

COMMITTEE REPORT

HOUSE

Mr. Speaker:

Date March 9

The Committee on FINANCE has had 12 56

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	<u>[Signature]</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

Introduced: 1/15/76
Referred: Commerce and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 582

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to regulation of insurance; and
7 providing for an effective date."

8 BE IN ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 21.06.250(a)(1) is amended by adding a new subparagraph
10 to read:

11 (D) amending certificate of authority.....\$10.

12 * Sec. 2. AS 21.09.070(a) is amended to read:

13 (a) To qualify for authority to transact any one kind of in-
14 surance as defined in ch. 12 of this title, or combination of kinds of
15 insurance as shown below, a foreign insurer, or a domestic insurer
16 applying for its original certificate of authority in this state, or
17 an insurer re-applying for a certificate of authority in this state
18 after having withdrawn from this state for any cause, shall possess
19 and thereafter maintain unimpaired basic paid-in capital stock (if a
20 stock insurer) or unimpaired basic surplus (if a foreign mutual insurer
21 or foreign reciprocal insurer), and shall possess when first so
22 authorized additional funds in surplus as follows:

	Basic Capital	
Kind or Kinds	or	Additional
of Insurance	Basic Surplus	Surplus
Life	<u>\$400,000</u>	<u>\$400,000</u>
[STOCK INSURERS]	[\$200,000]	[\$100,000]
[MUTUAL INSURERS]	[300,000]	[150,000]
Disability	<u>400,000</u>	<u>400,000</u>

1	[STOCK INSURERS]	[200,000]	[100,000]
2	[MUTUAL,]		
3	[RECIPROCAL INSURERS]	[300,000]	[150,000]
4	Life and Disability	<u>500,000</u>	<u>500,000</u>
5	[STOCK INSURERS]	[200,000]	[150,000]
6	[MUTUAL INSURER	[300,000]	[225,000]
7	Property	<u>400,000</u>	<u>400,000</u>
8		[200,000]	[100,000]
9	Casualty <u>excluding vehicle</u>	<u>500,000</u>	<u>500,000</u>
10	[WITHOUT WORKMEN'S		
11	COMPENSATION]	[200,000]	[100,000]
12	[WITH WORKMEN'S		
13	COMPENSATION]	[250,000]	[150,000]
14	<u>Vehicle</u>	<u>400,000</u>	<u>400,000</u>
15	Marine & Transportation	<u>450,000</u>	<u>450,000</u>
16		[200,000]	[100,000]
17	Surety	<u>500,000</u>	<u>500,000</u>
18		[250,000]	[150,000]
19	Title	<u>250,000</u>	<u>250,000</u>
20		[100,000]	[100,000]
21	<u>Any two of the following</u>		
22	<u>kinds of insurance:</u>		
23	<u>property, marine and</u>		
24	<u>transportation, casualty</u>		
25	<u>excluding vehicle,</u>		
26	<u>surety and disability</u>	<u>550,000</u>	<u>550,000</u>
27	<u>Multiple Lines (all lines</u>		
28	<u>excluding life and title</u>		
29	<u>insurance)</u>	<u>750,000</u>	<u>750,000</u>

1	[MULTIPLE LINES (ANY		
2	TWO OR MORE KINDS OF		
3	INSURANCE, OTHER THAN		
4	LIFE OR TITLE INSURANCES)]	[400,000]	[200,000]
5	<u>Legal Expenses</u>	<u>400,000</u>	<u>400,000</u>
6	<u>Mortgage Guarantee</u>	<u>400,000</u>	<u>400,000</u>

7 * Sec. 3. AS 21.09.080 is repealed and re-enacted to read:

8 Sec. 21.09.080. CAPITAL FUNDS REQUIRED - OLD DOMESTIC INSURERS.

9 (a) A domestic insurer holding a valid certificate of authority to
10 transact insurance in this state immediately before the effective date
11 of this Act may continue to transact the same kinds of insurance
12 permitted by the certificate of authority by maintaining after that
13 date unimpaired not less than the same amount of paid-in capital stock
14 (if a stock insurer) or not less than the same amount of surplus (if a
15 mutual or reciprocal insurer) for that authority as required under the
16 laws of this state in force immediately before the effective date of
17 this Act as if the laws had continued in force.

