

**CS FOR HOUSE BILL NO. 534(L&C)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**EIGHTEENTH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE LABOR AND COMMERCE COMMITTEE**

**Offered: 4/8/94**  
**Referred: Judiciary, Finance**

**Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to insurance, to the licensing, accreditation, examination,  
2 regulation, and solvency of persons engaged in the insurance business, including  
3 insurers, nonadmitted insurers, purchasing groups, risk retention groups, and  
4 United States branches of alien insurers; relating to the management of and the  
5 filing of reports by persons licensed or otherwise doing business under the  
6 insurance code; amending Alaska Rule of Civil Procedure 45; and providing for  
7 an effective date."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 \* Section 1. AS 06.20.260(a) is amended to read:

10 (a) A further or other charge or amount for an examination, service, brokerage  
11 commission, expense, fee, bonus, or other thing may not be directly or indirectly  
12 charged, contracted for, or received except

13 (1) lawful fees actually paid out by the licensee to a public officer for

1 filing, recording, or releasing any instrument securing the loan, or for transferring  
2 certificate of title to a motor vehicle securing the lien or noting a lien on that  
3 certificate;

4 (2) premiums actually paid out for insurance on any one or combination  
5 of the following: pledged property of the borrower, or consumer credit [LIFE]  
6 insurance; in this paragraph "consumer credit insurance" has the meaning given  
7 in AS 21.57.160 [ON THE LIFE OF ONE OR MORE BORROWERS, CREDIT LOSS  
8 OF INCOME INSURANCE, OR CREDIT DISABILITY INSURANCE TO PROVIDE  
9 INDEMNITY FOR PAYMENTS BECOMING DUE ON THE INDEBTEDNESS];

10 (3) taxable costs and expenses to which the licensee becomes entitled  
11 under general law in any court proceedings to collect a loan or to realize on the  
12 security after default;

13 (4) reasonable fees paid by a licensee for appraisals, surveys, and title  
14 insurance or reports if the loan is secured by an interest in real estate;

15 (5) a late payment fee of not more than 10 percent of the payment that  
16 is due or \$15, whichever is less.

17 \* Sec. 2. AS 06.20.287(a) is amended to read:

18 (a) A licensee may obtain consumer credit [LIFE, CREDIT DISABILITY,]  
19 and property insurance on open-end loans under this chapter. The consumer credit  
20 [LIFE AND CREDIT DISABILITY] insurance obtained by a licensee shall satisfy the  
21 requirements of AS 21.57. The property insurance obtained by a licensee shall satisfy  
22 the requirements of AS 21.39 and AS 21.42. The licensee shall comply with  
23 AS 21.36.160 and 21.36.165 during all transactions with borrowers involving  
24 consumer credit [LIFE, CREDIT DISABILITY] and property insurance.

25 \* Sec. 3. AS 21.03.010 is amended by adding a new subsection to read:

26 (c) A person who transacts insurance in this state, or relative to a subject  
27 resident, located, or to be performed in this state as or on behalf of a risk retention  
28 group or purchasing group formed under and in compliance with 15 U.S.C. 3901 -  
29 3906 (Liability Risk Retention Act), shall comply with the applicable provisions of this  
30 title.

31 \* Sec. 4. AS 21.06.080 is amended by adding a new subsection to read:

1 (e) If the director determines that a catastrophe has occurred in this state and  
2 in good faith believes that the governor or the President of the United States has issued  
3 or is about to issue a declaration of disaster, the director may take the action that the  
4 director considers necessary to respond to the disaster in order to assure the continuity  
5 and stability of the insurance market in this state, to protect policyholders and the  
6 public, or to prevent aggravation of the disaster, including issuing an emergency order  
7 temporarily suspending specific provisions of this title. Until a declaration of the  
8 disaster has been lifted, the director may take action to respond to a disaster without  
9 a hearing. An action taken under this subsection may not remain in effect more than  
10 six months from the date that the director determines that a catastrophe has occurred  
11 unless, after a hearing, the director determines that the action is still necessary to  
12 respond to the disaster.

13 \* Sec. 5. AS 21.06.150(g) is amended to read:

14 (g) The director may withhold a document, information, account, record,  
15 examination, or report from the public inspection for as long as the director finds the  
16 withholding is necessary to protect a person against unwarranted injury or is in the  
17 public interest. The director may close an examination hearing to the public when  
18 the director finds the closure is necessary to protect a person against unwarranted  
19 injury or is in the public interest. The director may publish the examination report  
20 or a summary of it in a newspaper in the state if the director determines that the  
21 publication is in the public interest.

22 \* Sec. 6. AS 21.09.110 is amended to read:

23 Sec. 21.09.110. APPLICATION FOR CERTIFICATE OF AUTHORITY. To  
24 apply for an original certificate of authority an insurer shall file with the director its  
25 application, [( ) accompanied by the applicable fees set under AS 21.06.250, ( )]  
26 showing its name, location of its home office, or principal office in the United States  
27 [( ) if an alien insurer ( )], kinds of insurance to be transacted, date of organization or  
28 incorporation, form of organization, state or country of domicile, and additional  
29 information that the director may reasonably require, together with the following  
30 documents, as applicable:

31 (1) if a foreign insurer, a copy of its corporate charter or articles of

1 incorporation, with all amendments certified by the public officer with whom the  
2 originals are on file in the state or country of domicile;

3 (2) if a reciprocal insurer, copies of the power of attorney of its  
4 attorney-in-fact and of its subscribers' agreement, if any, certified by its  
5 attorney-in-fact;

6 (3) a copy of its financial statement as of the preceding December 31,  
7 and all subsequent quarterly financial statements, sworn to by at least two executive  
8 officers of the insurer, or certified by the public insurance supervisory official of the  
9 insurer's state of domicile or of entry into the United States;

10 (4) a copy of the report of last examination, if any, made of the insurer,  
11 certified by the insurance supervisory official of its state of domicile or of entry into  
12 the United States;

13 (5) appointment of the director under AS 21.09.180, as its attorney to  
14 receive service of legal process;

15 (6) if a foreign or alien insurer, a certificate of the public official  
16 having supervision of insurance in its state or country of domicile, or state of entry  
17 into the United States, showing that it is authorized to transact the kinds of insurance  
18 proposed to be transacted in this state;

19 (7) if an alien insurer, a copy of the appointment and authority of its  
20 United States manager, certified by its officer having custody of its records; ~~and~~

21 (8) if a foreign insurer, a certificate as to deposit if it is to be tendered  
22 under AS 21.09.090 [;

23 (9) SPECIMEN COPIES OF POLICIES PROPOSED TO BE  
24 OFFERED IN THIS STATE IF THEN AVAILABLE, TOGETHER WITH  
25 PREMIUMS OR PREMIUM RATES APPLICABLE IF THEN KNOWN, OR A  
26 DECLARATION THAT THE RATES AS APPLICABLE WILL BE THOSE  
27 PROMULGATED BY DESIGNATED RATING ORGANIZATIONS AUTHORIZED  
28 TO FILE RATES IN THIS STATE ON BEHALF OF THE INSURER OR BY THE  
29 INSURER].

30 \* Sec. 7. AS 21.09.110 is amended by adding a new subsection to read:

31 (b) Policy forms and rates that require approval under AS 21.39 or AS 21.42

1 shall be submitted under AS 21.39.040(j) or AS 21.42.120(g) and may not be  
2 submitted with the application for a certificate of authority.

3 \* Sec. 8. AS 21.09.130(b) is amended to read:

4 (b) If not continued by the insurer, its certificate of authority shall be  
5 suspended [EXPIRES] at midnight on June 30 following the failure of the insurer to  
6 continue it in force. The certificate of authority shall expire on June 30 one year  
7 following its suspension due to failure to continue the certificate of authority. The  
8 director shall promptly notify the insurer of the occurrence of a failure that may result  
9 in suspension [RESULTING IN IMPENDING EXPIRATION] of its certificate of  
10 authority.

11 \* Sec. 9. AS 21.09 is amended by adding a new section to read:

12 Sec. 21.09.135. VOLUNTARY SURRENDER OF CERTIFICATE OF  
13 AUTHORITY. (a) A foreign admitted insurer may apply for voluntary surrender of  
14 its certificate of authority and the director may accept the application, if the foreign  
15 admitted insurer

16 (1) is in compliance with the applicable sections of this title, or the  
17 director waives in writing each condition of noncompliance;

18 (2) provides written confirmation that obligations incurred before the  
19 voluntary surrender of the certificate of authority shall be paid to guarantee funds or  
20 insurance pools established by law; and

21 (3) is domiciled in a state that is

22 (A) accredited by the National Association of Insurance  
23 Commissioners at the time of the request for voluntary surrender; or

24 (B) not accredited by the National Association of Insurance  
25 Commissioners at the time of the request and agrees in writing to be subject  
26 to

27 (i) AS 21.09.200 and 21.09.205 for a period of two  
28 years, including payment of any fee related to filing information with  
29 the director; and

30 (ii) any other provision of this title that may be required  
31 in writing by the director and for the period of time the director may

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

specify.

(b) If a foreign admitted insurer who surrenders a certificate of authority ceases to exist, all business written and in force relative to a risk resident, located, or to be performed in this state shall be lawfully cancelled or reinsured. A reinsurance agreement covering all or a part of a risk described in this subsection shall be approved by the director before accepting the certificate of authority for surrender if the agreement meets the following criteria:

(1) insurance coverage has not deteriorated from the policies existing at the time of the transfer;

(2) the assuming insurer is of equal or better financial standing; and

(3) the assuming insurer is admitted to do business in this state, unless this requirement is waived by the director.

\* Sec. 10. AS 21.09.200(f) is amended to read:

(f) In addition to the requirements of (a) of this section, an authorized [A DOMESTIC] insurer shall file its annual statement with the National Association of Insurance Commissioners on electronic media acceptable to the association by the due date established by the association, and shall pay the applicable filing fee. The director may waive the filing requirement if the insurer only transacts business in this state and only accepts risks relative to a subject resident, located, or to be performed in this state. An insurer that fails to comply with this subsection is subject to the penalties specified in (e) of this section, calculated from the filing and fee due date established by the National Association of Insurance Commissioners.

\* Sec. 11. AS 21.09.205 is amended by adding a new subsection to read:

(d) In addition to the requirements of (a) of this section, an authorized insurer shall file its quarterly statement with the National Association of Insurance Commissioners on electronic media acceptable to the association by the due date established by the association, and shall pay the applicable filing fee. The director may waive the filing requirement if the insurer only transacts business in this state and only accepts risks relative to a subject resident, located, or to be performed in this state. An insurer that fails to comply with this subsection is subject to the penalties specified in (c) of this section, calculated from the filing and fee due date established

1 by the National Association of Insurance Commissioners.

2 \* Sec. 12. AS 21.09.210 is amended by adding new subsections to read:

3 (j) If, within three years after the date the tax under this section was due, an  
4 insurer discovers a mistake or misinterpretation that resulted in an overpayment of the  
5 tax in an amount exceeding \$250 in any one calendar year, the insurer may make a  
6 written request to the director for a refund. If the director determines a valid mistake  
7 or misinterpretation has occurred, the director shall refund to the insurer the amount  
8 of the excess tax by granting, at the director's discretion, a monetary refund or  
9 premium tax credit. A premium tax credit shall be used in the next calendar year to  
10 the extent possible and any unused credit shall be paid as a monetary refund. A  
11 premium tax credit may not reduce the payable tax, calculated without use of the  
12 credit, to less than zero.

13 (k) A premium tax credit granted under (j) of this section may not carry over  
14 as an attribute in a transaction under AS 21.69.610, 21.69.620, AS 21.78, or a similar  
15 transaction entered into by a foreign insurer.

16 (l) In this section, "premium tax credit" means an amount that an insurer may  
17 use as an offset against a premium tax payment.

18 \* Sec. 13. AS 21.09 is amended by adding new sections to read:

19 Sec. 21.09.290. RISK RETENTION GROUPS. (a) A risk retention group  
20 formed in this state shall

21 (1) comply with 15 U.S.C. 3901 - 3906 (Liability Risk Retention Act);

22 and

23 (2) qualify for and hold in good standing a certificate of authority under  
24 this chapter, limited to liability insurance only.

25 (b) A risk retention group shall submit with its application for a certificate of  
26 authority

27 (1) the identity of

28 (A) the initial members of the risk retention group;

29 (B) all persons who organized the risk retention group;

30 (C) all persons who will provide administrative services to the

31 risk retention group;

1 (D) all persons who will influence or control the activities of  
2 the risk retention group;

3 (2) the amount and nature of initial capitalization;

4 (3) a plan of operation or a feasibility study that includes the coverage,  
5 deductible, coverage limit, rate, and rating classification system for the type or class  
6 of liability insurance the group intends to offer; and

7 (4) the states in which the risk retention group intends to operate.

8 (c) At least 30 days before a domestic risk retention group implements a  
9 material change or revision to an approved plan of operation or feasibility study, the  
10 material change or revision shall be filed with the director. A material change or  
11 revision may not be implemented unless the domestic risk retention group receives the  
12 director's written approval. In this subsection, "material change or revision" includes  
13 an offering of an additional type or class of liability insurance.

14 (d) In this section,

15 (1) "liability" means legal liability for damages, including costs of  
16 defense, legal costs and fees, and other claims expenses, because of injury to another  
17 person, damage to property, or other damage or loss to a person resulting from or  
18 arising out of a business, whether profit or nonprofit, trade, product, service, including  
19 a professional service, or an activity of a state or local government, or an agency or  
20 political subdivision of a state or local government; "liability" does not include  
21 personal risk liability or employer's liability with respect to its employees other than  
22 legal liability under 45 U.S.C. 51 (Federal Employers' Liability Act);

23 (2) "personal risk liability" means liability for damages because of  
24 injury to a person, damage to property, or other loss or damage resulting from a  
25 personal, familial, or household responsibility or activity and that is not a responsibility  
26 or activity described under (1) of this subsection.

27 Sec. 21.09.300. DISCLOSURE OF MATERIAL TRANSACTIONS. (a) A  
28 domestic insurer shall file a report with the director disclosing a material acquisition  
29 and disposition of assets or a material nonrenewal, cancellation, or revision of ceded  
30 reinsurance agreements unless the acquisition and disposition of assets or material  
31 nonrenewal, cancellation, or revision of ceded reinsurance agreements have been

1 submitted to the director for review, approval, or information purposes as required by  
2 this title.

