

HB 820

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

JAY S. HAMMOND, Governor

DIVISION OF INSURANCE / POUCH D— JUNEAU 99801

February 24, 1976

Alaska State House of Representatives
Commerce Committee
In Session
Juneau, Alaska

Gentlemen:

Re: House Bill 820

This measure would permit the creation of a cooperative under Title 10 of Alaska Statutes for the purpose of engaging in the business of insurance.

The purpose for prohibiting the formation of a cooperative from engaging in the business of insurance under Title 10 is that the formation of entities which engage in the business of insurance is regulated under Title 21 by the Division of Insurance.

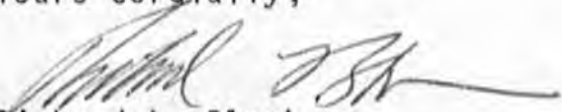
It is necessary, of course, that any entity which markets insurance even to its own members, must comply with the financial responsibility requirements, reporting requirements, rate law requirements and so forth.

As a matter of fact, in Title 21 there are already provisions which permit the creation of insurance mechanisms which, though not called cooperatives, are very similar. For example, a mutual insurance company is an insurance mechanism owned by the persons who purchased insurance. The policyholders are considered its members and entitled to participate in the distribution of earnings of the insuring entity.

A reciprocal is likewise a mutual pooling and sharing of risks among all those that participate.

In short, the creation of a cooperative insurance mechanism is already authorized in Alaska law but it is now, and ought to remain, under Title 21 and regulated as all other insuring entities for the protection of policyholders.

Yours cordially,


Richard L. Block
Director

cc: Pam Knode, Information Officer
Representative Kathryn Ostrosky