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\* DELIVER TO: JFOM  
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\* ORIGINAL  
\* SENT: 01/15/86 TIME: 13:47  
\* FROM: LANA TRUJILLO  
\* SUBJECT: POM  
\* PRINT DATE: 01/15/86 TIME: 13:49  
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*Note: This is a correction  
of previously sent Pom  
(1-15-86)*

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TO: SENATE LABOR AND COMMERCE COMMITTEE  
SENS. ZHAROFF, ELIASON, SACKETT, BENNETT, RAY  
FROM: BOB NESTEL, P.O. BOX 771753, EAGLE RIVER, 99577, HM,  
694-4372  
SUBJECT: SB 340, SURPLUS LINES INSURANCE

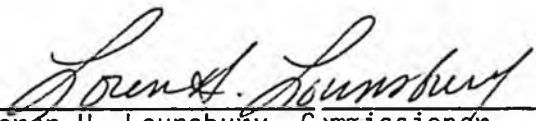
WHEN COMMITTEE HEARINGS ARE SCHEDULED, PLEASE CALL. NO ZERO  
FISCAL IMPACT WITH SB 340. IT DOESN'T REDUCE THE BROKERS  
RESPONSIBILITY, JUST REMOVE THE BOND FOR PAYMENT OF CLAIMS.  
THIS PAYMENT IS THE INSURANCE COMPANY'S RESPONSIBILITY. THE  
\$200,000 BOND IS STILL IN PLACE, AND THE 4 PER CENT SURPLUS LINES  
TAX IS STILL PAID.

SB 340: "An Act changing the conditions for licensing surplus lines insurance brokers."

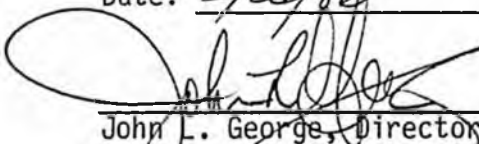
The department is not in favor of this legislation. This legislation removes access by insureds to the \$200,000 surplus lines broker's bond. It provides that the bond will no longer be available to guarantee return premiums or payment of proper losses. It would respond only to guarantee taxes and fines payable to the State.

The surplus lines broker is the licensee who can place insurance business in markets that are not subject to regulation under Alaska insurance law, the nonadmitted market. This broker is the "expert" upon whom insureds rely for the placement of their insurance with reliable, solvent and secure insurance companies. If the broker fails in this responsibility, the insured has only the broker's bond for his protection. The current bond was adopted in 1984 to provide some public protection for business placed in the nonadmitted market. Prior to that time there was no public protection, and there were instances where such was needed, particularly with aviation and marine coverages.

This legislation does not suggest an alternative form of protection for the public and would leave the court as the only remedy open to an aggrieved insured. The legislation in which the bond was adopted also included provisions that would allow the brokers to establish a degree of self-regulation as a further protection for the public. To date there has been no effort in that direction. We believe that removal of this protection is not acceptable to the public. Accordingly, we oppose the bill.

  
Loren H. Lounsbury, Commissioner  
Department of Commerce & Economic  
Development

Date: 2/26/86

  
John L. George, Director of Insurance

Date: 2/25/86