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6333

FEBRUARY 28, 1984

TO: JOHN
FROM: KEN
RE: OPENING COMMITTEE COMMENTS ON HB 633

HOUSE BILL 633, SPONSORED BY OUR COLLEAGUE REP. FURNACE, WOULD AMEND TITLE 21 OF THE ALASKA STATUTES. UNDER PRESENT LAW THE FEES REQUIRED FROM THOSE WORKING IN THE INSURANCE INDUSTRY, ARE ESTABLISHED BY THE LEGISLATURE. IF THIS BILL IS ADOPTED, THE LEGISLATURE WOULD NO LONGER BE RESPONSIBLE SETTING THESE FEES. INSTEAD, THIS BILL WOULD GRANT AUTHORITY, UNDER STATE REGULATIONS, TO THE DIRECTOR OF THE DIVISION OF INSURANCE TO ESTABLISH FEES FOR THE INDUSTRY .

QUESTIONS:

1. WHY CAN'T THE DIVISION OF INSURANCE SUBMIT CHANGES IN THE FEE STRUCTURE TO THE LEGISLATURE FOR APPROVAL RATHER THAN CHANGING THE STATUTE ?

2. HAS THE DIVISION OF INSURANCE EXPERIENCED PROBLEMS IN THE PAST WITH A LEGISLATURE WHICH REFUSED TO COOPERATE WITH THE DIVISIONS REQUESTS ?

3. what was the reason Behind The Present State.

4 - Needed Balance of Employment - Insurance

5 - Report - For Law To

HOUSE BILL 633
PROPOSED FEES

			FY 83	FY 84	FY 85
Sec. 21.06.250 (a)					
1 (A) domestic insurers	[\$100]	1,000	2,000	2,000	2,000
foreign insurers	[\$100]	<u>1,000</u>	7,975*	15,000	15,000
(B) annual continuation of certificate of authority	[\$ 65]	<u>100</u>	53,610*	85,000	85,000
(C) reinstatement of certificates of authority	[\$ 65]	<u>500</u>	-0-	-0-	-0-
(D) amending certificate of authority	[\$ 10]	<u>100</u>	200	2,000	2,000
(2) filing amendment of articles of incorporation, domestic and foreign insurers	[\$ 10]	<u>100</u>	470	4,700	4,700
(3) filing bylaws or amendments thereto as required	[\$ 10]	<u>100</u>	3,410	34,100	34,100
(4) filing annual statement of insurer, other than as part of application for original certificate of authority	[\$ 10]	<u>100</u>	8,800	88,000	88,000
(5) (A) application for original license, and including issuance of license, if issued,					
(i) individual	[\$ 35]	<u>50</u>	7,000	10,000	10,000
(ii) firm or corporation	[\$ 75]	<u>100</u>	2,000*	2,700	2,700
(B) annual renewal or continuation of license					
(i) individual	[\$ 35]	<u>50</u>	20,010*	28,600	28,600
(ii) firm or corporation	[\$ 75]	<u>100</u>	18,135*	24,200	24,200
(C) Appointment of agent or general agent, each insurer	[\$ 5]	<u>10</u>	2,000	4,000	4,000
(D) annual renewal of appointment of general agent or agent, each insurer	[\$ 5]	<u>10</u>	37,812*	75,620	75,620
(E) temporary license	[\$ 35]	<u>50</u>	-0-	-0-	-0-
(6) nonresident general agent or agent's license					
(A) individual	[\$ 75]	<u>100</u>	7,500	10,000	10,000
(B) firm or corporation	[\$150]	<u>200</u>	1,500	2,000	2,000
(C) annual renewal or continuation of license	[\$ 75]	<u>100</u>	65,000*	86,700	86,700
(7) broker license					
(A) application for original license and including issuance of license if issued--resident					
(i) all line broker	[\$100]	<u>200</u>	1,500	3,000	3,000
(ii) property-casualty broker	[\$ 75]	<u>150</u>	2,000*	4,050	4,050
(iii) life-disability broker	[\$ 75]	<u>150</u>	300	600	600
(B) annual renewal or continuation of license--resident					
(i) all line broker	[\$100]	<u>200</u>	5,050*	10,100	10,100
(ii) property-casualty broker	[\$ 75]	<u>150</u>	13,200	26,400	26,400
(iii) life-disability broker	[\$ 75]	<u>150</u>	3,600	7,200	7,200