3 (b) The report required under (a) of this section is due 15 days after the end  
4 of the calendar month in which a reportable transaction occurs. A complete copy of  
5 the report, including exhibits or other attachments filed as a part of the report, shall  
6 be filed with the National Association of Insurance Commissioners.

7 (c) Except as provided in this section, a report obtained by or disclosed to the  
8 director under this section is confidential, is not subject to subpoena, and may not be  
9 made public by the director, the National Association of Insurance Commissioners, or  
10 another person, without the prior written consent of the insurer submitting the report.  
11 A report under this section may be disclosed to an insurance regulatory agency of  
12 another state. If the director, after giving an insurer notice and an opportunity to be  
13 heard, determines that the interest of policyholders, shareholders, or the public will be  
14 served by publication of the report, the director may publish all or any part of the  
15 report in a manner the director determines appropriate.

16 (d) A domestic insurer's report of an acquisition or disposition of an asset

17 (1) shall be made under (a) of this section if the acquisition or  
18 disposition is material; for purposes of this subsection, an acquisition or disposition,  
19 or the aggregate of a series of related acquisitions or related dispositions during any  
20 30-day period is material if it is nonrecurring, not in the ordinary course of business,  
21 and involves more than five percent of the reporting insurer's total admitted assets as  
22 reported in its most recent financial statement required by law that is filed with the  
23 division;

24 (2) shall be made on asset acquisition, including a purchase, lease,  
25 exchange, merger, consolidation, succession, or other acquisition other than the

26 (A) construction or development of real property by or for the  
27 reporting insurer; or

28 (B) acquisition of material for construction or development of  
29 real property;

30 (3) shall be made on asset disposition including a sale, lease, exchange,  
31 merger, consolidation, mortgage, hypothecation, assignment for the benefit of creditors,

1 or abandonment;

2 (4) must include information on the

3 (A) date of transaction;

4 (B) manner of acquisition or disposition;

5 (C) description of the assets involved;

6 (D) nature and amount of the consideration given or received;

7 (E) purpose of, or reason for, the transaction;

8 (F) manner by which the amount of consideration was  
9 determined;

10 (G) gain or loss recognized or realized as a result of the  
11 transaction; and

12 (H) names of persons from whom the assets were acquired or  
13 to whom the assets were disposed.

14 (e) A domestic insurer's report of nonrenewal, cancellation, or revision of a  
15 ceded reinsurance agreement

16 (1) shall be made under (a) of this section if the nonrenewal,  
17 cancellation, or revision is material; for purposes of this subsection, a material  
18 nonrenewal, cancellation, or revision is one that affects (A) for property and casualty  
19 business, including accident and health business when written as property and casualty  
20 business, more than 50 percent of an insurer's ceded written premium; or (B) for life,  
21 annuity, and accident and health business, more than 50 percent of the total reserve  
22 credit taken for business ceded, on an annualized basis as indicated in the insurer's  
23 most recently filed statutory statement; however, a filing is not required if the insurer's  
24 ceded written premium or the total reserve credit taken for business ceded represents,  
25 on an annual basis, less than 10 percent of direct written premiums and assumed  
26 written premiums or 10 percent of the statutory reserve requirement before a cession;

27 (2) shall be filed without regard to which party has initiated the  
28 nonrenewal, cancellation, or revision of ceded reinsurance whenever any of the  
29 following conditions exist:

30 (A) the entire cession has been cancelled, nonrenewed, or  
31 revised and ceded indemnity and loss adjustment expense reserves after a

1 nonrenewal, cancellation, or revision represent less than 50 percent of the  
2 comparable reserves that would have been ceded had the nonrenewal,  
3 cancellation, or revision not occurred;

4 (B) an admitted or accredited reinsurer has been replaced on an  
5 existing cession by an unauthorized reinsurer; however, a report shall be filed  
6 only if the result of the revision affects more than 10 percent of the cession;  
7 or

8 (C) collateral requirements previously established for  
9 unauthorized reinsurers have been reduced; however, a report shall be filed  
10 only if the result of the revision affects more than 10 percent of the cession;  
11 and

12 (3) must include

13 (A) the effective date of the nonrenewal, cancellation, or  
14 revision;

15 (B) a description of the transaction with an identification of the  
16 initiator of the transaction;

17 (C) the purpose of, or reason for, the transaction; and

18 (D) if applicable, the identity of the replacement reinsurers.

19 (f) An insurer is required to report under (a) of this section on a  
20 nonconsolidated basis unless the insurer is part of a consolidated group of insurers that  
21 utilizes a pooling arrangement or 100 percent reinsurance agreement that affects the  
22 solvency and integrity of the insurer's reserves and the insurer ceded substantially all  
23 of its direct and assumed business to the pool. An insurer is presumed to have ceded  
24 substantially all of its direct and assumed business to a pool if the insurer has less than  
25 \$1,000,000 total direct written premiums and assumed written premiums during a  
26 calendar year that is not subject to a pooling arrangement and the net income of the  
27 business not subject to the pooling arrangement represents less than five percent of the  
28 insurer's capital and surplus.

29 **Sec. 21.09.310. AUTHORIZATION OF UNITED STATES BRANCHES OF**  
30 **ALIEN INSURERS AND GENERAL REQUIREMENTS. (a) This section applies**  
31 **to all United States branches of alien insurers using this state as a state of entry to**

1 transact the business of insurance in the United States. Except as provided elsewhere  
2 in this title, a United States branch is subject to all state laws applicable to an insurer  
3 domiciled in this state.

4 (b) An alien insurer may apply for a certificate of authority to use this state  
5 as a state of entry to transact the business of insurance in the United States by

6 (1) qualifying as an insurer licensed to do business in this state;

7 (2) establishing a trust under a trust agreement approved in writing by  
8 the director with a United States bank acceptable to the director in an amount not less  
9 than the minimum basic capital or basic guarantee surplus and additional maintained  
10 surplus required under AS 21.09.070;

11 (3) submitting a copy of its charter and bylaws, if any, currently in  
12 force, and other materials necessary to show the kind of business it is authorized to  
13 transact in its domiciliary jurisdiction; documents submitted under this paragraph must  
14 be attested to as accurate and complete by the insurance supervisory official in the  
15 domiciliary jurisdiction, and must include an English translation if in a language other  
16 than English;

17 (4) submitting a full statement, subscribed and affirmed as true by two  
18 officers or equivalent responsible representatives in a manner that the director  
19 prescribes, of its financial condition as of the close of its latest fiscal year, showing  
20 its assets, liabilities, income disbursements, business transacted, and other facts  
21 required to be shown in its annual statement, as reported to the insurance supervisory  
22 official in its domiciliary jurisdiction; all documents submitted under this paragraph  
23 must include an English translation if in a language other than English;

24 (5) submitting to an examination under AS 21.06.120(b) at its principal  
25 office within the United States, and elsewhere if necessary, unless the director accepts  
26 a report of the insurer's last examination and the report has been certified by the  
27 insurance supervisory official of the insurer's domiciliary jurisdiction; and

28 (6) payment of fees established under AS 21.06.250.

29 (c) Before issuing or renewing a certificate of authority for a United States  
30 branch, the director may require satisfactory proof that the insurer does not intend to  
31 transact insurance business in violation of the provisions of this title or that is not

1 authorized by its charter. Proof required under this subsection may include the alien  
2 insurer's charter, an agreement evidenced by a duly certified resolution of its board of  
3 directors, or other proof that the director may require.

4 (d) The director may renew a certificate of authority for a United States branch  
5 if satisfied, by proof the director may require, that the insurer is not delinquent with  
6 respect to a requirement or qualification imposed by this title and that its continuance  
7 to transact the business of insurance in this state will not be hazardous or prejudicial  
8 to the best interest of the people of this state.

9 (e) A United States branch may not receive or renew a certificate of authority  
10 in this state

11 (1) to transact a kind of insurance or a combination of kinds of  
12 insurance that are not permitted to be transacted by domestic insurers in this state;

13 (2) if it transacts business other than the business of insurance  
14 anywhere else within the United States unless the business, in the opinion of the  
15 director, is necessarily or properly incidental to the kind of insurance that it is  
16 authorized to transact in this state;

17 (3) if it fails to keep full and correct entries of its transactions; records  
18 of entries shall at all times be maintained in its principal office within this state; or

19 (4) if it fails to comply with a requirement or limitation of this title that  
20 it is not exempted from by another provision of this title and that is applicable to  
21 similar domestic insurers and if, in the judgment of the director, the requirement or  
22 limitation is necessary to protect the interest of the policyholders.

23 (f) A United States branch that transacts a kind or combination of kinds of  
24 insurance outside this state that is not permitted to be done in this state by similar  
25 domestic insurers may not have a certificate of authority issued or renewed in this state  
26 unless, in the judgment of the director, the transaction of that kind of insurance is not  
27 prejudicial to the best interest of the people of this state.

28 (g) A United States branch shall maintain assets in a trust account in an  
29 amount not less than the United States branch's reserves and other liabilities, plus the  
30 minimum basic capital or basic guaranteed surplus and additional maintained surplus  
31 required under AS 21.09.070.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

**(h) A written trust agreement must contain provisions that**

**(1) vest legal title to trusteed assets in the trustees, and their lawfully appointed successors;**

**(2) require that all assets deposited in the trust be continuously kept within the United States;**

**(3) provide for substitution of a new trustee in case of a vacancy by death, resignation, or other reason, subject to the prior written approval of the director;**

**(4) require that the trustee continuously maintain a record sufficient to identify the assets of the trust fund;**

**(5) require that trusteed assets consist only of cash, investments eligible for investment of the funds of domestic insurers, and accrued interest on the assets, if collectible by the trustee, subject to the limits on investment of funds by domestic insurers under this title;**

**(6) require that the trust be for the exclusive benefit, security, and protection of the policyholders, or policyholders and creditors, of the United States branch in the United States and that the trust be maintained as long as there is an outstanding liability of the alien insurer arising out of its transaction of insurance in the United States; and**

**(7) provide that withdrawal of an asset may not be made or permitted by a trustee without the prior written approval of the director except**

**(A) to make deposits required by law in a state for the security or benefit of all policyholders, or policyholders and creditors, of the United States branch in the United States;**

**(B) to withdraw funds deposited in another state under (A) of this paragraph if**

**(i) the written trust agreement requires prior written approval of the insurance supervising official of that other state;**

**(ii) written notice of the nature and extent of the withdrawal is provided to the director within 30 days of the withdrawal; and**

**(iii) the total trusteed assets remaining are in excess of**

1 the total assets required to be maintained in trust under (g) of this  
2 section;

3 (C) upon the specific written direction of the United States  
4 manager, who is duly authorized and is acting under either general or specific  
5 written authority previously given or delegated by the board of directors, to  
6 substitute other assets as permitted by this title if the substituted assets are of  
7 at least equal value and quality to those withdrawn;

8 (D) to transfer assets to an official liquidator or rehabilitator  
9 under an order of a court of competent jurisdiction; or

10 (E) if provided under the terms of the written trust agreement,  
11 to pay over to the United States manager of the United States branch, upon  
12 request, income, dividends, or interest accumulations of the assets of the trust  
13 fund that are in excess of the total assets required to be maintained in trust  
14 under (g) of this section.

15 (i) A written trust agreement and all amendments to it shall be authenticated  
16 in a form and manner that the director may prescribe and may not take effect until  
17 approved by the director. The director may not approve a trust agreement unless the  
18 director makes a written finding that

19 (1) the written trust agreement or its amendments are sufficient in form  
20 and in conformity with law;

21 (2) a person designated as a trustee is eligible to act in that capacity;  
22 and

23 (3) the written trust agreement is adequate to protect the interests of the  
24 beneficiaries of the trust.

25 (j) The director may approve written modifications of, or variations in, a  
26 written trust agreement upon a finding that the proposed changes are not prejudicial  
27 to the interests of the people of this state or the United States policyholders and  
28 creditors of the United States branch.

29 (k) The director may conduct examinations of the trusteed assets of an  
30 authorized United States branch at the insurer's expense and may require the trustee  
31 or trustees to file a statement, in a form as prescribed by the director, certifying the

1 assets and amounts of the trust fund.

2 (l) The director, upon finding that the requisites for the approval of the trust  
3 agreement no longer exist, may issue an order that withdraws approval of a written  
4 trust agreement and amendments to it. An order issued under this subsection takes  
5 effect 10 days after being issued.

6 (m) In addition to all other actions permitted under this title, refusal or neglect  
7 of a trustee to comply with the requirements of this title is a cause for suspension or  
8 revocation of the United States branch's certificate of authority or the liquidation of  
9 the alien insurer's United States branch.

10 (n) Annual statements under AS 21.09.200 and quarterly statements under  
11 AS 21.09.205 (1) may only relate to insurance transactions and affairs within the  
12 United States, assets held by or for the United States branch for the protection of  
13 policyholders and creditors within the United States, and liabilities incurred against  
14 those assets; and (2) may not contain a statement in regard to assets and business  
15 transacted in a place not described in this subsection. The annual and quarterly  
16 statements shall be signed and verified by the United States manager, attorney-in-fact,  
17 or a duly empowered assistant United States manager of the United States branch.

