

HB

554

COMMITTEE REPORT

1/29/76

HOUSE

Mr. Speaker:

Date March 24, 1976

The Committee on JUDICIARY has had HB NO. 554

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 40-11 AND THAT

CS FOR 40-11 DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

[Signature] \_\_\_\_\_  
[Signature] \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

3/24  
Milton

Original Sponsor: Rules Committee  
by request of the Governor

Offered: 1/29/76  
Referred: Judiciary

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 554

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 holding  
7 companies; and providing for an effective date."

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

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

10 CHAPTER 22. INSURANCE HOLDING COMPANIES.

11 Sec. 21.22.010. FILING REQUIREMENTS FOR ACQUISITION OF CONTROL  
12 OF OR MERGER WITH DOMESTIC INSURER. (a) Until the provisions of (b)  
13 of this section have been fulfilled, no person may:

14 (1) make a tender or an offer for or a request or an invita-  
15 tion for tenders of, or enter into any agreement to exchange securities  
16 for, seek to acquire, or acquire, in the open market or otherwise, any  
17 voting security of a domestic insurer if, after the purchase, the  
18 person would, directly or indirectly or by conversion or by exercise  
19 of any right to acquire, be in control of the insurer; or

20 (2) enter into an agreement to merge with or otherwise to  
21 acquire control of a domestic insurer.

22 (b) A statement containing the information outlined in sec. 20  
23 of this chapter shall be filed by the person making a proposal des-  
24 cribed in (a) of this section with the director before the time copies  
25 of the proposal are first published, sent, or given to security holders  
26 of the insurer. The insurer must publish, send, or give copies of the  
27 statement to the insurer's stockholders. The proposal is subject to  
28 approval by the director as outlined in sec. 30 of this chapter.

29 (c) If a proposal referred to in (a) of this section is to be

1 made by means of a registration statement under the Securities Act of  
2 1933 or in circumstances requiring the disclosure of similar information  
3 under the Securities Exchange Act of 1934, or under a state law requir-  
4 ing similar registration or disclosure, the person required to file the  
5 statement referred to in (b) of this section may use those documents in  
6 furnishing the information called for by that statement. However, the  
7 director may require the person making the proposal to produce other  
8 information the director considers necessary to carry out his duties  
9 under this chapter.

10 (d) If the person required to file the statement referred to in  
11 (b) of this section is a partnership, limited partnership, syndicate  
12 or other group, the director may require that the information be given  
13 with respect to each

- 14 (1) partner of the partnership or limited partnership;
- 15 (2) member of the syndicate or group; and
- 16 (3) person who controls a partner or member.

17 (e) If any person, partner or member required to file the state-  
18 ment referred to in (b) of this section is a corporation, the director  
19 may require that the information be given with respect to

- 20 (1) that corporation;
- 21 (2) each officer and director of that corporation; and
- 22 (3) each person who is directly or indirectly the benefi-  
23 cial owner of more than 10 per cent of the outstanding voting securi-  
24 ties of that corporation.

25 (f) If any material change occurs in the facts set out in the  
26 statement filed with the director and sent to the insurer under this  
27 section, an amendment setting out the change, together with copies of  
28 all documents and other material relevant to the change, shall be  
29 filed with the director and sent to the insurer within two business

1 days after the person learns of the change. The insurer shall send  
2 the amendment to its shareholders.

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

4 (1) any offer of, request for, invitation for, agreement re-  
5 garding, or acquisition of a voting security which, immediately before  
6 the consummation of the offer, request, invitation, agreement or  
7 acquisition, was not issued and outstanding; or

8 (2) any offer, request, invitation, agreement or acquisition  
9 which the director by order may exempt as not having been made or  
10 entered into for the purpose and not having the effect of changing or  
11 influencing the control of the domestic insurer.

12 (h) For the purposes of this section, "domestic insurer" includes  
13 any person controlling a domestic insurer unless that person is either  
14 directly or through its affiliates primarily engaged in business other  
15 than the business of insurance.

