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JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE      POUCH D -- JUNEAU 99811

January 23, 1976

The House of Representatives  
Commerce Committee  
In Session  
Juneau, Alaska

Dear Ladies and Gentlemen:

Re: House Bill 559

I will be pleased to discuss with you, on Monday, January 26th, an act relating to insurance filing review periods and insurance deviations.

Under current law we have fifteen days to approve or disapprove a rate filing made by a carrier and we may, by writing a letter containing certain specific language, obtain an additional fifteen days in which to approve or disapprove that rate.

The amendment proposed in House Bill 559 would extend both the primary period and the extended period from fifteen days to thirty days. The amendment will also permit the Division to approve for use a rate filing without waiting for the expiration of an approval period. The amendment also eliminates the necessity of putting unnecessary language in the notice of the Division that the time for approval is being extended.

*150-200  
a day week*

Finally there is a more substantive change which will allow the Division to approve deviation and rate filings in a manner other than a uniform percentage deviation.

Under current law a carrier may deviate from a bureau filing in a flat percentage upwards or downwards. Suppose the Insurance Service Office, the rating bureau for automobile insurance rates for the majority of carriers in this state, made a rate filing for all the various locations in the state, class codes, automobile descriptions, and driver ages, and that rate filing is approved by the Division. A carrier desires to market a program in this state and charge rates other than those approved for the I.S.O.

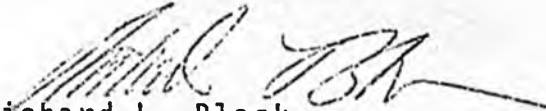
*People who don't belong to bureau can  
do this - this make rate bureau insurers  
equal*

January 23, 1976

Under current law we have authority to approve only a flat percentage increase or decrease in the total rate scale promulgated by the I.S.O.. Under the proposed amendment we would be authorized to do that but also to approve an entirely different rating scheme or a rating scheme where some rates are higher than bureau and some rates are lower than bureau.

It is believed by the Division that this will enable the carriers to market more strongly in this state and thus improve the market for insurance in a variety of lines.

Yours Cordially,



Richard L. Block  
Director

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 accomplish two goals: (1) change the period for evaluation of insurance rate filings, and (2) modify the restrictions on deviations in insurance rate structures.

Section 1 of the bill revises the rate filing review period. Under the present Alaska insurance rate law, AS 21.39.040(d) the Division of Insurance has 15 days to review a rate filing; this period may be extended for an additional 15 days. This procedure presents a hardship when the Division is faced with a complex rate filing, especially if other equally important matters are concurrently pressing. If, for example, the rate analyst is absent from the office for more than a week, the additional 15 days must be invoked to allow analysis of the filing. We propose that this period be revised to 30 days which may be extended for an additional 30 days.

The present law also requires that if the Director of the Division extends the review time for an additional period, he must not only give notice of the extension but must also make a statement that he needs the extension. This latter is duplicative and unnecessary, and we propose its deletion.

Finally, the statute presently permits the Director of the Division of Insurance to approve a filing before expiration of the waiting period upon written application of the insurer or rating organization. A number of rate filings are simple ones, requiring little time to review and arrive at a decision as to its use in Alaska. The statute now requires that all filings be held for the full waiting period. In section 1, we also propose that the Director, upon his own initiative, be empowered to waive that period. This change will avoid the need to maintain a pending file for filings that have been reviewed and are merely awaiting expiration of the waiting period so they can be approved.

Section 2 of the bill provides for the introduction of some flexibility into the insurance rate structure. The State of Alaska is presently operating under an insurance rate law based upon a model adopted by the National Association of Insurance Commissioners in 1946.

Our review of this rate law indicates that the primary deterrent to a competitive rate situation is the adherence provision found in AS 21.39.070(a). This provision is unduly restrictive in allowing only uniform percentage deviations from rating bureau filed rates. For example, an insurer writing automobile insurance under a bureau filing could not deviate for a particular kind of vehicle, such as a vehicle used for hauling fuel, without similarly deviating for all commercial vehicles. This restriction results in either non-acceptance of the deviation for vehicles used for hauling fuel or a rate that is disproportionate to the actual risk exposure. A competitive atmosphere is best served by allowing greater latitude in this area. By removing the portion of the adherence provision allowing only uniform percentage deviations, we can substantially modify the current situation in a way which will enable greater competition in rating.

This bill would encourage a greater divergence of rates; that should result in more and better options for the purchaser of insurance in Alaska.

Sincerely,

Jay S. Hammond  
Governor

Introduced: 1/14/76  
Referred: Commerce

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 559

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 insurance filing review periods;  
7 insurance rate deviations."

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

9 \* Section 1. AS 21.39.040(d) is amended to read:

10 (d) Subject to the exception specified in (e) of this section,  
11 each filing shall be on file for a waiting period of 30 [15] days  
12 before it becomes effective, which period may be extended by the  
13 director for an additional period not to exceed 30 [15] days if he  
14 gives written notice within the waiting period to the insurer or  
15 rating organization which made the filing [STATING THAT HE NEEDS  
16 ADDITIONAL TIME FOR THE CONSIDERATION OF THE FILING]. Upon written  
17 application by the insurer or rating organization, or upon his own  
18 initiative, the director may authorize a filing which he has reviewed  
19 to become effective before the expiration of the waiting period. A  
20 filing shall be considered to meet the requirements of this chapter  
21 unless disapproved by the director within the waiting period.

22 \* Sec. 2. AS 21.39.070(a) is amended to read:

23 (a) Each member of or subscriber to a rating organization shall  
24 adhere to the filings made on its behalf by the organization except  
25 that an insurer may make written application to the director to file  
26 a deviation [, WHICH IN THE CASE OF CASUALTY INSURANCE MAY ONLY BE A  
27 UNIFORM PERCENTAGE DEVIATION,] from the class rates, schedules,  
28 rating plans or rules respecting a kind of insurance, or class  
29 of risk within a kind of insurance, or combination thereof. The

*more  
time*

*no waiting  
period  
after  
approval*

1 application shall specify the basis for the modification and a copy  
2 shall also be sent simultaneously to the rating organization. In  
3 considering the application to file the deviation the director shall  
4 give consideration to the available statistics and the principles for  
5 rate making as provided in sec. 30 of this chapter. The director  
6 shall issue an order permitting the deviation for the insurer to be  
7 filed if he finds that it is justified and it shall become effective.  
8 He shall issue an order denying the application if he finds that the  
9 deviation applied for does not meet the requirements of this chapter.

# STATE OF ALASKA

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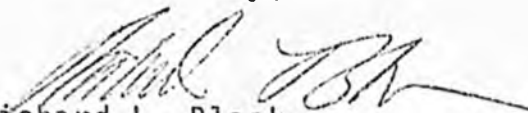
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Director