18 (o) In a form prescribed by the director, an authorized United States branch  
19 shall file with its annual and quarterly statements a statement of trustee surplus  
20 covering the same time period. The trustee surplus shall consist of the aggregate  
21 value of the United States branch's general state deposits and assets deposited with a  
22 trustee under this section, plus accrued interest income if the interest were collected  
23 by the states for the trustees, less the aggregate net amount of all its reserves and other  
24 liabilities in the United States as determined under this subsection. The items of  
25 securities and other property held under trust deeds shall be certified by the United  
26 States trustee. To determine the net amount of the United States branch's liabilities  
27 in the United States to be reported in the statement of trustee surplus, the United  
28 States branch shall adjust its total liabilities reported on its accompanying annual or  
29 quarterly statement as follows:

30 (1) by adding back liabilities used to offset admitted assets reported in  
31 the accompanying annual or quarterly statement; and

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

(2) by deducting

(A) unearned premiums on agent's balances or uncollected premiums not more than 90 days past due;

(B) reinsurance on losses with authorized insurers, less unpaid reinsurance premiums;

(C) reinsurance recoverables on paid losses from unauthorized insurers that are included as an asset in the annual statement, but only to the extent a liability for unauthorized recoverables as described in this paragraph are included in the liabilities report in the trustee surplus statement;

(D) special state deposits held for the exclusive benefit of policyholders, or policyholders and creditors, of a particular state not exceeding net liabilities reported for that state;

(E) secured accrued retrospective premiums;

(F) if a life insurer,

(i) the amount of its policy loans to policyholders within the United States, not exceeding the amount of legal reserve required on an affected policy; and

(ii) the net amount of uncollected and deferred premiums; and

(G) other nontrustee assets, upon a written finding by the director that the other nontrustee assets secure liabilities in a substantially similar manner to those permitted under this subsection.

(p) In addition to the annual and quarterly statements and the statements of trustee surplus, the director may require additional information relating to total business or assets, or any portion of them, of the alien insurer or its United States branch.

(q) In addition to the general statement of the financial condition of the United States branch, a report of examination must include a trustee surplus statement as of the date of the examination.

(r) In this section,

(1) "trustee assets" are the assets maintained in a trust account under

1 (g) of this section;

2 (2) "United States branch" means the business unit through which  
3 business is transacted within the United States by an alien insurer and the assets and  
4 liabilities of the insurer within the United States applicable to that business.

5 \* Sec. 14. AS 21.09.310(b) is repealed and reenacted to read:

6 (b) An alien insurer may apply for a certificate of authority to use this state  
7 as a state of entry to transact the business of insurance in the United States by

8 (1) qualifying as an insurer licensed to do business in this state; and

9 (2) establishing a trust under a trust agreement approved in writing by  
10 the director with a United States bank acceptable to the director in an amount not less  
11 than the greater of

12 (A) the minimum basic capital or basic guarantee surplus and  
13 additional maintained surplus required under AS 21.09.070; or

14 (B) the authorized control level risk based capital under  
15 AS 21.14;

16 (3) submitting a copy of its charter and bylaws, if any, currently in  
17 force, and other documents necessary to show the kind of business it is authorized to  
18 transact in its domiciliary jurisdiction; documents submitted under this paragraph must  
19 be attested to as accurate and complete by the insurance supervisory official in the  
20 domiciliary jurisdiction, and must include an English translation, if in a language other  
21 than English;

22 (4) submitting a full statement, subscribed and affirmed as true by two  
23 officers or equivalent responsible representatives in a manner that the director  
24 prescribes, of its financial condition as of the close of its latest fiscal year, showing  
25 its assets, liabilities, income disbursements, business transacted, and other facts  
26 required to be shown in its annual statement, as reported to the insurance supervisory  
27 official in its domiciliary jurisdiction; all documents submitted under this paragraph  
28 must include an English translation if in a language other than English;

29 (5) submitting to an examination under AS 21.06.120(b) at its principal  
30 office within the United States, and elsewhere if necessary, unless the director accepts  
31 a report of the insurer's recent examination and the report has been certified by the

1 insurance supervisory official of the insurer's domiciliary jurisdiction; and

2 (6) payment of fees established under AS 21.06.250.

3 \* Sec. 15. AS 21.09.310(g) is repealed and reenacted to read:

4 (g) A United States branch shall maintain assets in a trust account in an  
5 amount not less than the United States branch's reserves and other liabilities, plus the  
6 greater of

7 (1) the minimum basic capital or basic guaranteed surplus and  
8 additional maintained surplus required under AS 21.09.070; or

9 (2) the authorized control level risk based capital under AS 21.14.

10 \* Sec. 16. AS 21.12.020(a) is amended to read:

11 (a) Credit for reinsurance transactions shall be allowed a domestic ceding  
12 insurer as either an asset or a deduction from liability on account of reinsurance ceded  
13 only if the reinsurance is ceded to an

14 (1) assuming insurer that is licensed to transact insurance or reinsurance  
15 in this state;

16 (2) assuming insurer that is accredited as a reinsurer in this state; an  
17 accredited reinsurer is one that

18 (A) files evidence of submission [SUBMITS] to this state's  
19 jurisdiction, submits to this state's authority to examine its books and records  
20 under AS 21.06.120, is licensed to transact insurance or reinsurance in at least  
21 one state that is accredited by the National Association of Insurance  
22 Commissioners, or, in the case of a United States branch of an alien  
23 admitted insurer, is entered through and licensed to transact insurance or  
24 reinsurance in at least one state that is accredited by the National  
25 Association of Insurance Commissioners; [AND FILES ANNUALLY WITH  
26 THE DIRECTOR A COPY OF THE REINSURER'S ANNUAL STATEMENT  
27 FILED WITH THE INSURANCE DEPARTMENT OF THE REINSURER'S  
28 STATE OF DOMICILE AND A COPY OF THE REINSURER'S MOST  
29 RECENT AUDITED FINANCIAL STATEMENT; OR]

30 (B) [IN THE CASE OF A UNITED STATES BRANCH OF  
31 AN ALIEN ASSUMING INSURER, IS ENTERED THROUGH, AND

1 LICENSED TO TRANSACT INSURANCE OR REINSURANCE IN, AT  
2 LEAST ONE STATE ACCREDITED BY THE NATIONAL ASSOCIATION  
3 OF INSURANCE COMMISSIONERS, FILES ANNUALLY WITH THE  
4 DIRECTOR A COPY OF ITS ANNUAL FINANCIAL STATEMENT THAT  
5 IS FILED WITH THE INSURANCE REGULATORY AGENCY OF ITS  
6 STATE OF DOMICILE, AND] maintains at least \$20,000,000 in policyholder  
7 surplus and whose accreditation has not been denied by the director within  
8 90 days of application to the director, or maintains less than \$20,000,000  
9 in policyholder surplus and whose application for accreditation has been  
10 approved by the director; and

11 (C) files annually with the director a copy of the reinsurer's  
12 annual financial statement filed with the insurance department of the  
13 reinsurer's state of domicile or state of entry [THE SURPLUS  
14 REQUIREMENTS IN THIS SUBPARAGRAPH DO NOT APPLY TO  
15 REINSURANCE CEDED AND ASSUMED UNDER A POOLING  
16 ARRANGEMENT AMONG INSURERS IN THE SAME HOLDING  
17 COMPANY SYSTEM];

18 (3) assuming insurer that is domiciled in a state, or in the case of a  
19 United States branch of an alien assuming insurer, is entered through a state accredited  
20 by the National Association of Insurance Commissioners that employs standards  
21 regarding credit for reinsurance ceded substantially similar to those applicable under  
22 (1) and (2) of this subsection, the assuming insurer maintains a policyholder surplus  
23 of at least \$20,000,000, and the assuming insurer submits to the authority of this state  
24 to examine its books and records; the surplus requirements in this paragraph do not  
25 apply to reinsurance ceded and assumed under a pooling arrangement among insurers  
26 in the same holding company system;

27 (4) assuming alien insurer that

28 (A) maintains a trust fund in a qualified United States financial  
29 institution for the payment of the valid claims of its United States policyholders  
30 and ceding insurers, and their assigns and successors in interest, that conforms  
31 to the following requirements:

1 (i) the trust shall be established in a form approved by  
2 the director; the trust instrument must provide that contested claims are  
3 valid and enforceable upon the final order of any court of competent  
4 jurisdiction in the United States; the trust shall vest legal title to its  
5 assets in the trustees of the trust for its United States policyholders and  
6 ceding insurers, their assigns, and successors in interest; the trust and  
7 the assuming insurer are subject to examination as determined by the  
8 director; the trust must remain in effect for so long as the assuming  
9 insurer has outstanding liabilities due under the reinsurance agreements  
10 subject to the trust;

11 (ii) on or before March 1 of each year the trustees shall  
12 report in writing to the director on the balance of the trust and list the  
13 trust's investments at the end of the preceding year, and shall certify the  
14 date of termination of the trust, if so planned, or certify that the trust  
15 does not expire before the following December 31;

16 (iii) in the case of a single assuming insurer, the trust  
17 shall consist of trust money representing the assuming insurer's  
18 liabilities attributable to business written in the United States and, in  
19 addition, include a trust surplus of not less than \$20,000,000; the single  
20 assuming insurer shall make available to the director an annual  
21 certification of the insurer's solvency by the insurer's domiciliary  
22 regulator and by an independent public accountant;

23 (iv) in the case of a group, including incorporated and  
24 [OF] individual unincorporated insurers, the trust shall consist of trust  
25 money representing the group's liabilities attributable to business  
26 written in the United States and, in addition, include a trust surplus not  
27 less than \$100,000,000; the incorporated members of the group may  
28 not be engaged in any business other than underwriting as a  
29 member of the group and are subject to the same level of solvency  
30 regulation and control by the group's domiciliary regulator as are  
31 the unincorporated members; the group shall make available to the

1 director an annual certification of the solvency of each insurer [OF  
2 THE INDIVIDUAL UNINCORPORATED INSURERS] by the group's  
3 domiciliary regulator and by an independent certified public accountant,  
4 or, for a Canadian or British insurer, an independent Canadian or  
5 British chartered accountant;

6 (v) in the case of a group of incorporated insurers under  
7 common administration that complies with the reporting requirements  
8 contained in (ii) of this subparagraph, that has continuously transacted  
9 an insurance business outside the United States for at least three years  
10 immediately before making application for accreditation, that submits  
11 to this state's authority to examine its books and records and bears the  
12 expense of the examination, and that has aggregate policyholders'  
13 surplus of \$10,000,000,000, the trust shall be in an amount equal to the  
14 group's several liabilities attributable to business ceded by United States  
15 ceding insurers to a member of the group under reinsurance contracts  
16 issued in the name of the group, and the group shall maintain a joint  
17 trustee surplus, of which \$100,000,000 shall be held jointly for the  
18 benefit of United States ceding insurers of a member of the group as  
19 additional security for the group's liabilities, and each member of the  
20 group shall make available to the director an annual certification of the  
21 member's solvency by the member's domiciliary regulator and the  
22 member's independent certified public accountant, or, for a Canadian  
23 or British insurer, the member's independent Canadian or British  
24 chartered accountant; and

25 (B) reports annually to the director information substantially the  
26 same as that required to be reported on the National Association of Insurance  
27 Commissioners' annual statement form by licensed insurers to enable the  
28 director to determine the sufficiency of the trust fund;

29 (5) assuming insurer that does not meet the requirements of (1) - (4)  
30 of this subsection, but only with respect to the insurance of risks located in  
31 jurisdictions where the reinsurance is required by applicable law or regulation of that

1 jurisdiction.

2 \* Sec. 17. AS 21.18.060(b) is amended to read:

3 (b) The director may require that the reserves be equal to the unearned  
4 portions of the gross premiums in force after deducting applicable reinsurance in  
5 solvent insurers as computed on each respective risk from the policy's date of issue.  
6 [EXCEPT AS REQUIRED BY THE DIRECTOR UNDER THIS SUBSECTION, THE  
7 PORTIONS OF THE GROSS PREMIUM IN FORCE, LESS APPLICABLE  
8 REINSURANCE IN SOLVENT INSURERS, TO BE HELD AS AN UNEARNED  
9 PREMIUM RESERVE SHALL BE COMPUTED ACCORDING TO THE  
10 FOLLOWING TABLE:

11 TERM FOR WHICH POLICY	RESERVE FOR UNEARNED
12 WAS WRITTEN	PREMIUM
13 1 YEAR OR LESS .....	1/2
14 2 YEARS .....	1ST YEAR 3/4
	2ND YEAR 1/4
16 3 YEARS .....	1ST YEAR 5/6
	2ND YEAR 1/2
	3RD YEAR 1/6
18 4 YEARS .....	1ST YEAR 7/8
	2ND YEAR 5/8
	3RD YEAR 3/8
	4TH YEAR 1/8
22 5 YEARS .....	1ST YEAR 9/10
	2ND YEAR 7/10
	3RD YEAR 1/2
	4TH YEAR 3/10
	5TH YEAR 1/10
28 OVER 5 YEARS .....	PRO RATA.]

29 \* Sec. 18. AS 21.18.060(c) is amended to read:

30 (c) An [IN LIEU OF COMPUTATION ACCORDING TO THE TABLE IN  
31 (b) OF THIS SECTION, THE] insurer shall [AT ITS OPTION MAY] compute all of

1 the reserves on a monthly or more frequent pro rata basis.

2 \* Sec. 19. AS 21.18.090 is amended to read:

3 Sec. 21.18.090. LOSS RESERVES, LIABILITY INSURANCE, AND  
4 WORKERS' COMPENSATION. Where required in the form of annual statement  
5 required of the insurer, the reserve for outstanding losses under insurance against loss  
6 or damage from accident to or injuries suffered by an employee or other person and  
7 for which the insured is liable shall be computed as follows:

8 (1) for all liability claims under policies written more than three  
9 years before the end of the calendar year covered by the annual statement, the  
10 reserve shall be the undiscounted value of the determined and the estimated  
11 future payments [SUITS BEING DEFENDED UNDER POLICIES WRITTEN MORE  
12 THAN

13 (A) 10 YEARS BEFORE THE DATE THE STATEMENT IS  
14 MADE, \$1,500 FOR EACH SUIT;

15 (B) FIVE OR MORE AND LESS THAN 10 YEARS BEFORE  
16 THE STATEMENT IS MADE, \$1,000 FOR EACH SUIT;

17 (C) THREE OR MORE AND LESS THAN FIVE YEARS  
18 BEFORE THE STATEMENT IS MADE, \$850 FOR EACH SUIT];

19 (2) for all liability policies written during the three years immediately  
20 preceding the date the statement is made, the reserve shall be the greater of 60  
21 percent of the earned liability premiums of each of the three years less all losses and  
22 expense payments made under liability policies written in the corresponding years or  
23 the undiscounted value of the known and unknown claims; [BUT THE RESERVE,  
24 FOR THE FIRST OF THE THREE YEARS, SHALL BE NOT LESS THAN \$750  
25 FOR EACH OUTSTANDING LIABILITY SUIT ON THE YEAR'S POLICIES];

26 (3) for all workers' compensation claims under policies written more  
27 than three years before the end of the calendar year covered by the annual  
28 statement [IS MADE], the reserve may not [SHALL] be less than the present value  
29 at four per cent interest of the determined and the estimated future payments;

30 (4) for all workers' compensation claims under policies written in the  
31 three years immediately preceding the end of the calendar year covered by [DATE]

1 the annual statement [IS MADE], the reserve may not [SHALL] be less than 65  
2 percent of the earned workers' compensation premiums of each of the three years, less  
3 all loss and loss expense payments made in connection with the claims under policies  
4 written in the corresponding years; [BUT IN THE FIRST YEAR OF THE  
5 THREE-YEAR PERIOD,] the reserve may not [SHALL] be [NOT] less than the  
6 present value at four [4] percent interest of the determined and the estimated unpaid  
7 compensation claims under policies written during the three-year period [YEAR].