16 Sec. 21.22.020. CONTENT OF STATEMENT FOR ACQUISITION OR MERGER  
17 FILING. The statement to be filed with the director as required in  
18 sec. 10 of this chapter shall be made under oath or affirmation and  
19 shall contain the following information:

20 (1) the name and address of each person by whom or on whose  
21 behalf the merger or other acquisition of control referred to in sec.  
22 10 of this chapter is to be effected, who will be called the "ac-  
23 quiring party", as follows:

24 (A) if the person is an individual, his principal  
25 occupation and all offices and positions held during the past  
26 five years, and all <sup>felony convictions and misdemeanors</sup> convictions of crimes other than minor traffic  
27 violations during the past 10 years;

28 (B) if the person is not an individual,

29 (1) a report of the nature of its business opera-

*felony convictions and misdemeanors*

1 tions during the past five years or for whatever lesser  
2 period the person and any of its predecessors have been in  
3 existence;

4 (ii) an informative description of the business  
5 intended to be done by the person and the person's subsidi-  
6 aries; and

7 (iii) a list of all individuals who are or who  
8 have been selected to become directors or executive officers  
9 of the person, or who perform or will perform functions  
10 appropriate to those positions; the list shall include for  
11 each such individual the information required by (A) of this  
12 paragraph;

13 (2) a description of the consideration used or to be used  
14 in effecting the merger or other acquisition of control, including:

15 (A) the source, nature and amount;

16 (B) a description of any transaction in which funds  
17 were or are to be obtained for any such purpose; and

18 (C) the identity of persons furnishing the considera-  
19 tion; however, if a source of the consideration is a loan made in  
20 the lender's ordinary course of business, the director shall keep  
21 the identity of the lender confidential, if the person filing the  
22 statement so requests;

23 (3) fully audited financial information as to the earnings  
24 and financial condition of each acquiring party for the preceding five  
25 fiscal years or for whatever lesser period that an acquiring party and  
26 any predecessors of that acquiring party have been in existence, and  
27 similar unaudited information as of a date not earlier than 90 days  
28 before the filing of the statement;

29 (4) any plans or proposals which each acquiring party may

1 have to

2 (A) liquidate the insurer;

3 (B) sell its assets or merge or consolidate it with  
4 any person; or

5 (C) make any other material change in its business or  
6 corporate structure or management;

7 (5) the number of shares of any security referred to in  
8 sec. 10 of this chapter which each acquiring party proposes to acquire,  
9 and the terms of the offer, request, invitation, agreement, or acquisi-  
10 tion referred to in this chapter, and a statement as to the method by  
11 which the fairness of the proposal was determined;

12 (6) the amount of each class of any security referred to in  
13 sec. 10 of this chapter which is beneficially owned or concerning  
14 which there is a right to acquire beneficial ownership by each ac-  
15 quiring party;

16 (7) a full description of any contracts, arrangements or  
17 understandings with respect to any security referred to in sec. 10 of  
18 this chapter in which an acquiring party is involved, including but  
19 not limited to transfer of any of the securities, joint ventures, loan  
20 or option arrangements, puts or calls, guarantees of loans, guarantees  
21 against loss or guarantees of profits, division of losses or profits,  
22 or the giving or withholding of proxies; this description shall  
23 identify the persons with whom those contracts, arrangements or under-  
24 standings have been entered into;

25 (8) a description of the purchase of any security referred  
26 to in sec. 10 of this chapter during the 12 calendar months preceding  
27 the filing of the statement, by any acquiring party, including the  
28 dates of purchase, names of the purchasers, and consideration paid or  
29 agreed to be paid;

1 (9) a description of any recommendations to purchase a  
2 security referred to in sec. 10 of this chapter made during the 12  
3 calendar months preceding the filing of the statement, by an acquiring  
4 party, or by anyone based upon interviews or at the suggestion of the  
5 acquiring party;

6 (10) copies of all tender offers for, requests or invita-  
7 tions for tenders of exchange offers for, and agreements to acquire or  
8 exchange any securities referred to in sec. 10 of this chapter, and,  
9 if distributed, of additional soliciting material

10 (11) the terms of any agreement, contract or understanding  
11 made with a broker-dealer as to solicitation of securities referred to  
12 in sec. 10 of this chapter for tender, and the amount of any fees,  
13 commissions or other compensation to be paid to a broker-dealer;

14 (12) any additional information as the director may by  
15 order or regulation prescribe as necessary or appropriate for the  
16 protection of policyholders and securityholders of the insurer or in  
17 the public interest.