18 (b) Notwithstanding (a) of this section, a domestic insurer
19 holding a valid certificate of authority to transact insurance in this
20 state immediately before July 1, 1966, may continue to transact the
21 same kinds of insurance permitted by the certificate of authority by
22 maintaining after that date unimpaired not less than the same amount
23 of paid-in capital stock (if a stock insurer) or not less than the
24 same amount of surplus (if a mutual or reciprocal insurer) for that
25 authority as required under the laws of this state in force immediately
26 before July 1, 1966, as if the laws had continued in force.

27 (c) An insurer described in (a) or (b) of this section may not,
28 after the effective date of this Act, be granted authority to transact
29 any other or additional kind of insurance unless it, at the time of

1 applying for the authority, fully complies with the requirements as to
2 capital and surplus, as applied to all the kinds of insurance it
3 proposes to transact, as provided under sec. 70 of this chapter as to
4 new domestic insurers.

5 (d) An insurer described in this section may not, after the
6 effective date of this Act, declare a dividend or distribute assets to
7 its shareholders, members, or subscribers until it has a total capital
8 and surplus equal to the total capital and surplus required for a like
9 insurer under sec. 70 of this chapter.

10 * Sec. 4. AS 21.09.090(b) is amended to read:

11 (b) The director may not authorize an insurer to transact
12 insurance in this state unless it makes and thereafter maintains in
13 trust in this state through the director for the protection of all its
14 policyholders or of all its policyholders and creditors, a deposit of
15 cash or securities eligible for deposit under AS 21.24.030 in the
16 amount of no less than \$300,000 [\$200,000], except that

17 (1) insurers authorized to transact insurance and trans-
18 acting insurance immediately before the effective date of this Act
19 [JULY 1, 1966], shall have a period of one year from that date within
20 which to comply with any increase in deposit required under this
21 section;

22 (2) from foreign insurers, in lieu of the deposit or part
23 thereof in this state, the director may [SHALL] accept the certificate
24 in proper form of the public official having supervision over insurers
25 in any other state to the effect that a like deposit or part thereof
26 by the insurer is being maintained in public custody or control under
27 the law in that state in trust for the protection generally of the in-
28 surer's policyholders or its policyholders and creditors, in the
29 United States;

1 (3) from alien insurers, in lieu of the deposit or part
2 thereof in this state, the director shall accept evidence satisfactory
3 to him that the insurer maintains within the United States by way of
4 trust deposits with public depositaries, or in trust institutions
5 acceptable to the director, assets available for discharge of its
6 United States insurance obligations, which assets shall be in an
7 amount not less than the outstanding liabilities of the insurer
8 arising out of its insurance transactions in the United States together
9 with a surplus equal to the larger of the following sums:

10 (A) the largest deposit required by this title to be
11 made by a foreign insurer transacting like kinds of insurance; or

12 (B) \$300,000; which surplus shall for all purposes
13 under this title be considered to be the capital or surplus of
14 the insurer.

15 * Sec. 5. AS 21.12 is amended by adding new sections to read:

16 Sec. 21.12.110. MORTGAGE GUARANTY INSURANCE DEFINED. Mortgage
17 guaranty insurance includes insurance against financial loss by reason
18 of non-payment of principal, interest and other sums agreed to be paid
19 under the terms of any note or bond or other evidence of indebtedness
20 secured by a mortgage, deed of trust or other instrument consisting of
21 a lien or charge on real estate.

22 Sec. 21.12.120. LEGAL EXPENSE INSURANCE DEFINED. Legal expense
23 insurance includes indemnity insurance against expense for the pro-
24 fessional services of licensed lawyers and pre-paid service agreements
25 or contracts between a service corporation and a licensed lawyer or
26 firm under which the lawyer or firm agrees to render all or part of
27 one or more legal services to subscribers of the service corporation
28 for which the subscribers make periodic pre-payments in identifiable
29 amounts to the service corporation.