8 \* Sec. 20. AS 21.21.250(a) is amended to read:

9 (a) An insurer may make loans or investments not otherwise expressly  
10 permitted under this chapter, in aggregate amount not over five percent of the insurer's  
11 assets and not over one percent of the insurer's assets for [OF] any one loan or  
12 investment, if the loan or investment fulfills the requirements of AS 21.21.030, and  
13 otherwise qualifies as a sound investment. However, a loan or investment may not be  
14 represented by

15 (1) an item described in AS 21.18.030, or a loan or investment  
16 otherwise expressly prohibited;

17 (2) agents' balances, or amounts advanced to or owing by agents or  
18 former agents of the insurer, whether or not secured; except policy loans, mortgage  
19 loans, and collateral loans otherwise authorized under this chapter;

20 (3) a category of loans or investments eligible under other provisions  
21 of this chapter; or

22 (4) an asset theretofore acquired or held by the insurer under any other  
23 category of loans or investments eligible under this chapter.

24 \* Sec. 21. AS 21.21.370(a) is amended to read:

25 (a) A domestic insurer may [NOT] acquire, directly or indirectly, a medium  
26 grade or lower grade obligation of an institution if, after giving effect to the  
27 acquisition,

28 (1) the aggregate amount of all medium grade and lower grade  
29 obligations held by the domestic insurer does not exceed [EXCEEDS] 20 percent of  
30 its admitted assets and if not more than

31 (A) 10 percent of its admitted assets consist of obligations rated

1 four, five, or six by the securities valuation office;

2 (B) three percent of its admitted assets consist of obligations  
3 rated five or six by the securities valuation office; and

4 (C) one percent of its admitted assets consist of obligations  
5 rated six by the securities valuation office; and [OR]

6 (2) the aggregate amount of all medium grade and [OR] lower grade  
7 obligations held by the domestic insurer does not exceed [EXCEEDS] 30 percent of  
8 its policyholders' surplus account as shown by the insurer's most recent report filed  
9 under AS 21.06.150, AS 21.09.200, or 21.09.205.

10 \* Sec. 22. AS 21.22.010(g) is amended to read:

11 (g) The provisions of this section do not apply to

12 (1) an offer of, request for, invitation for, or agreement regarding [,  
13 OR] acquisition of a voting security that, immediately before the consummation of the  
14 offer, request, invitation, agreement, or acquisition, was not issued and outstanding; or

15 (2) an offer, request, invitation, agreement, or acquisition that the  
16 director by order may exempt as not having been made or entered into for the purpose  
17 and not having the effect of changing or influencing the control of the domestic  
18 insurer.

19 \* Sec. 23. AS 21.22.030(a) is amended to read:

20 (a) The director shall approve a merger or other acquisition of control referred  
21 to in AS 21.22.010 unless, after a public hearing, the director issues an order  
22 containing findings of fact and conclusions of law finding [FINDS] that

23 (1) after the change of control, the domestic insurer referred to in  
24 AS 21.22.010 would not be able to satisfy the requirements for the issuance of a  
25 license to write the line or lines of insurance for which it is presently licensed;

26 (2) the effect of the merger or other acquisitions of control would be  
27 substantially to lessen competition in insurance in this state or tend to create a  
28 monopoly in this state;

29 (3) the financial condition of an acquiring party is such that it might  
30 jeopardize the financial stability of the insurer, or prejudice the interest of its  
31 policyholders or the interests of any remaining security holders who are unaffiliated

1 with the acquiring party;

2 (4) the terms of the offer, request, invitation, agreement, or acquisition  
3 referred to in AS 21.22.010 are unfair and unreasonable to the security holders of the  
4 insurer;

5 (5) the plans or proposals that the acquiring party has to liquidate the  
6 insurer, sell its assets, or consolidate or merge it with any person, or to make any other  
7 material change in its business or corporate structure or management, are unfair and  
8 unreasonable to policyholders of the insurer and not in the public interest; [OR]

9 (6) the competence, experience, and integrity of those persons who  
10 would control the operation of the insurer are such that it would not be in the interest  
11 of policyholders of the insurer and of the public to permit the merger or other  
12 acquisition of control; or

13 (7) the acquisition is likely to be hazardous or prejudicial to the  
14 insurance buying public.

15 \* Sec. 24. AS 21.22.030 is amended by adding a new subsection to read:

16 (d) The director may retain at the acquiring person's expense an attorney,  
17 actuary, accountant, or other expert not otherwise a part of the director's staff, if  
18 reasonably necessary to assist the director in reviewing the proposed acquisition of  
19 control.

20 \* Sec. 25. AS 21.22.060(b) is amended to read:

21 (b) Every insurer subject to registration shall file a registration statement on  
22 a form provided by the director, that must contain current information about

23 (1) the capital structure, general financial condition, ownership, and  
24 management of the insurer and any person controlling the insurer;

25 (2) the identity of every member of the insurance holding company  
26 system;

27 (3) the following agreements in force, relationships subsisting, and  
28 transactions currently outstanding between the insurer and its affiliates:

29 (A) loans, other investments, or purchases, sales, or exchanges  
30 of securities of the affiliates by the insurer or of the insurer by its affiliates;

31 (B) purchases, sales, or exchanges of assets;

1 (C) transactions not in the ordinary course of business;  
2 (D) guarantees or undertakings for the benefit of an affiliate that  
3 result in an actual contingent exposure of the insurer's assets to liability, other  
4 than insurance contracts entered into in the ordinary course of the insurer's  
5 business;

6 (E) all management and service contracts and all cost-sharing  
7 arrangements [, OTHER THAN COST ALLOCATION ARRANGEMENTS  
8 BASED UPON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES];  
9 and

10 (F) reinsurance agreements [COVERING ALL OR  
11 SUBSTANTIALLY ALL OF ONE OR MORE LINES OF INSURANCE OF  
12 THE CEDING COMPANY]; and

13 (4) other matters concerning transactions between registered insurers  
14 and any affiliates that may be included from time to time in a registration form  
15 adopted or approved by the director.

16 \* Sec. 26. AS 21.22.060(c) is amended to read:

17 (c) The director may permit an authorized insurer that is a member of a  
18 holding company system subject to registration under the laws or regulations of its  
19 state of domicile that are in the opinion of the director substantially similar to those  
20 contained in this chapter to satisfy the requirements of (a) of this section by filing a  
21 statement in accordance with the laws of its state of domicile [EXCEPT THAT THE  
22 DIRECTOR MAY AT ANY TIME REQUIRE A COPY OF THAT STATEMENT BE  
23 FILED WITH THE DIRECTOR].

24 \* Sec. 27. AS 21.22.060(d) is amended to read:

25 (d) Information [NO INFORMATION] need not be disclosed on the  
26 registration statement filed under (b) of this section if that information is not material  
27 for the purposes of this section. Unless the director by regulation or order provides  
28 otherwise, sales, purchases, exchanges, loans or extensions of credit, or investments,  
29 involving one-half of one percent or less of an insurer's admitted assets or five percent  
30 or less of the policyholder's surplus as of the 31st day of December of the calendar  
31 year in which the transaction took place are not considered material for purposes of

1 this section.

2 \* Sec. 28. AS 21.22.060(k) is amended to read:

3 (k) An insurer subject to registration under (a) of this section shall register  
4 annually by April 1 of each year for the previous calendar year unless, for good cause  
5 shown, the director extends the time for registration. The director may require an  
6 insurer [AUTHORIZED TO DO BUSINESS IN THE STATE, THAT IS A MEMBER  
7 OF A HOLDING COMPANY SYSTEM AND] that is allowed to register as  
8 provided [NOT SUBJECT TO REGISTRATION] under (c) [(a)] of this section, to  
9 furnish a copy of

10 (1) the registration statement;

11 (2) [,] the summary specified in (l) of this section; [,] or

12 (3) other information filed by the insurer with the insurance regulatory  
13 authority of the insurer's state of domicile.

14 \* Sec. 29. AS 21.27.010(a) is amended to read:

15 (a) Except as provided otherwise in this chapter, a [A] person may not act  
16 as or represent to be an insurance producer, managing general agent, reinsurance  
17 intermediary broker, reinsurance intermediary manager, surplus lines broker, or  
18 independent adjuster in this state or relative to a subject resident, located, or to be  
19 performed in this state unless licensed under this chapter. A person may not act as or  
20 represent to be a managing general agent, reinsurance intermediary broker, or  
21 reinsurance intermediary manager representing an insurer domiciled in this state  
22 regarding a risk located outside this state unless licensed by this state.

23 \* Sec. 30. AS 21.27.020 is amended by adding a new subsection to read:

24 (f) The director may

25 (1) adopt regulations establishing additional education or experience  
26 requirements for applicants or licensees under this chapter; and

27 (2) make arrangements, including contracting with an outside agency,  
28 for administrative services.

29 \* Sec. 31. AS 21.27.025(a) is amended to read:

30 (a) A licensee shall notify the director within 30 days in writing by certified  
31 mail of a change in residence, employment that is licensed under this chapter, place

1 of business, legal name, fictitious name or alias, mailing address, or phone number;  
2 a suspension, [OR] revocation, or disciplinary action of a license by another state or  
3 jurisdiction; or a conviction of a misdemeanor or felony.

4 \* Sec. 32. AS 21.27.060(d) is amended to read:

5 (d) This section does not apply to an applicant

6 (1) for a limited license under AS 21.27.150(1), (2), or (6);

7 (2) who, at any time within the two-year period immediately preceding  
8 the date the current pending application is received by the division, had been licensed  
9 in good standing in this state under a license requiring substantially similar  
10 qualifications as required by the license applied for; or

11 (3) whose license in its [THE] resident jurisdiction requires the same  
12 qualifications as the license applied for in this state if the license in all jurisdictions  
13 is in good standing [AND ITS RESIDENT JURISDICTION IS ACCREDITED BY  
14 THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS].

15 \* Sec. 33. AS 21.27.100 is amended by adding a new subsection to read:

16 (e) An individual in a firm who acts solely on behalf of a firm that is  
17 appointed as an agent on behalf of an admitted insurer under this section, may not be  
18 required to also have an appointment if the individual in the firm is licensed with that  
19 firm.

20 \* Sec. 34. AS 21.27.130 is amended to read:

21 Sec. 21.27.130. FORM AND CONTENT OF LICENSES. A license shall be  
22 in the form the director prescribes and must set out

23 (1) the name and [MAILING] address of the licensee, and, if the  
24 licensee is required to have a place of business, the physical address of the place of  
25 business;

26 (2) if for a firm, the name of the principal or manager of the firm;

27 (3) the kind or class of insurance the licensee is licensed to handle;

28 (4) the effective date and expiration date of the license;

29 (5) the condition under which the license is granted;

30 (6) the date of issuance of the license;

31 (7) each fictitious name and alias under which the licensee may do

1 business; and

2 (8) other information required by the director.

3 \* Sec. 35. AS 21.27.360(b) is amended to read:

4 (b) All money, except that made payable to the insurer, representing premium  
5 taxes and fees, premiums or return premiums received by the licensee, shall be  
6 received in the fiduciary account of the licensee and shall be promptly accounted for  
7 and paid to the person entitled to the money. The fiduciary account shall be located  
8 in this state unless the licensee is licensed as a nonresident under AS 21.27.270.

9 For purposes of this section, the fiduciary account of the firm shall be considered the  
10 fiduciary account of an individual licensee acting on behalf of the firm and shall be  
11 the responsibility of the firm. Money deposited into a fiduciary account may not be  
12 commingled or otherwise combined with other money, except as allowed under (d) of  
13 this section and AS 21.27.365.

14 \* Sec. 36. AS 21.27.380(a) is amended to read:

15 (a) Except as provided in this title, the director may renew a license biennially  
16 on a date set by the director if the licensee continues to be qualified under this chapter  
17 and on or before the close of business of the renewal date, meets all renewal  
18 requirements established by regulation and pays the [IF] renewal license fees set  
19 under AS 21.06.250 for each license to [ARE RECEIVED BY] the director [ON OR  
20 BEFORE THE CLOSE OF BUSINESS OF THE RENEWAL DATE]. A licensee is  
21 responsible for knowing the date that a license lapses and for renewing a license before  
22 expiration. The director shall mail a renewal notice to the licensee's current address  
23 on file with the director 30 days before the renewal date.

24 \* Sec. 37. AS 21.27.420 is amended by adding a new subsection to read:

25 (c) With the consent of an applicant or licensee, the director may issue or  
26 renew a license with restrictions upon the scope of the person's license or may  
27 otherwise restrict or condition the activities of the licensee if the director determines  
28 that the person has violated the provisions of this title or to protect the public from  
29 injury or potential injury.