18 Sec. 21.22.030. APPROVAL BY DIRECTOR; HEARINGS. (a) The  
19 director shall approve a merger or other acquisition of control referred  
20 to in sec. 10 of this chapter unless, after a public hearing he finds  
21 that:

22 (1) after the change of control, the domestic insurer  
23 referred to in sec. 10 of this chapter would not be able to satisfy  
24 the requirements for the issuance of a license to write the line or  
25 lines of insurance for which it is presently licensed;

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

29 (3) the financial condition of an acquiring party is such

1 that it might jeopardize the financial stability of the insurer, or  
2 prejudice the interest of its policyholders or the interests of any  
3 remaining securityholders who are unaffiliated with the acquiring  
4 party;

5 (4) the terms of the offer, request, invitation, agreement-  
6 or acquisition referred to in sec. 10 of this chapter are unfair and  
7 unreasonable to the securityholders of the insurer;

8 (5) the plans or proposals which the acquiring party has to  
9 liquidate the insurer, sell its assets or consolidate or merge it with  
10 any person, or to make any other material change in its business or  
11 corporate structure or management, are unfair and unreasonable to  
12 policyholders of the insurer and not in the public interest; or

13 (6) the competence, experience and integrity of those  
14 persons who would control the operation of the insurer are such that  
15 it would not be in the interest of policyholders of the insurer and of  
16 the public to permit the merger or other acquisition of control.

17 (b) The purchase, merger or other acquisition of control re-  
18 ferred to in sec. 10(a) of this chapter may not be made until the  
19 director either approves the transaction within 60 days after the  
20 statement required by sec. 10(b) of this chapter has been filed with  
21 him or he fails to disapprove the transaction within the 60-day period.

22 Sec. 21.22.040. MAILINGS TO SHAREHOLDERS; PAYMENT OF EXPENSES.  
23 All statements, amendments or other material filed under sec. 10 of  
24 this chapter, and all notices of public hearings held under sec. 30 of  
25 this chapter, shall be mailed by the insurer to its shareholders  
26 within five business days after the insurer has received those state-  
27 ments, amendments, other materials, or notices. The expenses of  
28 mailing shall be borne by the person making the filing. As security  
29 for the payment of those expenses, the person making the filing shall

1 file with the director an acceptable bond or other deposit in an  
2 amount to be determined by the director.

3 Sec. 21.22.050. JURISDICTION; CONSENT TO SERVICE OF PROCESS.

4 The courts of this state are given jurisdiction over every person not  
5 resident, domiciled or authorized to do business in this state who  
6 files a statement with the director under this chapter, and over all  
7 actions involving that person arising out of violations of this  
8 chapter, and each person is considered to have performed acts equiva-  
9 lent to and constituting an appointment of the director to be his  
10 lawful attorney upon whom may be served all lawful process in any  
11 action or proceeding arising out of a violation of this chapter.  
12 Copies of all lawful process shall be transmitted by registered or  
13 certified mail by the director to the person at his last known address.

14 Sec. 21.22.060. REGISTRATION REQUIRED. (a) Every insurer which  
15 is authorized to do business in this state and which is a member of an  
16 insurance holding company system shall register with the director. An  
17 insurer which is subject to registration under this section shall  
18 register within 60 days after the effective date of this chapter or 15  
19 days after it becomes subject to registration, whichever is later,  
20 unless the director for good cause shown extends the time for regis-  
21 tration; if the time is extended, the insurer must register within the  
22 extended time.

23 (b) Every insurer subject to registration shall file a regis-  
24 tration statement on a form provided by the director, which must con-  
25 tain current information about:

26 (1) the capital structure, general financial condition,  
27 ownership and management of the insurer and any person controlling the  
28 insurer;

29 (2) the identity of every member of the insurance holding

1 company system;

2 (3) the following agreements in force, relationships sub-  
3 sisting, and transactions currently outstanding between the insurer  
4 and its affiliates:

5 (A) loans, other investments, or purchases, sales or  
6 exchanges of securities of the affiliates by the insurer or of  
7 the insurer by its affiliates;

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

9 (C) transactions not in the ordinary course of business;