(C) application for original license and including issuance of license, if issued--nonresident					
(i) all line broker	[\$250]	<u>500</u>	1,000	2,000	2,000
(ii) property-casualty broker	[\$150]	<u>300</u>	1,000	1,800	1,800
(iii) life-disability broker	[\$150]	<u>300</u>	450	900	900
(D) annual renewal or continuation of license-nonresident					
(i) all line broker	[\$250]	<u>500</u>	20,700*	41,500	41,500
(ii) property-casualty broker	[\$150]	<u>300</u>	4,500	9,000	9,000
(iii) life-disability broker	[\$150]	<u>300</u>	750	1,500	1,500
(8) solicitor license					
(A) application for original license, including issuance of license if issued	[\$ 15]	<u>50</u>	-0-	-0-	-0-
(B) annual continuation of license	[\$ 15]	<u>50</u>	-0-	-0-	-0-
(9) general agent or agent license, life, disability issuance and annuities					
(A) application for original license, including issuance of license, if issued,					
(i) individual	[\$ 35]	<u>50</u>	70	100	100
(ii) firm or corporation	[\$ 75]	<u>100</u>	150	200	200
(B) annual renewal or continuation of license,					
(i) individual	[\$ 35]	<u>50</u>	2,400*	3,400	3,400
(ii) firm or corporation	[\$ 75]	<u>100</u>	425*	500	500
(C) appointment of general agent or agent, each insurer	[\$ 5]	<u>10</u>	10	10	10
(D) annual renewal of appointment of general agent or agent, each insurer	[\$ 5]	<u>50</u>	20	200	200
(10) [examination] application for license as general agent, agent, broker, solicitor or adjuster, each [examination] application	[\$ 10]	<u>20</u>	8,130	16,260	16,260
(11) surplus line broker license					
(A) application for original license and for issuance of license, if issued--resident	[\$100]	<u>200</u>	200	400	400
(B) application for original license and for issuance of license, if issued--nonresident	[\$300]	<u>600</u>	1,200	2,400	2,400
(C) annual renewal or continuation of license--resident	[\$100]	<u>200</u>	3,700	7,400	7,400
(D) annual renewal or continuation of license--nonresident	[\$300]	<u>600</u>	14,850*	29,400	29,400
(12) adjuster license					
(A) application for original license and for issuance of license if issued--resident	[\$ 35]	<u>70</u>	70	140	140
(B) annual renewal or continuation of license--resident	[\$ 35]	<u>70</u>	3,710	7,420	7,420

(C) application for original license and for issuance of license, if issued--nonresident	[\$ 75]	<u>150</u>	75	150	150
(D) annual renewal or continuation of license--nonresident	[\$ 75]	<u>150</u>	2,443*	4,800	4,800
(13) insurance vending machine license, each machine, each year	[\$ 35]	<u>70</u>	-0-	-0-	-0-
(14) for issuing any other certificate required or permissible under law	[\$ 5]	<u>25</u>	2,080	10,400	10,400
(15) for accepting service of process	[\$ 5]	<u>25</u>	1,565	7,825	7,825
(16) for copy of insurance code, actual printing cost plus postage;			280	280	280
(17) for copy of insurance report, actual printing cost plus postage;			-0-	-0-	-0-
(18) for any printed material furnished by the director not mentioned above, the director may charge the actual cost of printing plus handling and postage;			485	485	485
(19) for limited license (travel insurance agent)	[\$ 25]	<u>40</u>	275	550	550
(20) [Repealed]					
(21) rating bureaus (for a three-year license)	[\$100]	<u>300</u>	450*	1,200	1,200
(b) The director shall promptly deposit with the commissioner of revenue to the credit of the general fund of this state all fees received by him under this section. (1 ch 120 SLA 1966; 1-6 ch 113 SLA 1974; 1 ch 206 SLA 1976)					
Surplus Lines Statement Fee**			261,358	225,000	225,000
Retalitary Fees			140,548	140,548	140,548
Penalties**			<u>67,418</u>	<u>96,720</u>	<u>96,720</u>
TOTALS			801,034	1,138,458	1,138,458
BUDGET			<u>976,000</u>	<u>991,600</u>	<u>1,083,900</u>
			- 174,966	146,858	54,558