30 \* Sec. 38. AS 21.27.530 is amended to read:

31 Sec. 21.27.530. INSURANCE PRODUCER QUALIFICATIONS. In addition

1 to the general qualifications under AS 21.27.020, to qualify for issuance or renewal of  
2 an insurance producer license, an applicant or licensee

3 (1) must possess the competence necessary to fulfill the responsibilities  
4 of an insurance producer;

5 (2) if previously licensed in good standing in this state as an insurance  
6 producer, must not have had a license suspended or revoked within the previous four  
7 calendar years;

8 (3) for a fraternal society limited insurance producer license, shall file  
9 with the application a statement by an officer or director of the appointing fraternal  
10 society that affirms that the society has satisfied itself that the applicant is trustworthy  
11 and competent to act as its insurance agent;

12 (4) for a license with a scope that includes variable contracts, must  
13 either be currently registered with the federal Securities and Exchange Commission as  
14 a broker-dealer or personally take and pass, to the satisfaction of the director, tests of  
15 the knowledge and competence of the applicant concerning securities; and

16 (5) except for an applicant or licensee who represents to be and acts  
17 solely on behalf of admitted insurers as an agent and who does not receive money  
18 required to be received in the fiduciary account of the licensee, shall file with the  
19 application and maintain in force while licensed a bond in the amount of \$10,000,  
20 unless a greater amount is required by another provision of this title; a licensee who  
21 maintains more than one place of business may satisfy the bond requirement with  
22 a single bond.

23 \* Sec. 39. AS 21.27.570(a)(3)(B) is amended to read:

24 (B) the controlling insurance producer shall render accounts to  
25 the controlled insurer detailing all transactions, including information in the  
26 accounts necessary to support compensation, commissions, charges, and other  
27 fees received by, or owing to, the controlling producer;

28 \* Sec. 40. AS 21.27.620(j) is amended to read:

29 (j) If the director determines after a hearing under AS 21.06.170 - 21.06.240  
30 that a managing general agent caused loss or damage arising out of a violation of  
31 AS 21.27.590 - 21.27.630 to an insurer, the director may order the managing general

1 agent to make restitution to the insurer, receiver, [THE] rehabilitator, or [THE]  
2 liquidator of the insurer for the loss. Restitution ordered under this subsection is in  
3 addition to any other liability of the managing general agent and does not affect the  
4 rights of a policy holder, claimant, creditor, or third party. The director may  
5 maintain or bring a civil action brought by or on behalf of the insurer and its  
6 policyholders and creditors for recovery of compensatory damages for the benefit  
7 of the insurer and its policyholders and creditors or seek other appropriate relief,  
8 If an order of rehabilitation or liquidation of the insurer has been entered under  
9 AS 21.78, the receiver appointed under the order determines that a person has not  
10 materially complied with AS 21.27.590 - 21.27.630 or an order of the director, and  
11 the insurer suffers loss or damage from the noncompliance, the receiver may  
12 bring a civil action for the recovery of damages or other appropriate sanctions for  
13 the benefit of the insurer.

14 \* Sec. 41. AS 21.27.690(b) is amended to read:

15 (b) An [A DOMESTIC] insurer may use a nonresident reinsurance  
16 intermediary broker who is not licensed under this chapter if the person is licensed in  
17 good standing as a resident reinsurance intermediary broker by an insurance regulator  
18 of another state that is accredited by the National Association of Insurance  
19 Commissioners. Upon written request, the director may grant written permission for  
20 a domestic insurer to use an alien reinsurance intermediary broker not licensed by and  
21 without a place of business in a jurisdiction subject to accreditation by the National  
22 Association of Insurance Commissioners if the alien reinsurance intermediary broker  
23 is licensed in good standing by its domiciliary insurance regulator. The domestic  
24 insurer and unlicensed reinsurance intermediary broker are subject to all other  
25 requirements of this section.

26 \* Sec. 42. AS 21.27.690(e) is amended to read:

27 (e) If the director determines after a hearing under AS 21.06.170 - 21.06.240  
28 that a reinsurance intermediary broker caused losses or damage arising out of a  
29 violation of AS 21.27.670 - 21.27.700 to an insurer or reinsurer, the director may order  
30 the reinsurance intermediary broker to make restitution to the insurer, reinsurer,  
31 receiver, rehabilitator, or liquidator of the insurer or reinsurer for the net losses

1 incurred by the insurer or reinsurer. Restitution ordered under this subsection is in  
2 addition to any other liability of the reinsurance intermediary broker and does not  
3 affect the rights of a policyholder, claimant, creditor, or third party. The director may  
4 maintain or bring a civil action brought by or on behalf of the reinsurer or  
5 insurer and its policyholders and creditors for recovery of compensatory damages  
6 for the benefit of the reinsurer or insurer and its policyholders and creditors or  
7 seek other appropriate relief. If an order of rehabilitation or liquidation of the  
8 insurer has been entered under AS 21.78, the receiver appointed under the order  
9 determines that a person has not materially complied with AS 21.27.670 -  
10 21.27.700 or an order of the director, and the insurer suffers loss or damage from  
11 the noncompliance, the receiver may bring a civil action for the recovery of  
12 damages or other appropriate sanctions for the benefit of the insurer.

13 \* Sec. 43. AS 21.27.760(j) is amended to read:

14 (j) If the director determines after a hearing under AS 21.06.170 - 21.06.240  
15 that a reinsurance intermediary manager caused losses or damage arising out of a  
16 violation of AS 21.27.730 - 21.27.770 to an insurer or reinsurer, the director may order  
17 the reinsurance intermediary manager to make restitution to the insurer, reinsurer,  
18 receiver, rehabilitator, or liquidator of the insurer or reinsurer for the net losses  
19 incurred by the insurer or reinsurer. Restitution ordered under this subsection is in  
20 addition to any other liability of the reinsurance intermediary manager and does not  
21 affect the rights of a policyholder, claimant, creditor, or third party. The director may  
22 maintain or bring a civil action brought by or on behalf of the reinsurer or  
23 insurer and its policyholders and creditors for recovery of compensatory damages  
24 for the benefit of the reinsurer or insurer and its policyholders and creditors or  
25 seek other appropriate relief. If an order of rehabilitation or liquidation of the  
26 insurer has been entered under AS 21.78, the receiver appointed under the order  
27 determines that a person has not materially complied with AS 21.27.730 -  
28 21.27.770 or an order of the director, and the insurer suffers loss or damage from  
29 the noncompliance, the receiver may bring a civil action for the recovery of  
30 damages or other appropriate sanctions for the benefit of the insurer.

31 \* Sec. 44. AS 21.34.040(c)(4) is amended to read:

1 (4) a Lloyd's or other similar group including incorporated and  
2 individual unincorporated underwriters, [GROUP OF ALIEN INDIVIDUAL  
3 INSURERS] may qualify if it maintains a trust fund in an amount not less than  
4 \$50,000,000, as security to the full amount, for the protection of all its policy holders  
5 and creditors of each member of the group in the United States; the incorporated  
6 members may not be engaged in any business other than underwriting as a  
7 member of the group and shall be subject to the same level of solvency regulation  
8 and control by the group's domiciliary regulator as are the unincorporated  
9 members; the trust fund must consist of instruments of substantially the same  
10 character and quality as those that are eligible investments for the capital and statutory  
11 reserves of admitted insurers authorized to write like kinds of insurance in this state  
12 or of irrevocable, clean, and unconditional letters of credit; the trust fund must have  
13 an expiration date that at no time is less than five years;

14 \* Sec. 45. AS 21.34.080(c) is amended to read:

15 (c) A producing broker shall execute and deliver to the surplus lines broker not  
16 later than the end of each month on a form prescribed by the director, and a surplus  
17 lines broker shall file with the director with the report required by (a) of this section  
18 or with the surplus lines association with the evidence of insurance required by (b) of  
19 this section, for surplus lines insurance first placed or renewed in the preceding  
20 calendar month, an affidavit that shall be open to public inspection, as to the diligent  
21 efforts to place the coverage with admitted insurers, and the results of those efforts.  
22 The affidavit must contain a statement by the producing broker that the insured was  
23 expressly informed in writing before the [PLACEMENT OF THE SURPLUS LINES]  
24 insurance contract or coverage was bound that the surplus lines insurer with whom  
25 the insurance was to be placed is not licensed in this state, is not subject to this state's  
26 supervision, and, in the event of the insolvency of the surplus lines insurer, losses will  
27 not be covered under AS 21.80 (Alaska Insurance Guaranty Association Act).

28 \* Sec. 46. AS 21.34.110 is amended to read:

29 Sec. 21.34.110. SURPLUS LINES BROKER'S DUTY TO NOTIFY  
30 INSURED. (a) A contract of insurance placed by a surplus lines broker under this  
31 chapter is not binding upon the insured and a premium charged is not due and payable

1 until

2 (1) the surplus lines broker has notified the insured in writing, a copy  
3 of which shall be maintained by the licensee with the records of the contract, available  
4 for examination, that the insurer with which the surplus lines broker places the  
5 insurance does not hold a certificate of authority issued by this state and is not subject  
6 to its supervision, and in the event of the insolvency of the surplus lines insurer, losses  
7 will not be covered under AS 21.80 (Alaska Insurance Guaranty Association Act); or

8 (2) the surplus lines broker has obtained the affidavit of the  
9 producing broker that the notice required under AS 21.34.080(c) has been given  
10 to the insured; a licensee shall maintain a copy of the affidavit with the record of  
11 the contract available for examination.

12 (b) Nothing in this section may be construed as nullifying [SHALL  
13 NULLIFY] an agreement by an insurer to provide insurance.

14 \* Sec. 47. AS 21.34.190(a) is amended to read:

15 (a) The fee for filing the statement under AS 21.34.180(b) is an amount equal  
16 to one percent on gross premium charged less any return premiums during the  
17 preceding calendar year [QUARTER]. The surplus lines broker shall pay the fee at  
18 the time of filing of the statement.

19 \* Sec. 48. AS 21.36.120(d) is amended to read:

20 (d) Nothing in this section may be construed as prohibiting the payment of  
21 commissions or other compensation to persons duly transacting business under  
22 AS 21.27 [LICENSED AGENTS OR SOLICITORS], or as prohibiting an insurer from  
23 allowing or returning to its participating policyholders, members, or subscribers, lawful  
24 dividends, savings, or unabsorbed premium deposits.

25 \* Sec. 49. AS 21.36.195 is amended to read:

26 Sec. 21.36.195. SURPLUS LINES BROKERS AND INSURANCE  
27 PRODUCERS; PROHIBITED ACTS. A surplus lines broker or an insurance  
28 producer may not fail to provide evidence [THE EVIDENCES] of insurance,  
29 affidavits, filings, or reports, or fail to maintain the records, or fail to pay the taxes and  
30 fees, required under AS 21.34.

31 \* Sec. 50. AS 21.36.235(a) is amended to read:

1 (a) Except as provided in AS 21.36.305 [AS 21.36.420], if the renewal  
2 premium is increased more than 10 percent for a reason other than an increase in  
3 coverage or exposure base, or if after renewal there will be a material restriction or  
4 reduction in coverage not specifically requested by the insured, written notice shall be  
5 mailed to the insured and to the agent or broker of record as required by AS 21.36.260

6 (1) at least 20 days before expiration of a personal insurance policy;

7 or

8 (2) at least 45 days before expiration of a business or commercial  
9 policy.

10 \* Sec. 51. AS 21.36.290 is amended to read:

11 Sec. 21.36.290. POLICY PERIOD. Except as described in (b) of this  
12 section, a [A] policy with a policy period or term of less than 12 months shall, for the  
13 purposes of AS 21.36.210 - 21.36.310, be considered to be written for a policy period  
14 or term of 12 months except in case of cancellation under any of the circumstances  
15 specified in AS 21.36.210, and a policy written for a term longer than one year or a  
16 policy with no fixed expiration date shall be considered to be written for successive  
17 policy periods or terms of one year and termination by an insurer effective on an  
18 anniversary date of the policy shall be considered a failure to renew.

19 \* Sec. 52. AS 21.36.290 is amended by adding a new subsection to read:

20 (b) For determining the appropriate rate or premium, a personal automobile  
21 insurance policy with a policy period or term of less than six months shall, for the  
22 purposes of AS 21.36.210 - 21.36.310, be considered to be written for a policy period  
23 or term of six months.

24 \* Sec. 53. AS 21.36 is amended by adding a new section to read:

25 Sec. 21.36.305. PREMIUM INCREASES ON PERSONAL AUTOMOBILE  
26 INSURANCE POLICIES. (a) An insurer may not increase the premium on a personal  
27 automobile insurance policy unless the increase applies to all insureds of the same  
28 class.

29 (b) An insurer may not increase the premium or add a surcharge to a personal  
30 automobile insurance policy because of the issuance of a citation for a moving traffic  
31 violation unless the insured or another person who resides in the insured's household

1 and is covered by the policy has been convicted of the violation or has entered a plea  
2 of no contest to the violation.

3 (c) The director shall adopt regulations to determine circumstances under  
4 which an insurer may increase the premium or add a surcharge to a personal  
5 automobile insurance policy.

6 (d) An insurer that increases the premium or adds a surcharge to a personal  
7 automobile insurance policy may only make the increase or surcharge effective on the  
8 renewal date of the policy.

9 (e) An insurer that increases the premium or adds a surcharge to a personal  
10 automobile insurance policy shall give written notice of the increase or surcharge at  
11 least 20 days before it takes effect, stating the reason for the change and the right of  
12 appeal under AS 21.39.090. This subsection does not apply to

13 (1) premium increase resulting from a change requested by an insured,  
14 if the insured is notified at the time the request is made that the amount of the  
15 insured's premium will change as a result of the requested policy change; or

16 (2) rate approved by the director if the insurer gives written notice of  
17 a premium increase to the insured at least 20 days before the renewal date of the  
18 affected policy.

19 \* Sec. 54. AS 21.36.360(i) is amended to read:

20 (i) A criminal insurance act is committed by a person [AN INSURER] doing  
21 business in this state or relative to a subject resident, located, or to be performed  
22 in this state who knowingly

23 (1) writes, places, or causes to be written or placed in this state or  
24 relative to a subject resident, located, or to be performed in this state a policy,  
25 duplicate policy, or contract of insurance of any kind or character, or general or  
26 floating policy upon persons or property resident, situated, or located in this state, from  
27 or through a person not authorized to transact business under AS 21.27 or a risk  
28 retention group or purchasing group not registered under AS 21.89.070  
29 [BROKER, AGENT, SURPLUS LINE BROKER, OR PERSON WHO HAS NOT  
30 SECURED A GENERAL AGENT LICENSE IN THIS STATE]; or

31 (2) pays a commission or other form of remuneration to a person, firm,

1 or organization for the writing or placing of insurance coverage in this state or relative  
2 to a subject resident, located, or to be performed in this state unless that person,  
3 firm, or organization is authorized under AS 21.27 to transact [HOLDS A LICENSE  
4 ISSUED BY THE DIRECTOR FOR] the kind or class of insurance written or placed,  
5 or, in the case of a risk retention group or purchasing group, is registered under  
6 AS 21.89.070.