10 (D) guarantees or undertakings for the benefit of an  
11 affiliate which result in an actual contingent exposure of the  
12 insurer's assets to liability, other than insurance contracts  
13 entered into in the ordinary course of the insurer's business;

14 (E) all management and service contracts and all cost-  
15 sharing arrangements, other than cost allocation arrangements  
16 based upon generally accepted accounting principles; and

17 (F) reinsurance agreements covering all or substan-  
18 tially all of one or more lines of insurance of the ceding company;

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

22 (c) The director may permit an authorized insurer which is a  
23 member of a holding company system subject to registration under the  
24 laws or regulations of its state of domicile which are in the opinion  
25 of the director substantially similar to those contained in this chapter  
26 to satisfy the requirements of (a) of this section by filing a statement  
27 in accordance with the laws of its state of domicile except that the  
28 director may at any time require a copy of that statement be filed with  
29 the director.

1 (d) No information need be disclosed on the registration state-  
2 ment filed under (b) of this section if that information is not material  
3 for the purposes of this section. Unless the director by regulation  
4 or order provides otherwise, sales, purchases, exchanges, loans or  
5 extensions of credit, or investments, involving one-half of one per  
6 cent of an insurer's admitted assets or, five per cent of the policy-  
7 holder's surplus as of the 31st day of December of the calendar year in  
8 which the transaction took place are not considered material for purposes  
9 of this section.

10 (e) Each registered insurer shall keep current the information  
11 required to be disclosed in its registration statement by reporting  
12 all material changes or additions on amendment forms provided by the  
13 director within 30 days after the end of the month in which it learns  
14 of each change or addition; however, subject to sec. 100 of this  
15 chapter, each registered insurer shall report all dividends and other  
16 distributions to shareholders within two business days following their  
17 declaration.

18 (f) The director shall terminate the registration of an insurer  
19 which demonstrates that it no longer is a member of an insurance  
20 holding company system.

21 (g) The director may require or allow two or more affiliated  
22 insurers subject to registration under this section to file a consoli-  
23 dated registration statement or consolidated reports amending their  
24 consolidated registration statement or their individual registration  
25 statements.

26 (h) The director may allow an insurer which is authorized to do  
27 business in this state and which is part of an insurance holding  
28 company system to register on behalf of an affiliated insurer which is  
29 required to register under (a) of this section and to file all infor-

1 mation and material required to be filed under this section.

2 (I) This section does not apply to any insurer, information or  
3 transaction to the extent that the director by regulation or order  
4 exempts the insurer, information or transaction from this section.

5 (J) A person may file with the director a disclaimer of affilia-  
6 tion with an authorized insurer or the disclaimer may be filed by the  
7 insurer or a member of an insurance holding company system. The  
8 disclaimer shall fully disclose all material relationships and bases  
9 for affiliation between that person and that insurer as well as the  
10 basis for disclaiming the affiliation. After a disclaimer has been  
11 filed, the insurer is relieved of any duty to register or report under  
12 this section which may arise out of the insurer's relationship with  
13 that person until the director disallows the disclaimer. The director  
14 shall disallow a disclaimer only after furnishing all parties in  
15 interest with notice and opportunity to be heard and after making  
16 specific findings of fact to support the disallowance.

17 Sec. 21.22.070. REVIEW BY DIRECTOR. If at any time the director  
18 determines that any material transaction entered into between an  
19 insurer and any of its affiliates does not meet the standards set out  
20 in sec. 80 of this chapter, the director may, after hearings conducted  
21 in accordance with ch. 6 of this title, require the insurer and the  
22 affiliate to terminate, set aside, or modify the transaction as con-  
23 sidered appropriate by the director to make the transaction conform to  
24 those standards. An insurer may submit a proposed material transaction  
25 to the director for review and the director may issue an opinion that  
26 the transaction meets the standard set out in sec. 80 of this chapter.  
27 The opinion shall create a rebuttable presumption that neither the in-  
28 surer, director, officer, employee, nor agent committed a wilful viola-  
29 tion of this chapter by entering into the transaction. The opinion

1 does not prohibit the director from subsequently exercising his author-  
2 ity in this section.