1 * Sec. 5. AS 21.21 is amended by adding a new section to read:

2 Sec. 21.21.600. DEFINITIONS. In this chapter, unless the
3 context requires otherwise, "domestic insurer" has the same meaning as
4 set out in AS 21.90.070 and, in addition, for the purposes of this
5 chapter, includes an insurer which has been authorized to do business
6 in this state and which, during its three preceding fiscal years taken
7 together, or during any lesser period of time if it has been licensed
8 to transact its business in the State of Alaska only for such lesser
9 periods of time, has written an average of more gross premiums in the
10 State of Alaska than it has written in its state of domicile during
11 the same period, and the gross premiums written constitute 33 per cent
12 or more of its total gross premiums written everywhere in the United
13 States for the three year or lesser period, as reported in its three
14 most recent annual statements.

15 * Sec. 7. AS 21.27.510(a) is amended to read:

16 (a) "Adjuster" means a person who, for compensation as an
17 independent contractor or as an employee of an independent contractor,
18 or for fee or commission, investigates and adjusts claims arising
19 under insurance contracts on behalf of the insurer. An attorney at
20 law who adjusts insurance losses from time to time incidental to the
21 practice of his profession [, OR AN ADJUSTER OF MARINE LOSSES,] or a
22 salaried employee of an insurer [OR OF A GENERAL AGENT] is not con-
23 sidered to be an adjuster for the purposes of this chapter.

24 * Sec. 8. AS 21.33.310(4) is amended to read:

25 (4) insurance of aircraft [OWNED OR OPERATED BY MANUFACTURERS
26 OF AIRCRAFT, OR AIRCRAFT] operated in scheduled interstate flight, or
27 cargo of such aircraft, of insurance against liability, other than
28 workmen's compensation and employers' liability, arising out of the
29 ownership, maintenance or use of the aircraft.

1 # Sec. 9. AS 21.36.190(c) is amended to read:

2 (c) This section does not apply to mortgage guaranty insurance,
3 legal expense insurance, life insurance, disability insurance, or
4 annuity contracts.

5 * Sec. 10. This Act takes effect July 1, 1976.
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The Legislature of the State of Alaska
 FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill Identification: 4B 552
 Title: "An Act Relating To Regulation of Insurance"
 Requested by: Office of the Governor Date: December 31, 1975
 Return Date Requested: January 12, 1976
 Agency: Commerce & Economic Devel. Program: Insurance

II. FISCAL DETAIL

Budget Request Unit(s) Affected: none

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No Fiscal Impact

IV. ATTACHMENTS

V. DATE: January 8, 1976

PREPARED BY: Michael J. Blak

REVIEWED BY: [Signature]

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

The Legislature of the State of Alaska
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. HB 582
 Title: "An Act relating to regulation of insurance"
 Requested by: Office of the Governor Date: 12-10-75
 Return Date Requested: 12-18-75
 Agency: Commerce & Econ. Development Program: Division of Insurance

II. FISCAL DETAIL

Budget Request Unit(s) Affected: NONE

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. ATTACHMENTS

V. DATE: 12/26/75 PREPARED BY: [Signature]

Reviewed By: [Signature]

JAN 15 1976

AB 582

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to make several changes to the insurance statutes as follows: (1) institute a fee for the amendment of a certificate of authority to engage in the business of insurance; (2) modify the financial requirements for an insurer doing business in Alaska; (3) define "mortgage guaranty insurance" and "legal expense insurance"; (4) define "domestic insurer" for investment purposes; (5) define "insurance adjuster" to include an adjuster of marine insurance; and (6) provide for repeal of the exemption from AS 21.33.310(4) for the insurance of aircraft owned or operated by manufacturers of aircraft.

FEE FOR AMENDMENT OF CERTIFICATE OF AUTHORITY TO DO BUSINESS. At the present time AS 21.09.120(b) permits the director of the Division of Insurance to issue a certificate of authority limited to particular types of insurance coverages within the scope of definition under AS 21.12. The director may also amend this certificate according to the insurer's charter under AS 21.09.130(d).