7 \* Sec. 55. AS 21.36.360(j) is amended to read:

8 (j) A criminal insurance act is committed by a person in this state or relative  
9 to a subject resident, located, or to be performed in this state who acts as an  
10 insurance producer, managing general agent, third-party administrator,  
11 reinsurance intermediary broker, reinsurance intermediary manager, surplus lines  
12 broker [SOLICITOR], or independent adjuster without being licensed by the director  
13 as required under this title or as a risk retention group or purchasing group  
14 without being registered as required under AS 21.89.070. A criminal insurance act  
15 is committed by an insurance producer, managing general agent, third-party  
16 administrator, reinsurance intermediary broker, reinsurance intermediary  
17 manager, or surplus lines broker [OR SOLICITOR] who solicits or takes application  
18 for, procures, or places for others any insurance for which the person is not licensed  
19 as required under AS 21.27 or for which the license of the person has been  
20 suspended or revoked. A criminal insurance act is committed by a person in this  
21 state or relative to a subject resident, located, or to be performed in this state who  
22 acts as or on behalf of a risk retention group or a purchasing group that is not  
23 registered under AS 21.89.070 [THIS SUBSECTION DOES NOT APPLY TO A  
24 PERSON DESCRIBED IN AS 21.90.910 OR TO A PERSON SECURING AND  
25 FORWARDING INFORMATION REQUIRED FOR THE PURPOSE OF A GROUP  
26 INSURANCE COVERING THE UNPAID BALANCE OR REMAINING PAYMENTS  
27 PROPOSED TO BE MADE IN CONNECTION WITH THE PURCHASE OF  
28 MERCHANDISE OR SERVICES IF NO COMMISSION OR OTHER  
29 COMPENSATION IS PAYABLE ON ACCOUNT OF THE INSURANCE TO THE  
30 PERSON].

31 \* Sec. 56. AS 21.36.360(k) is amended to read:

1 (k) A criminal insurance act is committed by an insurance producer,  
2 managing general agent, [GENERAL AGENT,] third-party administrator,  
3 reinsurance intermediary broker, reinsurance intermediary manager, or surplus  
4 lines broker [OR SOLICITOR] who knowingly compensates or offers to compensate  
5 in any manner a person other than an insurance producer, managing [AGENT,]  
6 general agent, third-party administrator, reinsurance intermediary broker,  
7 reinsurance intermediary manager, or surplus lines broker [OR SOLICITOR]  
8 licensed as required under this title in this or another jurisdiction [STATE OR  
9 PROVINCE], for procuring or in any manner helping to procure applications for or to  
10 place insurance in this state. A criminal insurance act is committed by a person in  
11 this state or relative to a subject resident, located, or to be performed in this state  
12 who acts as or on behalf of a risk retention group or a purchasing group that is  
13 not registered under AS 21.89.070 [THIS SUBSECTION DOES NOT APPLY TO  
14 THE PAYMENT OF COMPENSATION THAT IS NOT CONTINGENT UPON  
15 VOLUME OF BUSINESS TRANSACTED IN THE FORM OF SALARIES TO THE  
16 REGULAR EMPLOYEES OF THE AGENT, GENERAL AGENT, BROKER, OR  
17 SOLICITOR].

18 \* Sec. 57. AS 21.36.360(n) is amended to read:

19 (n) A criminal insurance act is committed by an agent, managing general  
20 agent, third-party administrator, reinsurance intermediary broker, reinsurance  
21 intermediary manager, or other representative of an insurer involved in the procuring  
22 or issuance of an insurance contract who intentionally fails to report to the insurer the  
23 exact amount of consideration charged as premium for the contract and to maintain  
24 records showing that information.

25 \* Sec. 58. AS 21.36.380 is amended to read:

26 Sec. 21.36.380. NOTICE ON CLAIM FORM. A claim form must contain a  
27 statement that states in substance the following: "A person who knowingly and with  
28 intent to injure, defraud, or deceive an insurance company files a claim containing  
29 false, incomplete, or misleading information may be prosecuted under state law [IS  
30 GUILTY OF A FELONY]." A lack of the statement on a claim form does not  
31 constitute a defense to prosecution under this title.

1 \* **Sec. 59.** AS 21.39.040 is amended by adding new subsections to read:

2 (j) An insurer who has submitted an application for a certificate of authority  
3 under AS 21.09.110 and a filing of policy forms under AS 21.42.120 may file a  
4 proposed rating system as described in this section. The director's approval of the  
5 rating system is contingent upon the issuance of a certificate of authority under  
6 AS 21.09.120.

7 (k) The director may adopt regulations detailing the format and content of a  
8 rating system filing under this section.

9 \* **Sec. 60.** AS 21.39 is amended by adding a new section to read:

10 **Sec. 21.39.055. CANCELLATION OF APPROVED FILING.** The voluntary  
11 surrender of a certificate of authority or the failure of the surrendering admitted foreign  
12 insurer to continue a certificate of authority in force has the effect of cancelling an  
13 approval that the insurer may have received under this chapter, unless the approval has  
14 been affirmed by the director at the time of the surrender or noncontinuation of the  
15 certificate of authority.

16 \* **Sec. 61.** AS 21.42.120 is amended by adding new subsections to read:

17 (f) This section does not apply to a type of insurance subject to AS 21.57.

18 (g) An insurer who has submitted an application for a certificate of authority  
19 under AS 21.09.110 may file a proposed policy form as described in this section. The  
20 director's approval of the policy form is contingent upon the issuance of a certificate  
21 of authority under AS 21.09.120.

22 (h) The director may adopt regulations detailing the format and content of the  
23 filing of a policy form under this section.

24 \* **Sec. 62.** AS 21.42.345 is amended by adding a new subsection to read:

25 (b) An insurer authorized under AS 21.09 to offer, issue for delivery, deliver,  
26 or renew an individual or group disability insurance policy for medical coverage on  
27 an expense incurred basis in the state, or a hospital or medical service corporation  
28 authorized under AS 21.87 to offer or renew an individual or group subscriber's  
29 contract for medical coverage in the state, shall offer coverage for family members,  
30 including newly born children, adopted children, or children placed for adoption and  
31 is subject to the conditions in (a) of this section, regardless of the marital status of the

1 covered person.

2 \* Sec. 63. AS 21.57.010 is amended to read:

3 Sec. 21.57.010. PURPOSE. The purpose of this chapter is to promote the  
4 public welfare by regulating consumer credit [LIFE INSURANCE AND CREDIT  
5 DISABILITY] insurance. Nothing in this chapter is intended to prohibit or discourage  
6 reasonable competition. The provisions of this chapter shall be liberally construed.

7 \* Sec. 64. AS 21.57.020 is repealed and reenacted to read:

8 Sec. 21.57.020. APPLICABILITY. Consumer credit insurance transacted in  
9 connection with a credit transaction for a personal, household, or family purpose is  
10 subject to the provisions of this chapter except

11 (1) insurance written in connection with a credit transaction that is

12 (A) secured by a first mortgage or first deed of trust; and

13 (B) made to finance the purchase of real property, the  
14 construction of a dwelling, or to refinance a prior credit transaction made for  
15 that purpose;

16 (2) an isolated insurance transaction by the insurer not related to an  
17 agreement or a plan for insuring debtors of the creditor; or

18 (3) insurance for which no identifiable charge is made to the debtor.

19 \* Sec. 65. AS 21.57.030 is repealed and reenacted to read:

20 Sec. 21.57.030. AUTHORIZED TYPES OF CONSUMER CREDIT  
21 INSURANCE. A type of consumer credit insurance defined in AS 21.57.160 may be  
22 written separately or in combination with other types of consumer credit insurance on  
23 an individual or group basis.

24 \* Sec. 66. AS 21.57.040 is repealed and reenacted to read:

25 Sec. 21.57.040. AMOUNT OF CONSUMER CREDIT INSURANCE. (a) The  
26 amount of coverage for credit life insurance payable at the time of loss

27 (1) may not exceed the greater of the actual net debt or the scheduled  
28 net debt, except insurance on an

29 (A) agricultural credit transaction commitment, not exceeding  
30 one year in duration, may be written up to the amount of the loan commitment  
31 on a nondecreasing or level term plan; and

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

(B) educational credit transaction commitment may be written for the net outstanding balance plus any unused commitment;

(2) may not be less than the actual net debt less any payments more than two months overdue if the coverage is written on the actual outstanding net debt;

(3) may not exceed the following if the coverage is written on the scheduled outstanding net debt:

(A) the scheduled net debt if the actual net debt is less than or equal to the scheduled net debt;

(B) the actual net debt if the actual net debt is greater than the scheduled net debt but less than or equal to the scheduled net debt plus two months of payments; or

(C) the scheduled net debt plus two months of payments if the actual net debt is greater than the scheduled net debt plus two months of payments;

(4) must equal the actual net debt on the date of death if a premium is assessed to the debtor on a monthly basis and is based on the actual net debt; and

(5) may be less than the net debt when the partial coverage is calculated using one of the following:

(A) the amount of insurance is the lesser of a stated amount and the amount is determined by (2) of this subsection;

(B) the amount of insurance is the lesser of a stated amount and the amount is determined by (3) of this subsection;

(C) the amount of insurance is a constant percentage of the amount determined by (2) or (3) of this subsection; or

(D) in the absence of any preexisting condition exclusion, the amount of insurance payable in the event of death due to natural causes is limited to the balance as it existed six months before the date of death if

(i) there has been at least one increase in the outstanding balance during that six-month period, other than an increase due to the accrual of interest or late charges; and

(ii) evidence of individual insurability has not been

1 required during that six-month period.

2 (b) The director may provide for other patterns of insurance consistent with  
3 (a) of this section by regulation.

4 (c) The total amount of periodic indemnity payable in the event of disability  
5 or unemployment, as defined in the policy, may not exceed the sum of the periodic  
6 scheduled unpaid installments of the gross debt. The amount of a periodic indemnity  
7 payment may not exceed the original gross debt divided by the number of periodic  
8 installments.

9 (d) If credit disability insurance or credit unemployment insurance is written  
10 in connection with an open-end consumer credit agreement, the amount of insurance  
11 may not exceed the gross debt that would accrue on the amount using the creditor's  
12 minimum repayment schedule. The periodic indemnity need not relate to the creditor's  
13 minimum repayment schedule.

14 \* Sec. 67. AS 21.57.050 is repealed and reenacted to read:

15 Sec. 21.57.050. DURATION OF COVERAGE. (a) The effective date of  
16 coverage for

17 (1) consumer credit insurance that is elected by the debtor before or  
18 contemporaneous with a credit transaction is the date when the debtor becomes  
19 obligated to the creditor, except that when evidence of individual insurability is  
20 required and the evidence is furnished more than 30 days after the date when the  
21 debtor becomes obligated to the creditor, the effective date may be the date on which  
22 the insurance company determines the evidence to be satisfactory;

23 (2) insurance coverage that is elected by the debtor on a date  
24 subsequent to the date of the credit transaction is, subject to acceptance by the insurer,  
25 a date not earlier than the date the election is made by the debtor or later than 30 days  
26 following the date on which the insurer accepts the risk for coverage; an insurer shall  
27 determine if a risk is acceptable by an objective method, including one related to a  
28 particular date within a billing or repayment cycle or a calendar month; and

29 (3) a group policy that provides coverage with respect to a debt existing  
30 on the policy effective date, must be on or after the effective date of the group policy.

31 (b) A charge for insurance may not be made to the debtor and retained by the

1 creditor or insurer for a time before commencement of the consumer credit insurance  
2 to which the charge is related.

3 (c) The duration of coverage for consumer credit insurance may not extend

4 (1) beyond the termination date specified in the policy; the termination  
5 date of insurance may precede, coincide with, or follow the scheduled maturity date  
6 of the debt to which it relates, subject to any other requirements and restrictions of this  
7 chapter; and

8 (2) more than 15 days beyond the scheduled maturity date of the debt  
9 except when extended

10 (A) without additional cost to the debtor; or

11 (B) under a written agreement signed by the debtor, in  
12 connection with a variable interest rate credit transaction or a deferral, renewal,  
13 refinancing, or consolidation of debt.

14 (d) If the debt is discharged due to renewal, refinancing, or consolidation  
15 before the scheduled termination date of the insurance, insurance in force must be  
16 terminated before new insurance may be written in connection with the renewed,  
17 refinanced, or consolidated debt.

18 (e) If insurance coverage terminates before the scheduled termination of the  
19 insurance, the insurer shall make an appropriate refund or credit to the debtor. The  
20 refund or credit must consist of the unearned insurance charge paid by the debtor for  
21 insurance after the date of the termination, except that a refund is not required of a  
22 charge made for insurance if the insurance is terminated by performance of the  
23 insurer's obligation with respect to the insurance.

24 (f) An insured debtor may terminate consumer credit insurance at any time by  
25 providing advance notice to the insurer. The individual policy or group certificate may  
26 require that the notice be in writing or that the debtor surrender the individual policy  
27 or group certificate, or both. The debtor's right to terminate coverage may also be  
28 subject to the terms of the credit transaction contract.