3 Sec. 21.22.080. TRANSACTIONS WITH AFFILIATES. Material trans-  
4 actions by registered insurers with their affiliates are subject to the  
5 following standards:

6 (1) the terms shall be fair and reasonable;

7 (2) the books, accounts and records of each party shall be  
8 maintained so as to disclose clearly and accurately the precise nature  
9 and details of the transactions; and

10 (3) the insurer's surplus as regards policyholders follow-  
11 ing any dividends or distributions to shareholder affiliates or perform-  
12 ance under a material transaction with an affiliate shall be reasonable  
13 in relation to the insurer's outstanding liabilities and adequate to its  
14 financial needs.

15 Sec. 21.22.090. ADEQUACY OF SURPLUS. For the purposes of this  
16 chapter, in determining whether an insurer's surplus as regards policy-  
17 holders is reasonable in relation to the insurer's outstanding liabili-  
18 ties and adequate to its financial needs, the following factors, among  
19 others, shall be considered:

20 (1) the size of the insurer as measured by its assets,  
21 capital and surplus, reserves, premium writings, insurance in force  
22 and other appropriate criteria;

23 (2) the extent to which the insurer's business is diversal-  
24 fied among the several lines of insurance;

25 (3) the number and size of risks insured in each line of  
26 business;

27 (4) the extent of the geographical dispersion of the  
28 insurer's insured risk;

29 (5) the nature and extent of the insurer's reinsurance

1 program;

2 (6) the quality, diversification, and liquidity of the  
3 insurer's investment portfolio;

4 (7) the recent past and projected future trend in the size  
5 of the insurer's surplus as regards policyholders;

6 (8) the surplus as regards policyholders maintained by  
7 other comparable insurers;

8 (9) the adequacy of the insurer's reserves; and

9 (10) the quality and liquidity of investments in subsi-  
10 diaries made under AS 21.21; the director may treat any such investment  
11 as a disallowed asset for purposes of determining the adequacy of  
12 surplus as regards policyholders whenever in his judgment the invest-  
13 ment warrants it.

14 Sec. 21.22.100. DIVIDENDS AND OTHER DISTRIBUTIONS. (a) No  
15 domestic insurer subject to registration under sec. 60 of this chapter  
16 may pay any extraordinary dividend or make any other extraordinary  
17 distribution to its shareholders until

18 (1) 30 days after the director has received notice of the  
19 declaration of the dividend or distribution and has not within that  
20 period disapproved its payment; or

21 (2) the director has approved its payment within the 30-  
22 day period.

23 (b) For purposes of this section, an extraordinary dividend or  
24 distribution includes any dividend or distribution of cash or other  
25 property, the fair market value of which together with that of other  
26 dividends or distributions made within the preceding 12 months exceeds  
27 the greater of

28 (1) 10 per cent of the insurer's surplus as regards policy-  
29 holders as of December 31 of the preceding year; or

1 (2) the net gain from operations of the insurer, if the  
2 insurer is a life insurer, or the net investment income, if the  
3 insurer is not a life insurer, for the 12-month period ending  
4 December 31 of the preceding year, but does not include pro rata  
5 distributions of any class of the insurer's own securities.

6 (c) Notwithstanding AS 21.69.490, an insurer may declare an  
7 extraordinary dividend or distribution which is conditional upon the  
8 director's approval. A declaration confers no rights upon shareholders  
9 until

10 (1) the director has approved the payment of the dividend  
11 or distribution; or

12 (2) the director has not disapproved the payment within the  
13 30-day period referred to in (a) of this section.

14 Sec. 21.22.110. EXAMINATION. (a) Subject to the limitation in  
15 (b) of this section, the director may order an insurer registered  
16 under sec. 60 of this chapter to produce records, books, or other  
17 information or papers in the possession of the insurer or its affiliates  
18 as are necessary to ascertain the financial condition or legality of  
19 conduct of the insurer. If an insurer fails to comply with the  
20 director's order, the director may examine the insurer's affiliates to  
21 obtain the information he requires.

22 (b) The director shall exercise his power under (a) of this  
23 section only if the examination of the insurer under AS 21.06.120 --  
24 21.06.170 is inadequate or the interests of the policyholders of the  
25 insurer may be adversely affected.