* Figures given by Division of Insurance

** Vary with Volume

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D R A F T

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill amending the current structure for fees collected by the division of insurance, Department of Commerce and Economic Development under AS 21.

Insurance license and other related fees are currently set by statute and may be adjusted only through legislation. This bill proposes to remove these fee structures from the statutes and provide that they may be set instead by regulation. This will mean that the fees may be adjusted to more nearly reflect actual costs to the state for the services rendered, without the need to repeatedly request statutory changes. The director of the division of insurance, Department of Commerce and Economic Development, will have the responsibility for adopting the fee-setting regulations.

The statutes currently setting fees for the division of insurance do not provide adequate revenue to the state to cover the division's present budget. Most of the fees were set by statute in 1966 and have not been increased since. In order to permit adjustment of insurance fees to more closely approximate the actual cost of services, I urge your prompt action on this measure.

Sincerely,

Bill Sheffield
Governor

WLET
AS 21.06.25

	<u>Current User Fee</u>	<u>Recommended User Fee</u>	<u>Projection on # of Applications</u>	<u>Estimated 1984 Income</u>	<u>Date of Last Statute Change</u>
Certificate of Authority () Domestic and Foreign	100	750	50	37,500	1966
Annual Continuation of Certificate of Authority	65	150	950	140,500	1966
Reinstatement of Continuation of CTF of A	65	150	1	150	1966
Amending CTF of A	10	100	40	4,000	1976
Filing Articles of Incorporation	10	25	1	25	1966
Filing Bylaws or Amendments	10	25	10	250	1966
Filing Bylaws or Amendments	10	25	20	500	1966
Filing Annual Statements	10	100	950	95,000	1966
Resident Agent License Individual Application	35	50	150	7,500	1966
Resident Agent-Firm Application	75	150	10	1,500	1966
Agent Renewal-Individual	35	50	350	17,500	1966
Agent Renewal-Firm	75	150	135	10,125	1966
Appointment of Agent or General Agent of Company	5	10	100	1,000	1966
Annual Renewal of Agent or General Agent Appointment	5	10	3,250	32,500	1966
Temporary License	35	35	0	0	1966
Nonresident General Agent or Agent's License	35	75	30	2,250	1966
Individual	35	75	30	2,250	1966
Firm	150	200	10	2,000	1966
Annual Renewal of Nonresident Agent or General Agent's License					
Individual	75	75	300	22,500	1966
Firm	75	100	250	25,000	1966