29 \* Sec. 68. AS 21.57 is amended by adding a new section to read:

30 Sec. 21.57.055. DISCLOSURE TO DEBTORS. (a) Before a debtor elects to  
31 purchase consumer credit insurance in connection with a credit transaction, the insurer

1 shall disclose the following in writing to the debtor:

2 (1) the purchase of consumer credit insurance is optional and not a  
3 condition of obtaining credit approval;

4 (2) if more than one kind of consumer credit insurance is being made  
5 available to the debtor, whether the debtor can purchase the insurance separately or the  
6 multiple coverage only as a package;

7 (3) the conditions of eligibility;

8 (4) if the debtor has other insurance that covers the risk, the debtor may  
9 not want or need credit insurance;

10 (5) if the creditor requires consumer credit insurance as additional  
11 security for a debt, the debtor has the option of furnishing the required amount of  
12 insurance through existing policies owned or procured by the debtor or of procuring  
13 and furnishing the required insurance through an insurer authorized to transact  
14 insurance business in this state;

15 (6) the effective date of the coverage;

16 (7) the debtor may cancel the coverage within the first 30 days after  
17 receiving the individual policy or group certificate and have a premium paid by the  
18 debtor refunded or credited; thereafter, the debtor may cancel the policy at any time  
19 during the term of the loan and receive a refund of unearned premium;

20 (8) a brief description of the coverage, including

21 (A) the amount;

22 (B) the term;

23 (C) any exceptions, limitations, or exclusions;

24 (D) the insured event;

25 (E) any waiting or elimination period;

26 (F) any deductible;

27 (G) any applicable waiver of premium provision;

28 (H) to whom the benefits would be paid; and

29 (I) the premium rate for a coverage or for multiple coverage in  
30 a package;

31 (9) if the premium or insurance charge is financed, it is subject to

1 finance charges at the rate applicable to the credit transaction or at another specified  
2 rate; and

3 (10) whether or not the benefits provided are sufficient to pay off the  
4 debt in full, including finance charges unearned at the time of the claim.

5 (b) The disclosure required in (a) of this section shall be provided in the  
6 following manner:

7 (1) in connection with consumer credit insurance offered  
8 contemporaneously with the extension of credit or offered through direct mail  
9 advertisements, the disclosure shall be presented to the consumer in a clear and  
10 conspicuous manner; or

11 (2) in conjunction with the offer of credit insurance subsequent to the  
12 extension of credit by other than direct mail advertisements, the initial disclosure may  
13 be provided orally as long as written disclosure is provided to the debtor not later than  
14 10 days after the offer or the date any other written material is provided to the debtor,  
15 whichever occurs first.

16 (c) If the debtor elects to purchase coverage, the delivery of the disclosure  
17 required in (b) of this section shall be acknowledged by the debtor at the time of  
18 delivery, and the insurer shall maintain the debtor's written acknowledgement for at  
19 least five years.

20 \* Sec. 69. AS 21.57.060 is repealed and reenacted to read:

21 Sec. 21.57.060. PROVISIONS OF POLICIES AND CERTIFICATES OF  
22 INSURANCE. (a) Consumer credit insurance shall be evidenced by an individual  
23 policy or a group certificate of insurance.

24 (b) The individual policy or group certificate must, in addition to other  
25 requirements of law, set out

26 (1) the name and home office address of the insurer;

27 (2) the name of the debtor;

28 (3) the premium to be paid by the debtor disclosed separately for each  
29 kind of coverage or for all coverage in a package, except that for open-ended loans,  
30 the premium rate and the basis of premium calculation must be specified;

31 (4) a full description of the coverage including the amount, the term,

1 and any exceptions, limitations, or exclusions;

2 (5) a statement that the benefits shall be paid to the creditor to reduce  
3 or extinguish the unpaid debt and that, whenever the amount of insurance benefit  
4 exceeds the unpaid debt, the excess is payable to the debtor, a beneficiary other than  
5 the creditor named by the debtor, or the debtor's estate;

6 (6) an explanation of how refunds are calculated in the event of policy  
7 termination; and

8 (7) if the benefit is not adequate to completely pay off the debt existing  
9 on the date of death or disability, a statement to that effect on the face of the  
10 individual policy or group certificate in not smaller than 10 point, bold face type.

11 \* Sec. 70. AS 21.57.070 is repealed and reenacted to read:

12 **Sec. 21.57.070. REQUIREMENTS FOR EVIDENCE OF INSURANCE. (a)**

13 Unless the individual policy or group certificate of insurance is delivered to the debtor  
14 at the time the debt is incurred or when the debtor elects to purchase coverage, a copy  
15 of the application for the policy or a notice of proposed insurance, signed by the  
16 debtor and setting out (1) the name and home office address of the insurer, (2) the  
17 name of the debtor, (3) the premium rate to be paid by the debtor for the insurance,  
18 and (4) the amount, term, and a brief description of the coverage provided, shall be  
19 delivered to the debtor at the time the debt is incurred or the election to purchase  
20 coverage is made. The copy of the application for or notice of proposed insurance  
21 must refer exclusively to insurance coverage and must be separate and apart from the  
22 loan, sale, other credit statement of account, instrument, or agreement, unless the  
23 information required by this subsection is prominently set out in it. Upon acceptance  
24 of the insurance by the insurer and within 30 days of the date upon which the debt is  
25 incurred or the election to purchase coverage is made, the insurer shall deliver the  
26 individual policy or group certificate of insurance to the debtor. The application or  
27 notice of proposed insurance must state that upon acceptance by the insurer, the  
28 insurance shall become effective as provided in AS 21.57.050(a).

29 (b) The application or notice of proposed insurance may be used to fulfill all  
30 of the requirements of AS 21.57.055(a) and 21.57.060(b) if it contains all of the  
31 information required by those subsections.

1 (c) A debtor has 30 days from the date the debtor receives the individual  
2 policy or the group certificate to review the coverage purchased. At any time within  
3 the 30-day period, the debtor may contact the creditor or insurer issuing the policy or  
4 certificate and request that the coverage be cancelled. An individual policy or group  
5 certificate may require the request be in writing, that the policy or certificate be  
6 returned to the insurer, or both. If a policy is cancelled, the insurer shall return a full  
7 refund or credit of all premiums or insurance charges to the debtor within 30 days.

8 (d) If the named insurer does not accept the risk, the debtor shall receive a  
9 policy or certificate of insurance listing the name and home office address of the  
10 substituted insurer and the amount of the premium to be charged. If the amount of  
11 premium is less than the amount in the notice of proposed insurance, the insurer shall  
12 issue an appropriate refund within 30 days. If the risk is not accepted by an insurer,  
13 a premium paid by the debtor shall be refunded or credited to the debtor within 30  
14 days of the date of application.

15 (e) For the purposes of (a) of this section, an individual policy or group  
16 certificate delivered in conjunction with an open-end consumer credit agreement or  
17 consumer credit insurance requested by the debtor after the date of the debt is  
18 considered to be delivered at the time the debt is incurred or election to purchase  
19 coverage is made if the delivery occurs within 30 days of the date the insurance is  
20 effective.

21 (f) An individual policy or group certificate delivered in conjunction with an  
22 open-end consumer credit agreement shall continue from its effective date through the  
23 term of the agreement unless the individual policy or group certificate is terminated  
24 under its terms at an earlier date.

25 \* Sec. 71. AS 21.57.080 is repealed and reenacted to read:

26 Sec. 21.57.080. FILING OF FORMS AND RATES. (a) An insurance policy,  
27 certificate of insurance, notice of proposed insurance, insurance disclosure notice,  
28 insurance advertisement, application for insurance, endorsement, and rider delivered  
29 or issued for delivery in this state, and the applicable schedules of premium rates shall  
30 be filed with the director before being used.

31 (b) A document required to be filed under (a) of this section must be on file

1 for a waiting period of 30 days before it is used or becomes effective, unless the  
2 director gives prior written approval. This period may be extended for an additional  
3 30 days if the director gives written notice within the waiting period to the insurer  
4 making the filing. The director shall disapprove a filing if the premium rate charged  
5 is not reasonable in relation to benefits or if it contains provisions that are unjust,  
6 unfair, inequitable, misleading, deceptive, encourage misrepresentation of the policy,  
7 or are contrary to a provision of this title or a regulation adopted under this title. A  
8 filing is considered to be approved unless it is disapproved by the director within the  
9 waiting period.

10 (c) If the director notifies the insurer that a document required to be filed  
11 under (a) of this section is disapproved, the insurer may not issue or use any part of  
12 the document. In providing notice of disapproval to the insurer, the director shall  
13 specify the reason for disapproval and indicate that the insurer is entitled to a hearing.

14 (d) The director may, at any time after a hearing, withdraw approval of a filing  
15 on the grounds specified under (b) of this section. The director shall provide the  
16 insurer at least 20 days' prior written notice of a hearing scheduled by the director, and  
17 the notice of the hearing must state the reason for the proposed withdrawal.

18 (e) An insurer may not issue or use a document required to be filed under (a)  
19 of this section after the effective date of a withdrawal of approval under (d) of this  
20 section.

21 (f) If a group policy of consumer credit insurance (1) has been delivered in  
22 this state before July 1, 1994, or (2) has been or is delivered in another state before  
23 or after July 1, 1994, the insurer shall be required to file only the group certificate and  
24 notice of proposed insurance delivered or issued for delivery in this state as specified  
25 in AS 21.57.060(b) and 21.57.070(a).

26 (g) Consumer credit insurance forms used for insurance described under (f) of  
27 this section shall be approved by the director if they conform with the requirements  
28 specified in this section and if the schedules of premium rates applicable to the  
29 insurance evidenced by the certificate or notice are in accordance with the insurer's  
30 schedules of premium rates filed with the director. An item required to be filed under  
31 (a) of this section shall also be filed as specified in this chapter unless the item relates

1 to a group policy that is delivered in another state and the director has determined that  
2 the other state has substantially similar statutes or regulations to this chapter. Upon  
3 this determination, the items required to be filed under (a) of this section shall be filed  
4 for informational purposes. If the director subsequently determines that the  
5 informational filing is not in compliance with the requirements of this chapter, the  
6 insurer may not use the insurance policy, form, certificate, notice of proposed  
7 insurance, disclosure notice, advertisement, application for insurance, endorsement, or  
8 rider.

9 \* Sec. 72. AS 21.57.090 is amended to read:

10 Sec. 21.57.090. PREMIUMS AND REFUNDS. (a) An insurer may revise its  
11 schedules of premium rates from time to time, and file the revised schedules with the  
12 director. An insurer may not issue a consumer credit [LIFE INSURANCE POLICY  
13 OR CREDIT DISABILITY] insurance policy for which the premium rate differs from  
14 [EXCEEDS] that determined by the schedules of the insurer then approved by [ON  
15 FILE WITH] the director.

16 (b) An [EACH] individual policy or group certificate must provide for a  
17 refund in the event of termination of [THAT IF] the insurance [IS TERMINATED]  
18 before the scheduled maturity date of the insurance and upon notice to the insurer.  
19 The [INDEBTEDNESS, ANY] refund of an amount paid by the debtor for insurance  
20 shall be paid or credited promptly to the person entitled to it; provided, however, that  
21 the director shall prescribe a minimum refund and a [NO] refund that would be less  
22 than the minimum need not be made. A refund formula that an insurer desires to  
23 use must provide refunds that are at least as favorable to the debtor as refunds  
24 based on the rule of anticipation. The formula to be used in computing refunds shall  
25 be filed with and approved by the director.

26 (c) If a creditor requires a debtor to make a payment for consumer credit  
27 [LIFE INSURANCE OR CREDIT DISABILITY] insurance and an individual policy  
28 or group certificate of insurance is not issued, the creditor shall immediately give  
29 written notice to the debtor and shall promptly make an appropriate credit to the  
30 account or issue a refund.

31 (d) The amount charged to a debtor for consumer credit [LIFE OR CREDIT

1           **DISABILITY]** insurance may not exceed the premium charged by the insurer, as  
2           computed at the time the charge to the debtor is determined.

3           \* **Sec. 73.** AS 21.57.090 is amended by adding a new subsection to read:

4                   (e) Nothing in this chapter may be construed to authorize a payment for  
5           insurance prohibited under other provisions of law governing credit transactions.

6           \* **Sec. 74.** AS 21.57.120 is amended to read:

7                   **Sec. 21.57.120. SELECTION RIGHTS OF INSURED [EXISTING**  
8           **INSURANCE].** When consumer credit [LIFE INSURANCE OR CREDIT  
9           DISABILITY] insurance is required as additional security for a debt [AN  
10          INDEBTEDNESS], the debtor shall, upon request to the creditor, have the option of  
11          furnishing the required amount of insurance through existing policies of insurance  
12          owned or controlled by the debtor or of procuring and furnishing the required coverage  
13          through an insurer authorized to transact an insurance business in this state.

14          \* **Sec. 75.** AS 21.57 is amended by adding a new section to read:

15                   **Sec. 21.57.125. DUTIES OF AN INSURER.** Except as otherwise prohibited  
16          by law, duties imposed upon an insurer by this chapter may be carried out by a  
17          creditor if the creditor is licensed under AS 21.27 as an insurance producer, a  
18          managing general agent, or a third-party administrator, and transacts business within  
19          the scope of its license on behalf of the insurer.

20          \* **Sec. 76.** AS 21.57.150 is repealed and reenacted to read:

21                   **Sec. 21.57.150. PENALTIES.** (a) In addition to any other penalty provided  
22          by law, a person licensed under AS 21.27 that the director determines under  
23          AS 21.06.170 - 21.06.240 has violated the provisions of this chapter is subject to

24                           (1) a civil penalty equal to the compensation promised, paid, or to be  
25          paid, directly or indirectly, to the licensee in regard to a violation;

26                           (2) either a civil penalty of not more than \$10,000 for a violation or,  
27          if the director determines that the person wilfully violated the provisions of this  
28          chapter, a civil penalty of not more than \$25,000 for a violation; and

29                           (3) denial, nonrenewal, suspension, or revocation of a license.

30                   (b) In addition to any other penalty provided by law, an insurer that the  
31          director determines under AS 21.06.170 - 21.06.240 has violated the provisions of this

1 chapter is subject to

2 (1) a civil penalty equal to the premium earned, directly or indirectly,  
3 by the insurer in regard to a violation;

4 (2) either a civil penalty of not more than \$10,000 for a violation or,  
5 if the director determines that the insurer wilfully violated the provisions of this  
6 chapter, a civil penalty of not more than \$25,000 for a violation; and

7 (3) denial, suspension, or revocation of a certificate of authority.

8 (c) In addition to any other penalty provided by law, any person that the  
9 director determines under AS 21.06.170 - 21.06.240 has violated the provisions of this  
10 chapter is subject to

11 (1) either a civil penalty of not more than \$10,000 for a violation or,  
12 if the director determines that the person wilfully violated the provisions of this  
13 chapter, a civil penalty of not more than \$25,000 for a violation; and

14 (2) denial of a license.