26 (c) The director may retain, at the registered insurer's expense,  
27 attorneys, actuaries, accountants and other experts not otherwise a  
28 part of the director's staff as may be necessary to assist in the con-  
29 duct of an examination under (a) of this section. Any persons so

1 retained are under the direction and control of the director and shall  
2 act in a purely advisory capacity.

3 (d) Each registered insurer producing for examination records,  
4 books, and papers under (a) of this section is liable for and shall  
5 pay the expense of an examination in accordance with AS 21.06.160.

6 Sec. 21.22.120. CONFIDENTIAL TREATMENT. All information, docu-  
7 ments and copies of the information and documents obtained by or  
8 disclosed to the director or any other person in the course of an  
9 examination or investigation made under sec. 110 of this chapter and  
10 all information reported under sec. 60 of this chapter, shall be given  
11 confidential treatment and may not be made public by the director or  
12 any other person, except to insurance departments of other states,  
13 without the prior written consent of the insurer to which it pertains.  
14 However, if the director, after giving the insurer and its affiliates  
15 who would be affected by publication of the information notice and  
16 opportunity to be heard, determines that the interests of policy-  
17 holders, shareholders or the public will be served by the publication  
18 of the information, he may publish all or any part of the information  
19 in the manner he considers appropriate.

20 Sec. 21.22.130. REGULATIONS. The director may adopt regulations  
21 to carry out the provisions of this chapter.

22 Sec. 21.22.140. INJUNCTIONS. If it appears to the director that  
23 an insurer or a director, officer, employee or agent of an insurer has  
24 violated or is about to violate this chapter or a regulation adopted  
25 or an order issued by the director under this chapter, the director  
26 may apply to the superior court in the judicial district in which the  
27 principal office of the insurer is located or if the insurer has no  
28 office in this state then to the superior court in the first judicial  
29 district for an order enjoining the insurer or a director, officer,

1 employee or agent of the insurer from the violation, and for other  
2 relief as the nature of the case and the interests of the insurer's  
3 policyholders, creditors and shareholders or the public may require.

4 Sec. 21.22.150. VOTING OF SECURITIES; WHEN PROHIBITED. (a) No  
5 security which is the subject of any agreement or arrangement regard-  
6 ing acquisition, or which is acquired or to be acquired, in contra-  
7 vention of this chapter or a regulation adopted or an order issued by  
8 the director under this chapter may be voted at a shareholders' meeting  
9 or may be counted for quorum purposes, and any action of shareholders  
10 requiring the affirmative vote of a percentage of shares may be taken  
11 as though those securities were not issued and outstanding; but no  
12 action taken at such a meeting may be invalidated by the voting of  
13 those securities, unless the action would materially affect control of  
14 the insurer or unless the courts of this state have so ordered.

15 (b) If an insurer or the director has reason to believe that a  
16 security of the insurer has been or is about to be acquired in con-  
17 travention of this chapter or a regulation adopted or an order issued  
18 by the director under this chapter, the insurer or the director may  
19 apply to the superior court in the first judicial district or the  
20 superior court in the judicial district in which the insurer has its  
21 principal place of business to enjoin any offer, request, invitation,  
22 agreement or acquisition made in contravention of this chapter or a  
23 regulation adopted or an order issued by the director under this  
24 chapter, to enjoin the voting of any security so acquired, to void any  
25 vote of a security already cast at a meeting of shareholders, and for  
26 other relief as the nature of the case and the interests of the  
27 insurer's policyholders, creditors and shareholders or the public may  
28 require.

29 Sec. 21.22.160. SEQUESTRATION OF VOTING SECURITIES. If a

1 person has acquired or is proposing to acquire voting securities in  
2 violation of this chapter or a regulation adopted or an order issued  
3 by the director under this chapter, the insurer or the director may  
4 make an application in the superior court in the first judicial district  
5 or the superior court in the judicial district in which the insurer  
6 has its principal place of business to seize or sequester any voting  
7 securities of the insurer owned directly or indirectly by that person,  
8 and the court may issue an order with respect to those securities as  
9 may be appropriate to effectuate this chapter. For the purposes of  
10 this chapter the situs of the ownership of the securities of domestic  
11 insurers is considered to be in this state.

