The agreement shall be available for public inspection.

12 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-  
13 thorize the board of directors to adopt regulations not inconsistent  
14 with law for the fair and equitable administration of the joint insur-  
15 ance arrangement and the joint insurance fund.

16 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has  
17 a cause of action for reimbursement of money paid to a participating  
18 member for a loss or injury if the participating member recovers money  
19 for the loss or injury from a third party. The joint insurance  
20 arrangement also has a direct cause of action for reimbursement  
21 against a third party responsible for loss or injuries sustained by a  
22 participating member if the joint arrangement has paid money to the  
23 participating member for the loss or injuries.

24 Sec. 21.76.900. DEFINITIONS. In this chapter

25 (1) "adjustment expenses" means expenses for investigative,  
26 processing, legal, actuarial, arbitration, and settlement services  
27 incurred in the adjustment of losses, claims, or benefits;

28 (2) "administrator" means a person or group appointed by  
29 the board of directors to administer a joint insurance arrangement or

1 a joint insurance fund;

2 (3) "board" or "board of directors" means the board of  
3 directors provided for in a cooperative agreement;

4 (4) "cooperative agreement" means a written agreement  
5 entered into by two or more school districts for the purpose of  
6 establishing, operating, or participating in a joint insurance  
7 arrangement;

8 (5) "fund" or "joint insurance fund" means a fund estab-  
9 lished under AS 21.76.080;

10 (6) "joint insurance arrangement" means a joint insurance  
11 arrangement authorized under AS 21.76.010.

12 \* Sec. 2. AS 21.39.155(a) is amended to read:

13 (a) The director may require carriers, except a reciprocal  
14 insurer formed by and insuring only a group of municipalities or  
15 nonprofit public utilities under AS 21.75 or a joint insurance ar-  
16 angement formed under AS 21.76, as a condition of writing a line of  
17 insurance dealing with workers' compensation, to participate in an  
18 assigned risk pool if the director finds that mandatory carrier part-  
19 icipation is in the public interest.

20 \* Sec. 3. AS 21.80.180(5) is amended to read:

21 (5) "insolvent insurer" means an insurer  
22 (A) authorized to transact insurance in this state,  
23 except an assessable reciprocal insurer formed by and insuring  
24 only municipalities or nonprofit public utilities, a joint insur-  
25 ance arrangement formed under AS 21.76, the Medical Indemnity  
26 Corporation of Alaska, and the Health Care Providers Joint Under-  
27 writing Association established under AS 21.88, either at the  
28 time the policy was issued or when the insured event occurred,  
29 and

1 (B) determined to be insolvent by a court of compe-  
2 tent jurisdiction;

3 \* Sec. 4. AS 21.80.180(6) is amended to read:

4 (6) "member insurer" means a person, except an assessable  
5 reciprocal insurer formed by and insuring only municipalities or  
6 nonprofit public utilities, a joint insurance arrangement formed under  
7 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health  
8 Care Providers Joint Underwriting Association established under  
9 AS 21.88, who

10 (A) writes any kind of insurance to which this chap-  
11 ter applies under AS 21.80.020 including the exchange of recipro-  
12 cal or interinsurance contracts, and

13 (B) is licensed to transact insurance in this state;

14 \* Sec. 5. AS 21.36.190 is repealed.

15 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
16 10.070(c).