

~~CONFIDENTIAL~~  
~~CONFIDENTIAL REPORT~~

(11)

Date referred: 5/2/86

FURTHER REFERRALS:

DATE: 5-10-86

The FINANCE Committee has considered CSSB 442(Fin)

"An Act relating to reciprocal insurers that provide marine insurance; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with \_\_\_\_\_  same title
- \_\_\_\_\_  new title

and recommends \_\_\_\_\_

further referral to the \_\_\_\_\_ Committee

- and attaches:
- letter of intent
  - first fiscal note
  - new fiscal note
  - zero fiscal note 4/9

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

*Alberto A. Adams*  
 \_\_\_\_\_  
*John P. ...*  
 \_\_\_\_\_  
*Mark ...*  
 \_\_\_\_\_  
*John ...*  
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*John ...*  
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*Alberto A. Adams*  
 \_\_\_\_\_  
 Chairman

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 4-9-86

**REQUEST**  
 Bill/Resolution No.: CSSB 442 (Fin)  
 Title: "An Act relating to . . .  
 marine insurance  
 Sponsor: Senator Eliason  
 Requester: Senator Zharoff  
 Date of Request: 4/9/86

**FISCAL DETAIL**  
 Agency Affected: Commerce & Econ. Dev.  
 BRU: Insurance  
 Components: Operations

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL		0.0	0.0	0.0	0.0	0.0
CONTRACTUAL		0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		0.0	0.0	0.0	0.0	0.0

CAPITAL		0.0	0.0	0.0	0.0	0.0
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REVENUE		0.0	0.0	0.0	0.0	0.0
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**FUNDING: (Thousands of dollars)**

GENERAL FUND		0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME		0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary.  
 The role of the division in this marine insurance "creation" bill is to advise, verify and act as a clearinghouse - coordinating agency for those charting reciprocal insurance companies. Professional services contracts to insurance service providers and specialist-attorneys will be essential to establish these reciprocals properly

Prepared by: Paul Troeh, Deputy Director  
 Division: Insurance

Phone: 465-2515  
 Date: 4/9/86

Approved by Commissioner: J. H. Baker  
 Agency: Commerce and Economic Development

Date: 4/9/86

**Distribution (by Agency preparing fiscal note):**

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSB 442

and legally. Estimated service company fees of \$50,000 the first year and attorney fees of \$25,000 to charter are minimum figures. These expenses will be borne by groups chartering the pools.

Offered: 4/14/86  
Referred: Rules

Original sponsor: Eliason

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 CS FOR SENATE BILL NO. 442 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to reciprocal insurers that provide  
7 marine insurance; and providing for an effective  
8 date."

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

10 \* Section 1. FINDINGS. A crisis exists in the marine insurance market  
11 that is seriously affecting persons who fish commercially in the state.  
12 The development of insurance reciprocals to provide marine insurance would  
13 help alleviate this crisis. Persons who fish commercially in the state are  
14 generally unable to bear the cost of developing reciprocal insurers to  
15 provide marine insurance, particularly in light of the depressed condition  
16 of certain segments of the fishing industry. The Department of Commerce  
17 and Economic Development should provide technical assistance to persons who  
18 wish to form reciprocal insurers to provide marine insurance.

19 \* Sec. 2. AS 21.39.155(a) is amended to read:

20 (a) The director may require carriers, except a reciprocal  
21 insurer formed by and insuring only a group of municipalities or  
22 nonprofit public utilities under AS 21.75 or a reciprocal insurer  
23 formed under AS 21.75 to provide marine insurance, as a condition of  
24 writing a line of insurance dealing with workers' compensation, to  
25 participate in an assigned risk pool if the director finds that manda-  
26 tory carrier participation is in the public interest.

27 \* Sec. 3. AS 21.75.020(a) is amended to read:

28 (a) Except as provided in (c) of this section, a [A] reciprocal

1 insurer may, upon qualifying as provided for by this title, transact  
2 any kind or kinds of insurance defined by this title, other than life  
3 or title insurances.

4 \* Sec. 4. AS 21.75.020 is amended by adding a new subsection to read:

5 (c) The director shall establish by regulation the type of  
6 marine insurance that a reciprocal insurer may provide.

7 \* Sec. 5. AS 21.75.050 is amended by adding a new subsection to read:

8 (e) Notwithstanding (a) - (c) of this section, the director  
9 shall establish by regulation the level of surplus to be maintained by  
10 a reciprocal insurer providing marine insurance.

11 \* Sec. 6. AS 21.75.060 is amended by adding new subsections to read:

12 (d) The director may provide financial and technical assistance  
13 to persons who wish to establish a reciprocal insurer to provide  
14 marine insurance under this chapter.

15 (e) The areas the director may assist the person with under (d)  
16 of this section include

17 (1) preparing the documentation necessary to form the  
18 reciprocal insurer;

19 (2) obtaining reinsurers for the reciprocal insurer;

20 (3) preparing subscriber rules and management procedures  
21 for the reciprocal insurer;

22 (4) financing the formation expenses of the reciprocal  
23 insurer;

24 (5) managing the reciprocal insurer.

25 \* Sec. 7. AS 21.75.230 is amended by adding a new subsection to read:

26 (d) Notwithstanding (a) - (c) of this section, a reciprocal  
27 insurer that provides marine insurance may issue policies that are  
28 nonassessable.