12 **PENALTIES.**

13 Sec. 21.22.170. CRIMINAL PROCEEDINGS. If it appears to the  
14 director that an insurer or a director, officer, employee or agent of  
15 the insurer has committed a wilful violation of this chapter, the  
16 director may cause criminal proceedings to be instituted in the  
17 superior court in the judicial district in which the principal office  
18 of the insurer is located or, if the insurer has no such office in the  
19 state, then in the superior court in the first judicial district  
20 against the insurer or the responsible director, officer, employee or  
21 agent of the insurer. An insurer [which is] guilty of a wilful violation  
22 of this chapter is, upon conviction, punishable by a fine of not more  
23 than \$10,000. A person who is not an insurer and who is guilty of a  
24 wilful violation of this chapter is, upon conviction, punishable by a  
25 fine of not more than \$5,000 or, if the wilful violation involves the  
26 deliberate perpetration of a fraud upon the director, by imprisonment  
27 for not more than two years, or by both fine and imprisonment.

28 Sec. 21.22.180. RECEIVERSHIP. If it appears to the director  
29 that a person has committed a violation of this chapter which so  
impairs the financial condition of a domestic insurer as to threaten

1 insolvency or make the further transaction of business by it hazardous  
2 to its policyholders, creditors, shareholders, or the public, then the  
3 director may proceed as provided in ch. 78 of this title to take  
4 possession of the property of that domestic insurer and to conduct its  
5 business.

6 Sec. 21.22.190. REVOCATION, SUSPENSION, OR NON-RENEWAL OF IN-  
7 SURER'S AUTHORITY. If ~~it appears to the director,~~ <sup>finds</sup> that a person has  
8 committed a violation of this chapter which makes the continued  
9 operation of an insurer contrary to the interests of its policyholders  
10 or the public, the director may, [after giving notice and an opportunity  
11 to be heard,] suspend, revoke or refuse to renew the insurer's license  
12 or authority to do business in this state for a period that he finds  
13 is required for the protection of policyholders or the public. Such a  
14 determination by the director shall be accompanied by specific findings  
15 of fact and conclusions of law. K

16 Sec. 21.22.200. DEFINITIONS. In this chapter, unless the con-  
17 text requires otherwise

18 (1) "affiliate" or "affiliated" means a person who directly,  
19 or indirectly through one or more intermediaries, controls, or is  
20 controlled by, or is under common control with, the persons specified;

21 (2) "control", "controlling", "controlled by", and "under  
22 common control with" means the possession, direct or indirect, of the  
23 power to direct or cause the direction of the management and policies  
24 of a person, whether through the ownership of voting securities, by  
25 contract other than a commercial contract for goods or non-management  
26 services, or otherwise, unless the power is the result of an official  
27 position with or corporate office held by the person; "control" is  
28 presumed to exist if any person, directly or indirectly, owns, con-  
29 trols, holds with the power to vote, or holds proxies representing, 10

1 per cent or more of the voting securities of any other person; this  
2 presumption may be rebutted by a showing made in the manner provided  
3 by sec. 60(j) of this chapter that control does not exist in fact; the  
4 director may determine, after furnishing all persons in interest  
5 notice and opportunity to be heard and making specific findings of  
6 fact to support that determination, that control exists in fact,  
7 notwithstanding the absence of a presumption to that effect;

8 (3) "director" means Director of the Division of Insurance  
9 of the Department of Commerce and Economic Development;

10 (4) "domestic insurer" has the same meaning as set out in AS  
11 21.90.070 and, in addition, for the purposes of this chapter, includes  
12 an insurer which has been authorized to do business in this state and  
13 which, during its three preceding fiscal years taken together, or  
14 during any lesser period of time if it has been licensed to transact  
15 its business in the State of Alaska only for a lesser period of time,  
16 has written an average of more gross premiums in the State of Alaska  
17 than it has written in its state of domicile during the same period,  
18 and the gross premiums written constitute 33 per cent or more of its  
19 total gross premiums written everywhere in the United States for the  
20 three-year or lesser period, as reported in its three most recent  
21 annual statements;

22 (5) "insurance holding company system" means a system  
23 consisting of two or more affiliated persons, one or more of which is  
24 an insurer;