	<u>Current User Fee</u>	<u>Recommended User Fee</u>	<u>Projection on # of Applications</u>	<u>Estimated 1984 Income</u>	<u>Date of Last Statute Change</u>
Application for					
All Lines Broker	100	150	10	1,500	1974
Property Casualty Broker	75	100	10	1,000	1974
Life and Disability Broker	75	100	10	1,000	1974
Renewal-Resident Broker					
All Lines Broker	100	150	45	6,750	1974
Property Casualty Broker	75	100	20	2,000	1974
Life and Disability Broker	75	100	20	2,000	1974
Application for Original					
License-Broker/Nonresident					
All Lines Broker	250	250	4	1,000	1974
Property Casualty Broker	150	200	10	2,000	1974
Life and Disability Broker	150	200	5	1,000	1974
Renewal for					
License-Broker/Nonresident					
All Lines Broker	250	250	60	15,000	1974
Property Casualty Broker	150	200	70	14,000	1974
Life & Disability Broker	150	200	10	2,000	1974
Application for Solicitors					
License	15	25	10	250	1966
Renewal of Solicitors License					
License	15	25	5	125	1966
Application for General Agent					
Life and Disability					
Individual	35	50	20	1,000	1966
Firm	75	150	10	1,500	1966
Life and Disability Agent					
Renewal					
Individual	35	50	350	17,500	1966
Firm	75	150	135	10,125	1966
Appointment by Company to					
Agents and G/A	5	10	100	1,000	1966
Renewal Appointment					
Agents and G/A	5	10	3,250	32,250	1966
Examination Application for					
Agent-G/A, Broker, Solicitor or Adjuster	10	15	250	3,750	1974

	<u>Current User Fee</u>	<u>Recommended User Fee</u>	<u>Projection on # of Applications</u>	<u>Estimated 1984 Income</u>	<u>Date of Last Statute Change</u>
Examination Fee Payable to Testing Contractor					
Application for Surplus Lines Broker					
Resident	100	150	3	450	1966
Nonresident	300	500	3	1,500	1966
Renewal of					
Surplus Lines Broker	100	150	28	4,200	1966
Non Resident Surplus Lines Broker	300	500	58	29,000	1966
Application - Adjuster License	35	50	10	500	1966
Renewal - Adjuster License	35	50	125	6,250	1966
Application - Nonresident Adjuster	75	100	2	200	1966
Renewal-Nonresident Adjuster	75	100	35	3,500	1966
Insurance-Vending Machines	35	50	3	150	1966
Miscellaneous Certificates	5	10	60	600	1966
Service of Process	5	15	200	3,000	1966
For Limited License	25	25	16	400	1966
Rating Bureaus 3 Years	100	150	3	450	1966
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				566,750	
Surplus Lines Filing Fee 1/2% of 50 million				<hr/>	
				250,000	
				816,750	
Retaliatory Fee				<hr/>	
				95,000	
				911,750	

1984 LEGISLATIVE PROPOSAL REQUEST FORM

AGENCY: Commerce and Economic Development

SUBJECT OF PROPOSED BILL: Repeal of insurance fees as set by statute in order that they can be set by regulation.

BRIEF SUMMARY: Insurance fees are currently set by statute. They can be adjusted only by means of the legislative process. The current fees, most of which were established as long ago as 1966. (see (Attach a more detailed explanation if you can.) attached)

ESTIMATED FISCAL IMPACT: _____

OTHER STATE AGENCIES CONSULTED/AFFECTED: none

CONSTITUENT GROUPS: Those opposed: _____

Those in favor: _____

Those yet to be contacted: _____

Has this or a substantially similar bill been introduced (and not passed) in the legislature in a previous session? Yes _____ No _____

If so, please state: Bill number _____ Dept. of Law log no: J-77-____ (if it was a Governor's bill)

PREFERRED HOUSE OF INTRODUCTION: _____

RATE THE BILL'S IMPORTANCE TO DEPARTMENT BY PRIORITY #: _____

DRAFT ATTACHED: Yes yy No _____ Not finalized _____

COMMISSIONER'S SIGNATURE: Richard A. Lyon

DATE: _____

are inadequate to reflect the costs of the services provided. It is proposed that fees would be more appropriately placed in regulation where they can be adjusted upwards or downwards to reflect true costs and eliminate the need to repeatedly ask for statutory change.

In FY 83, income from the various fee charges was \$801,034. The budget for the Division was \$939,823. The proposed fees would more closely approximate the actual cost to provide services to the user and balance the Division's budget.

Perhaps only sections 1, 11, 14 and 29 need be included in the bill and the revisor of statutes could pick up the remaining conflicting statutes. This would avoid a lengthy bill which appears more complicated than it is.