MODIFICATION OF FINANCIAL REQUIREMENTS FOR AN INSURER. The financial requirements set out in AS 21.09.070 - 21.09.090 for an insurer doing business in Alaska have not kept pace with the levels required in other states. Additionally, inflation has had substantial impact since the last change was made in 1966.

We propose to correct this situation by adopting requirements similar to those in Washington and Idaho, in order to assure a greater level of financial responsibility by all insurance companies doing business in Alaska. The requirements are set out in Sections 2, 3, and 4 of the bill.

MORTGAGE GUARANTY INSURANCE AND LEGAL EXPENSE INSURANCE. At the present time the Alaska statutes define the various types of insurance subject to regulation under the law. Periodically, this attempt to enumerate the various types of insurance falls behind developments in the field. The most recent example of this has been the growth of mortgage guaranty insurance and legal expense insurance. Presently, these types of insurance are treated as miscellaneous casualty insurances under AS 21.12.070(a)(14). Sections 5 and 9 of the bill will clarify their status by separately defining them. This approach has been adopted in many other jurisdictions. The definitions proposed here are similar to those adopted by Wisconsin.

As a practical matter, legal expense insurance can best be written on a pre-paid group basis. Unfortunately, this is presently denied to Alaskans by the fictitious group statute (AS 21.36.190). We propose to amend this statute to permit this type of insurance.

DEFINITION OF "DOMESTIC INSURER" FOR INVESTMENT PURPOSES. AS 21.21 applies to investments by domestic insurers only. It has become increasingly apparent that insurers incorporated in other states, i.e., foreign corporations, can do a sizable portion of their business in Alaska and avoid the strictures of AS 21.21. Therefore, we feel the definition of domestic insurer should be expanded to cover insurers who do more than a specified percentage of their business in Alaska. Section 6 of this bill accomplishes this objective.

DEFINITION OF "INSURANCE ADJUSTER" TO INCLUDE AN ADJUSTER OF MARINE INSURANCE. Over the past few years we have noted an increasing number of complaints involving marine losses in which the State has been unable to be of adequate assistance. AS 21.27.510(a), the definition of "adjuster," provides an exception for adjusters of marine losses. If there is an unreasonable delay in the settlement of a marine loss which is due to action or lack of action on the part of a marine adjuster, we presently have no authority to require his correction of the situation.

This is not as great a problem with admitted carriers as it is with non-admitted or surplus line carriers. Admitted carriers have a much tighter line of communication and will often use their own adjusters or more closely supervise independent adjusters. The non-admitted carriers pose a different problem. There are often several carriers on a single loss and those carriers are usually foreign ones. This makes the use of their own adjusters and supervision of independent adjusters virtually impossible.

We propose removal of this exception through Section 7 of the bill, thereby making marine adjusters subject to testing, licensing and regulation by the Division of Insurance.

REPEAL OF EXEMPTION OF AIRCRAFT OWNED BY MANUFACTURER. AS 21.33.310(4) provides an exemption from the surplus line insurance law (AS 21.33) for the insurance of aircraft owned or operated by manufacturers of aircraft. Research indicates that this section of law was modeled after Washington's. This exemption appears in their law as a concession to the Boeing Corporation.

We have found that several of our large air cargo companies have used this section as a loophole to avoid payment of the premium tax required under AS 21.33.230. These companies lease aircraft from the manufacturer or purchase aircraft on contract with the title of the aircraft retained by the manufacturer until equity of the operator reaches an agreed upon level. The operators furnish their own pilots and insurance but declare themselves exempt from the tax due to the exemption above. However, user-owner aircraft are subject to the tax.

In November 1970, the Division of Insurance conducted an investigation which brought one actual case to light. The annual indicated tax loss to the State of Alaska for that one case was about \$50,000. We feel that this loophole should be closed. Section 8 of the bill deletes this exemption.

Sincerely,

Jay S. Hammond
Governor