25 (6) "insurer" has the same meaning as set out in AS 21.-  
26 90.040, except that it does not include agencies, authorities or  
27 instrumentalities of the United States, its possessions and territories,  
28 the Commonwealth of Puerto Rico, the District of Columbia, a state or  
29 political subdivision of a state;

1 (7) "person" means an individual, a corporation, a partner-  
2 ship, an association, a joint stock company, a trust, an unincorporated  
3 organization, any similar entity or any combination of these entities  
4 acting in concert, but does not include a securities broker performing  
5 no more than the usual and customary broker's function;

6 (8) "security holder" means one who owns any security of a  
7 specified person, including common stock, preferred stock, debt  
8 obligations, and any other security convertible into or evidencing the  
9 right to acquire any of them;

10 (9) "subsidiary" means an affiliate controlled by a specified  
11 person directly or indirectly through one or more intermediaries;

12 (10) "voting security" includes any security convertible  
13 into or evidencing a right to acquire the right to vote for management  
14 and the right to vote on other matters as provided in a corporation's  
15 articles of incorporation.

16 \* Sec. 2. This Act takes effect on January 1, 1977.  
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*File with members*



State Farm Mutual Automobile Insurance Company

JOHN S. GLASCOCK  
Northwest Office  
4600 25th Avenue  
Salem, Oregon  
97313

February 6, 1976

Representative Terry Gardiner  
Room 124, Capitol  
Juneau, Alaska

Dear Mr. Gardiner:

Re: H.B. 554 and  
CS for H.B. 554

This Act is essentially the NAIC Model Holding Company statute. I would like to suggest that Section 21.22.060 (a) lines 14 through 16 be amended as follows:

"Every insurer which is authorized to do business in this state and which is a member of an insurance holding company system shall register with the Director, except a foreign or alien insurer subject to disclosure requirements and standards adopted by statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in this section."

The NAIC model language and the language in almost every state which has adopted this holding company statute, has a "substantially similar" exception to the registration requirement. Adoption of this language should provide ample protection and at the same time make the registration requirement less onerous and simpler to administer.

I will be happy to discuss this with you in more detail if you wish. I can be reached in Salem, Oregon, at 1-503-393-0101, extension 250.

Sincerely yours,

*John S. Glascock*  
John S. Glascock  
JSG:mea

*Give my love and her mother's to Rebecca Purch who is working for <sup>Rep.</sup> Vatterz Ostrosky and <sup>Rep.</sup> Lisa Rudd. I am her stepfather JSG*

① Amendment to CS HB 554

adopted  
page 3 line 26 after "all" add  
the words: felony convictions and misdemeanor  
convictions involving moral turpitude

strike the remainder of the clause up to the ;

Amendments to HB 558

② Page 4 line 7 after the word "engage" add:

adopted  
with such frequency as to indicate a  
~~practice~~ practice

③ Page 5 line 26 amend AS 21.36 by  
adopted  
adding a new sec.

AS 21.36.210 ENFORCEMENT, The  
director of insurance shall promulgate regulations  
to implement, define and enforce sec. 135

4

adopted  
21.36.320 (d) "In addition to an order issued under (c) of this  
section, the director may also order a penalty of not  
more than [S10,000.00] \$1,000.00 for each act or \$10,000.00  
for engaging in a general business practice in violation  
of this chapter."

(e) "If the person charged knew or should have known he  
was in violation of this chapter, a penalty in addition  
to that prescribed in (d) of this section, of not more  
than [S5,000.00] \$1,000.00 for each act or \$25,000.00  
for engaging in the general business practice in violation  
of this chapter, or suspension or revocation of their person's  
license, or both, may also be ordered by the Director."

36 states

— Model Holding Co. Statute —

Insurance Co bought out & held by other Co.

- ① Holding Co. could remove assets of Ins Co.  
Service contracts with affiliates
- ② Ownership by Co. with lack of managerial skills
- ③ Allows to approve of merger of Ins. Co.
- ④ Ins Co part of Holding Co. - file statement showing relationship to holding Co.
- ⑤ Have to approve  
① extraordinary assets 10%  
② Transfer of assets  
5% of surplus  
1% of assets

Domestics & property - part of holding Co.

Necessary for solvency of Co.

Applies to all Co. doing business in state  
~~could require~~ If other state requires  
then we use them