29 \* Sec. 8. AS 21.80.180(5) is amended to read:

1 (5) "insolvent insurer" means an insurer

2 (A) authorized to transact insurance in this state,  
3 except an assessable reciprocal insurer formed by and insuring  
4 only municipalities or nonprofit public utilities, a reciprocal  
5 insurer formed under AS 21.75 to provide marine insurance, the  
6 Medical Indemnity Corporation of Alaska, and the Health Care  
7 Providers Joint Underwriting Association established under  
8 AS 21.88, either at the time the policy was issued or when the  
9 insured event occurred, and

10 (B) determined to be insolvent by a court of competent  
11 jurisdiction;

12 \* Sec. 9. AS 21.80.180(6) is amended to read:

13 (6) "member insurer" means a person, except an assessable  
14 reciprocal insurer formed by and insuring only municipalities or  
15 nonprofit public utilities, a reciprocal insurer formed under AS 21.75  
16 to provide marine insurance, the Medical Indemnity Corporation of  
17 Alaska, and the Health Care Providers Joint Underwriting Association  
18 established under AS 21.88, who

19 (A) writes [ANY KIND OF] insurance to which this  
20 chapter applies under AS 21.80.020 including the exchange of  
21 reciprocal or interinsurance contracts, and

22 (B) is licensed to transact insurance in the [THIS]  
23 state;

24 \* Sec. 10. This Act takes effect immediately in accordance with AS 01.-  
25 10.070(c).

SECTIONAL ANALYSIS - CSSB 442 (FIN)

Relating to reciprocal insurers that provide marine insurance

Section 1 Recognizes that a crisis exists in the marine insurance market. While the formation of insurance reciprocals (pools) may help, fishermen may need assistance in initially organizing a reciprocal. The Department of Commerce and Economic Development should offer technical assistance to persons who wish to form reciprocals to provide marine insurance.

Section 2 A reciprocal formed to provide marine insurance will not need to participate in the assigned risk pool as a condition of writing worker's compensation. (Municipalities and non-profit utilities are already exempt.)

Section 3-4 The Director of Insurance will establish by regulations the type of marine insurance that a reciprocal may provide.

Section 5 The Director of Insurance will establish by regulations the level of surplus necessary to provide insurance.

Section 6 The Director of Insurance MAY provide financial and technical assistance to persons who wish to form a reciprocal for marine insurance. The Director MAY assist with

- preparing formation document
- obtaining reinsurers for the reciprocal
- preparing subscriber rules and procedures
- financing the formation expenses
- managing the reciprocal

Section 7 A reciprocal insurer for marine insurance MAY issue policies that are non-assessable. The term "non-assessable" means that the reciprocal cannot assess the policy holders for additional money if the losses exceed the premiums. An "assessable" policy has a clause which allows for additional money to be assessed.

Surplus requirements are more strict for non-assessable policies.

Section 8 A reciprocal providing marine insurance is not an "insolvent insurer" in respect to the Alaska Insurance Guaranty Association. This Association provides coverage to

claims issued by companies which subsequently become insolvent. (Municipality reciprocals and non-profit public utilities reciprocals are also not covered by the Association.)

Section 9 A reciprocal providing marine insurance is not a "member insurer" in the Alaska Insurance Guaranty Association.

Section 10 Immediate effective date



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Insurance	BILL NUMBER SB 442	SPONSOR Senator Eliason
DEPARTMENT POSITION  In favor			
PREPARED BY Paul Troeh, Deputy Director	DATE 4-9-86	COMMISSIONER'S SIGNATURE <i>C. D. Baker Sr</i>	DATE 4/09/86

SUMMARY

OTHER AGENCIES AFFECTED BY BILL  (Investments, Accounting and Collections)	CONSTITUENT GROUP(S) AFFECTED BY BILL  Fishing Industry
ORGANIZATIONAL SUPPORT FOR BILL  Commercial Fishing Industry Financial Institutions	ORGANIZATIONAL OPPOSITION TO BILL  None known

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Hull and P&I insurance for commercial fishing boats has increased many fold in cost and is simply not available from time to time. This bill facilitates formation of reciprocal marine insurance companies which "pool" risks, and are a proven form of dealing with this crisis.

ANALYSIS OF BILL/PROGRAM EFFECTS

Section 1: Financial and technical assistance for formation of reciprocals;  
Section 2: Takes marine reciprocals out of worker's comp. pools;  
Section 3: House cleaning charges to Section 4;  
Section 4: Types of marine in reciprocals by reg.;  
Section 5: Surplus set by reg. on marine recip.;  
Section 6: (d) financial and technical assistance may be provided, (e)(1) documents, (2) reinsurance, (3) subscriber rules and mgmt., (4) financing expenses, (5) may assist in managing;  
Section 7: May issue nonassessable policies;  
Section 8: Marine reciprocals out of Guaranty Act;  
Section 9: Clean up of Guarantee Act language.

AMENDMENTS PROPOSED

None.

J64970109876

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

Offered: 4/14/86  
Referred: Rules

Original sponsor: Eliason

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 442 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 marine insurance; and providing for an effective  
8 date."

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17 and Economic Development should provide technical assistance to persons who  
18 wish to form reciprocal insurers to provide marine insurance.

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14 marine insurance under this chapter.

15 (e) The areas the director may assist the person with under (d)  
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17 (1) preparing the documentation necessary to form the  
18 reciprocal insurer;

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Introduced: 2/18/86  
Referred: Labor and Commerce  
and Resources

1 IN THE SENATE

BY ELIASON

2

SENATE BILL NO. 442

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

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