15 \* Sec. 77. AS 21.57.160 is repealed and reenacted to read:

16 Sec. 21.57.160. DEFINITIONS. In this chapter,

17 (1) "agriculture credit transaction commitment" means a binding  
18 agreement to loan money up to a fixed amount as needed for agricultural purposes;

19 (2) "compensation" means commissions, dividends, retrospective rate  
20 credits, service fees, expense allowances or reimbursements, gifts, furnishing  
21 equipment, facilities, goods, or services, or any other form of remuneration resulting  
22 directly from the sale of consumer credit insurance;

23 (3) "consumer credit insurance" means credit life insurance, credit  
24 disability insurance, or credit unemployment insurance;

25 (4) "credit disability insurance" means insurance on a debtor to provide  
26 indemnity for payments or debt becoming due on a specific loan or other credit  
27 transaction while the debtor is disabled;

28 (5) "credit life insurance" means insurance on the life of a debtor under  
29 or in connection with all or a part of a specific loan or other credit transaction;

30 (6) "credit unemployment insurance" means insurance on a debtor to  
31 provide indemnity for payments or debt becoming due on a specific loan or other

1 credit transaction while the debtor is involuntarily unemployed;

2 (7) "credit transaction" means a transaction by which the repayment for  
3 money loaned or a loan commitment made or payment for goods, services, or  
4 properties sold or leased is made at a future date;

5 (8) "creditor" means a person who lends money or who sells or leases  
6 goods, services, property, rights, or privileges, for which payment is arranged through  
7 a credit transaction, and includes a person who is a successor to the right, title, or  
8 interest of the lender, seller, or lessor;

9 (9) "debtor" means a person who borrows money, or purchases or  
10 leases goods, services, property, rights, or privileges for which payment is arranged  
11 through a credit transaction;

12 (10) "educational credit transaction commitment" means a binding  
13 agreement to loan money up to a fixed amount as needed for educational purposes;

14 (11) "gross debt" means the total of the remaining payments owed to  
15 the creditor by the debtor;

16 (12) "identifiable charge" means a charge for consumer credit insurance  
17 that is made to a debtor having the benefit of the insurance, including a charge for  
18 insurance that is disclosed in the consumer credit agreement or other instrument  
19 furnished to the debtor, and any difference in the finance, interest, service, or other  
20 similar charge made to a debtor in a like circumstance, except for their insured or  
21 noninsured status;

22 (13) "net debt" means the amount necessary to liquidate the remaining  
23 debt in a single lump sum payment, excluding all unearned finance charges;

24 (14) "open-end consumer credit" means consumer credit extended by  
25 a creditor under an agreement in which

26 (A) the creditor reasonably contemplates repeated transactions;

27 (B) the creditor imposes a periodic finance charge on an  
28 outstanding unpaid balance; and

29 (C) the amount of consumer credit that may be extended to the  
30 debtor during the term of the agreement, up to any limit set by the creditor, is  
31 generally made available to the extent that any outstanding balance is repaid;

1 (15) "rule of anticipation" means a refund method that results in  
2 refunds equal to the premium cost of scheduled benefits subsequent to the date of  
3 cancellation or termination, computed at the schedule of premium rates in effect on the  
4 date of issue.

5 \* Sec. 78. AS 21.69 is amended by adding new sections to read:

6 Sec. 21.69.645. REDOMESTICATION. (a) An insurer organized under the  
7 laws of another state and admitted to do business in this state may become a domestic  
8 insurer of this state by complying with the requirements of this title relative to the  
9 organization and licensing of a domestic insurer and by designating its principal place  
10 of business at a place in this state.

11 (b) A domestic insurer may, upon approval of the director, transfer its domicile  
12 to another state in which it is admitted to transact the business of insurance. Upon a  
13 transfer as described in this subsection, the insurer shall cease to be a domestic insurer  
14 of this state, but shall be considered admitted to this state. The insurer shall meet the  
15 qualifications to remain admitted to this state for a period of three years or, if ordered  
16 by the director, a longer period. The director may approve a proposed transfer unless  
17 the transfer is not in the interest of the policyholders of the insurer or the insurance  
18 marketplace of this state.

19 (c) Upon transfer of domestic status to or from this state, the certificate of  
20 authority, appointments under AS 21.27.100, rates, and other items that the director  
21 allows, and that are in existence at the time the insurer is licensed to transact the  
22 business of insurance in this state, shall continue in full force and effect and the  
23 insurer shall remain duly qualified to transact the business of insurance in this state.  
24 Outstanding policies of a transferring insurer shall remain in full force and effect and  
25 shall be endorsed with the new name of the company, its new location, and any other  
26 information the director may require. A transferring insurer shall notify the director  
27 of the details of the proposed transfer 30 days before the effective date of the transfer  
28 and shall promptly file any resulting amendments to corporate documents filed or  
29 required to be filed with the director.

30 (d) A transfer of domestic status by merger, consolidation, or any other lawful  
31 method of combination must meet the requirements of AS 21.69.590 or 21.69.600.

1       **The certificate of authority, appointments under AS 21.27.100, rates, and other items**  
2       **that the director allows, and that are in existence at the time the insurer is licensed to**  
3       **transact the business of insurance in this state, shall continue in full force and effect**  
4       **and the insurer shall remain duly qualified to transact the business of insurance in this**  
5       **state. Outstanding policies of a domestic insurer being merged, consolidated, or**  
6       **otherwise combined shall remain in full force and effect and shall be endorsed with**  
7       **the new name of the company, its new location, and any other information the director**  
8       **may require.**

9               **(e) An insurer that is transferring its domicile to this state shall file its revised**  
10       **policy forms for approval under AS 21.42.**

11               **(f) A domestic insurer that is transferring its domicile to another state is not**  
12       **required to file policy forms at the time of transfer if the forms have already been**  
13       **approved under AS 21.42.**

14               **Sec. 21.69.648. VOLUNTARY SURRENDER OF CERTIFICATE OF**  
15       **AUTHORITY. To voluntarily surrender the certificate of authority of a domestic**  
16       **insurer, a request shall be made to the director to extinguish the certificate of authority**  
17       **six months before the planned effective date of the extinguishment of the charter.**  
18       **Before the request is granted, the director shall conduct an examination under**  
19       **AS 21.06.120. The examination shall be completed within 12 months before the**  
20       **effective date of an extinguishment and all issues contained in the examination report**  
21       **must be resolved to the satisfaction of the director. Insurance business of the domestic**  
22       **insurer shall be cancelled or reinsured as required under AS 21.69.610 or 21.69.620.**

23       **\* Sec. 79. AS 21.72 is amended by adding a new section to read:**

24               **Sec. 21.72.125. QUARTERLY STATEMENTS. The director may require a**  
25       **benevolent association to file quarterly financial statements as provided in**  
26       **AS 21.09.205. The statements must exhibit the items and facts required under**  
27       **AS 21.72.120(a).**

28       **\* Sec. 80. AS 21.75 is amended by adding a new section to read:**

29               **Sec. 21.75.135. QUARTERLY STATEMENTS. (a) The director may require**  
30       **a reciprocal insurer's attorney-in-fact to file a quarterly financial statement as provided**  
31       **in AS 21.09.205.**

1 (b) A statement required under (a) of this section shall be supplemented by  
2 information that may be required by the director relative to the affairs and transactions  
3 of the attorney-in-fact that relate to the reciprocal insurer.

4 \* Sec. 81. AS 21.75.170(e) is amended to read:

5 (e) Special meetings of the committee may be called by the attorney-in-fact,  
6 the chair of the committee, three members of the committee, or a signed petition of  
7 at least one percent of the subscribers or three individual subscribers, whichever is  
8 greater, as of the most recent annual report of the reciprocal insurer.

9 \* Sec. 82. AS 21.75.170 is amended by adding a new subsection to read:

10 (g) Notwithstanding (a) of this section, a domestic reciprocal insurer  
11 transacting all of its insurance activities on a subject resident, located, and to be  
12 performed in this state may, with the prior written approval of the director, have a  
13 subscriber's advisory committee that consists of not less than five individuals who are  
14 elected by the subscribers, and who otherwise meet the requirements of (a) of this  
15 section.

16 \* Sec. 83. AS 21.79.900(6) is amended to read:

17 (6) "member insurer" means an insurer licensed to transact insurance  
18 in the state that issues a policy described in AS 21.79.020(a) and (b), or a subscriber  
19 contract providing benefits described in AS 21.87.120(a)(2) - (4) or 21.87.130(a)(2)  
20 and (3), and includes an insurer whose license or certificate of authority in this state  
21 may have been suspended, revoked, not renewed, or voluntarily withdrawn; "member  
22 insurer" does not include

23 (A) a health maintenance organization licensed under  
24 AS 21.86;

25 (B) a fraternal benefit society licensed under AS 21.84;

26 (C) a mandatory state pooling plan;

27 (D) a mutual assessment company or an entity that operates on  
28 an assessment basis;

29 (E) an insurance exchange licensed under AS 21.75; or

30 (F) a nonprofit hospital or medical service organization  
31 licensed under AS 21.87;

1 \* **Sec. 84.** AS 21.80.020 is amended by adding a new subsection to read:

2 (b) This chapter does not apply to a risk retention group formed under 15  
3 U.S.C. 3901 - 3906 (Liability Risk Retention Act).

4 \* **Sec. 85.** AS 21.84.340 is amended by adding a new subsection to read:

5 (d) The director may require a society to file quarterly financial statements.  
6 If quarterly financial statements are required, the statements must follow for a given  
7 quarter the reporting specified in the quarterly financial statement blank form and  
8 instructions most recently approved by the National Association of Insurance  
9 Commissioners.

10 \* **Sec. 86.** AS 21.86.080 is amended by adding new subsections to read:

11 (b) The director may require a health maintenance organization to file quarterly  
12 financial statements. If quarterly financial statements are required, the statements must  
13 follow for a given quarter the reporting specified in the quarterly financial statement  
14 blank form and instructions most recently approved by the National Association of  
15 Insurance Commissioners.

16 (c) A filing under this section is subject to AS 21.09.200 and 21.09.205.

17 \* **Sec. 87.** AS 21.89.030 is amended to read:

18 **Sec. 21.89.030. PAYMENT.** An insurance company doing business in this  
19 state may not pay a judgment or settlement of a claim in this state for a loss incurred  
20 in this state with an instrument other than a negotiable bank check payable on demand  
21 and bearing even date with the date of writing or by electronic funds transfer.

22 \* **Sec. 88.** AS 21.89 is amended by adding new sections to read:

23 **Sec. 21.89.070. ELECTRONIC DATA TRANSFER.** The director may adopt  
24 regulations to facilitate electronic data transfer. Electronic data transferred under  
25 regulations may, at the discretion of the director, be in place of another method of  
26 filing or communication otherwise required under this title.

27 **Sec. 21.89.080. RISK RETENTION GROUPS AND PURCHASING GROUPS.**

28 (a) A risk retention group or a purchasing group formed under and in compliance with  
29 15 U.S.C. 3901 - 3906 (Liability Risk Retention Act) shall register with the director  
30 and shall at all times transact business in compliance with federal law and the laws of  
31 this state.

1 (b) A risk retention group or a purchasing group shall apply for initial  
2 registration on forms prescribed by the director. Payment of a registration fee  
3 established under AS 21.06.250 shall be submitted with the application.

4 (c) A risk retention group or a purchasing group may continue its registration  
5 if it is in compliance with federal law and the laws of this state. Payment of an annual  
6 continuation fee established under AS 21.06.250 shall be submitted with the  
7 continuation application.

8 (d) A risk retention group holding a valid certificate of authority as a domestic  
9 insurer or a purchasing group duly licensed under AS 21.27 as a resident license is not  
10 required to be additionally registered under this section.

11 (e) A risk retention group or purchasing group that is not in compliance with  
12 15 U.S.C. 3901 - 3906 (Liability Risk Retention Act) is not eligible for registration or  
13 annual continuation of its registration.

14 (f) Failure to comply with 15 U.S.C. 3901 - 3906 (Liability Risk Retention  
15 Act) is a violation of this title.

16 (g) In addition to any other penalty provided by law, a person that the director  
17 determines under AS 21.06.170 - 21.06.240 has violated a provision of this title  
18 relative to a risk retention group or a purchasing group is subject to

19 (1) a civil penalty of not more than \$10,000 for a violation or, if the  
20 director determines that the person wilfully violated a provision of this title, a civil  
21 penalty of not more than \$25,000 for a violation; and

22 (2) denial, noncontinuation, or revocation of a registration.

23 (h) The director may adopt regulations on the operation and reporting  
24 requirements of a risk retention group that are not in conflict with 15 U.S.C 3901 -  
25 3906 (Liability Risk Retention Act).

26 \* Sec. 89. AS 21.90.900(26) is amended to read:

27 (26) "managing general agent" means a person, firm, or corporation that

28 (A) has authority to exercise general supervision over the  
29 business, or any part of the business, of one or more admitted insurers; and

30 (B) performs administrative functions normally performed by  
31 the insurer including claims administration and payment, marketing

1 administration, agent appointment, premium accounting, premium billing,  
2 coverage verification, final underwriting authority, or [AND] certificate  
3 issuance;

4 \* Sec. 90. AS 21.27.650(f)(3) and AS 21.36.420 are repealed.

5 \* Sec. 91. AS 21.57.110 and 21.57.170 are repealed.

6 \* Sec. 92. AS 21.09.300(c), enacted in sec. 13 of this Act, has the effect of amending  
7 Alaska Rule of Civil Procedure 45, by providing that certain insurer reports of material  
8 transactions are not subject to subpoena.

9 \* Sec. 93. TRANSITION. This Act applies to a policy of insurance that is entered into  
10 or renewed on or after the effective date of the relevant provision of this Act.

11 \* Sec. 94. Sections 14 and 15 of this Act take effect only if legislation is passed by the  
12 Eighteenth Alaska State Legislature and becomes law that establishes risk based capital  
13 requirements for insurers.

14 \* Sec. 95. If secs. 14 and 15 of this Act take effect, they take effect on the effective date  
15 of the legislation described in sec. 94 of this Act.

16 \* Sec. 96. Sections 63 - 77 and 91 of this Act take effect October 1, 1994.

17 \* Sec. 97. Except as provided in secs. 95 and 96 of this Act, this Act takes effect July 1,  
18 1994.